



BUSINESS REVIEW

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BOUNTIFUL WHEAT HARVEST POSES PROBLEM

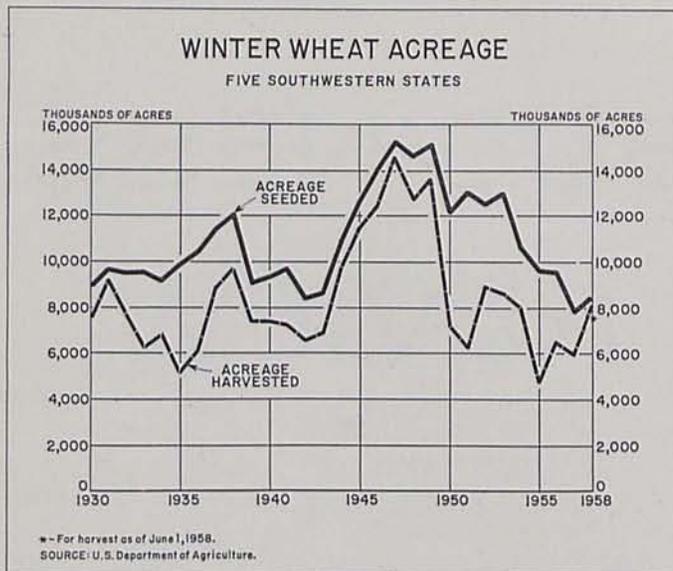
Wheat growers in the District states are harvesting the largest crop since 1949. The size of the crop is one of the favorable factors in southwestern agriculture. Present crop estimates, at 168,183,000 bushels, point to an output more than double that in 1957 and four times larger than the low production in 1955.

Soil moisture conditions in the High Plains of New Mexico, Oklahoma, and Texas — the principal wheat-producing area in the District states — have been the best in several years, and yields are at an all-time high. Similarly, weather throughout most of the other major wheat regions has been favorable, and a national winter and spring wheat output of over a billion and a quarter bushels — the fourth largest of record — is indicated.

The current wheat crop is the fifth consecutive one planted under acreage allotments and marketing quotas and is the second crop planted with advance knowledge of the Acreage Reserve Program. The national acreage allotment for the 1958 crop was again set at 55 million acres, the minimum acreage permitted by legislation. In District states, allotted acreage totaled about 9.5 million acres, which is only slightly larger than for the 1957 crop.

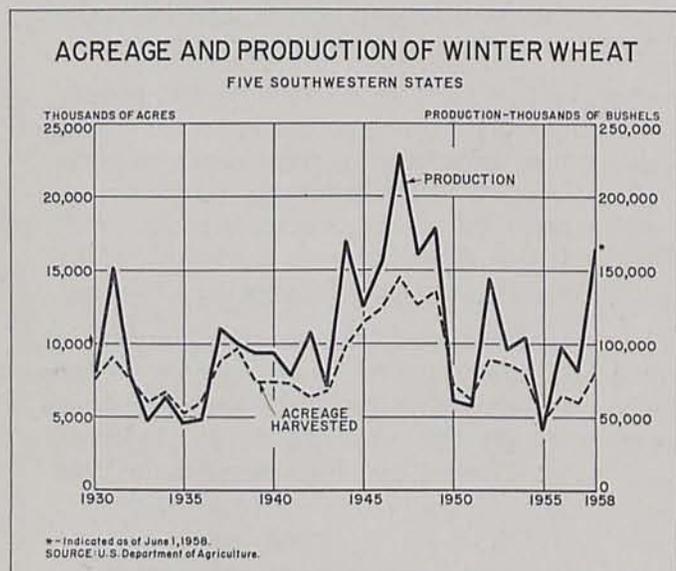
Favorable moisture conditions last fall encouraged farmers in both the Nation and the District states to plant a larger proportion of their allotted wheat acreage, rather than placing it in the Acreage Reserve Program. In the District states, 1,358,473 acres, which is 14 percent of the allotment, have been placed in the 1958

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS



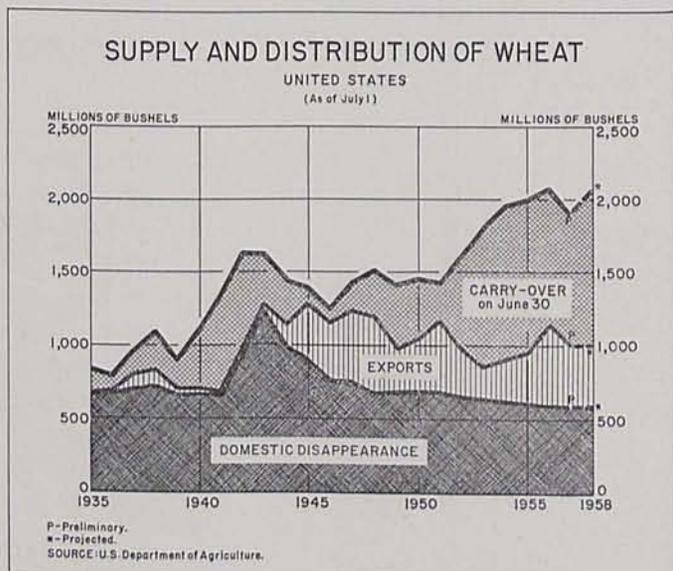
Wheat Acreage Reserve Program; 2,335,381 acres were placed in the 1957 program, or 25 percent of the allotment. In the Nation, 1958 Acreage Reserve signups are 9 percent of the allotment, compared with 23 percent in 1957.

Production of wheat fluctuates substantially from year to year as a result of variations in acreage seeded, abandonment, and yields. Seedings of winter wheat in the District states were 8 percent larger than for the 1957 crop, and those in the Nation were 17 percent greater. The acreage of winter wheat for harvest this year is substantially greater than in 1957 because abandonment has been smaller. Harvested winter wheat



acreage last year in District states was approximately 6 million acres, or about a fourth less than that seeded. Only about 3 percent of the acreage seeded may be abandoned this year, leaving the acreage for harvest at 8.3 million acres. Winter wheat acreage loss or diversion in the Nation may be 4 percent of the seeded acreage this year, compared with 16 percent for the 1957 crop. Yields per acre in both the District states and the Nation, at 21 bushels and 25 bushels, respectively, are the highest of record.

The exceptional wheat harvest in prospect this year provides welcome relief to farmers who have experienced some "lean" years during the past several seasons. However, the bumper marketings will add further to the imbalance between production and consumption. Wheat stocks rose rapidly from a quarter of a billion bushels in mid-1952 to an all-time high of over a billion bushels in 1955. Combined effects of acreage control

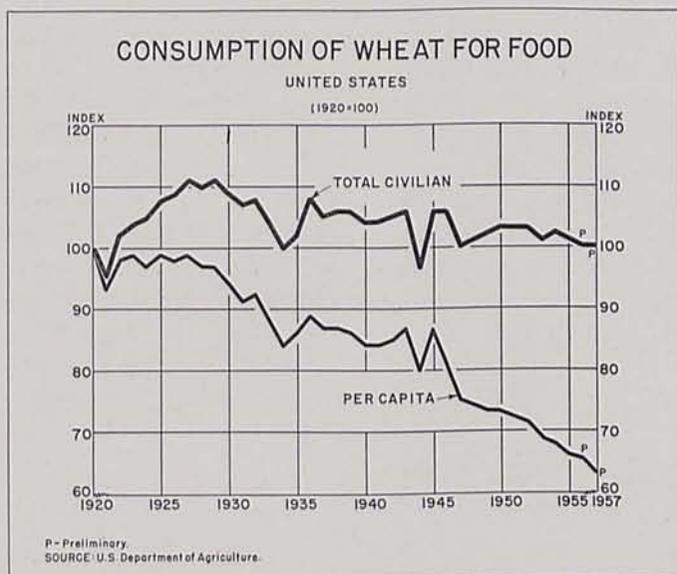


and diversion programs, poor growing conditions, and governmentally assisted exports during the past three marketing seasons are expected to result in a reduction in the carry-over to about 880 million bushels at the beginning of the marketing year on July 1, 1958.

The carry-over of old-crop wheat, plus the estimated 1958 production of almost 1.3 billion bushels, will be substantially in excess of domestic and foreign requirements, and the carry-over at the beginning of the 1959 marketing season is likely to set a new record. The failure of consumption to keep pace with the output of wheat at prices that growers consider satisfactory has

been a persistent problem. Efforts to enact legislation to assist wheat growers began in the 1920's, when prices declined following World War I.

The Federal Farm Board was set up by Congress in 1929 to facilitate orderly marketing. This venture was short-lived, and central features of subsequent programs have included minimum price guarantees and restrictions on acreage to control output. Since acreage controls have been in effect, national acreage allotments have ranged downward from almost 73 million acres for the 1950 crop to the present level of 55 million acres, which is the minimum acreage permitted by current legislation. Dollars-and-cents price supports reached a high of \$2.24 per bushel, at 90 percent of parity, for the 1954 crop, but subsequently the parity percentage has been reduced. The current crop is to be supported at a minimum of \$1.78 per bushel, which is 75 percent of parity.



Large stocks of wheat and flour have accumulated under the price support program; at the present time, about 880 million bushels of wheat and 106 million pounds of flour are held under Commodity Credit Corporation programs. Of this total, only about 92 million bushels are under loan or purchase agreement, while the remainder, valued at two and a quarter billion dollars, is owned by the Corporation. Hard red winter wheat — the principal type grown in the District — accounts for about three-fourths of the total wheat owned. In the District states alone, CCC stocks of old-crop wheat are about a sixth larger than the total estimated production of wheat in these states during the current season.

Reducing excess stocks is a difficult task since the Nation's wheat-producing capacity is much greater than disappearance at current domestic and world prices. Disappearance of United States wheat has fluctuated widely from year to year, although most of the variation has resulted from changes in the quantities exported. During the past 8 years, total disappearance has averaged about a billion bushels annually, ranging from 851 million bushels to 1.2 billion bushels.

The annual utilization of wheat for domestic purposes since the beginning of the 1950 marketing season has averaged 633 million bushels, over three-fourths of which was for food products. Unfortunately for wheat growers, the per capita consumption of wheat for food during the past four decades has trended downward from 263 pounds per person to 167 pounds, reflecting a 37-percent decline. As a result, total civilian consumption of wheat has remained virtually unchanged, despite the increase in population.

The shift in food preferences from starches and carbohydrates to proteins and low-energy foods has affected the domestic consumption of cereals in much the same manner as that of potatoes. The decline in per capita consumption of wheat for food since 1920 is equal to wheat production on about 16 million acres of land, or double the acreage seeded to 1958-crop wheat in Texas and Oklahoma. At the present time, there appears to be little hope that per capita food use of wheat in the United States will increase from current levels.

Feed and seed have accounted for the major portion of the remaining domestic utilization of wheat since 1950, averaging a little over 11 percent each. Industry has taken a small proportion of the crop, about 500,000 bushels annually — primarily for alcohol. Livestock feeding and industrial utilization of wheat were exceptionally heavy during World War II, when such uses were subsidized by the Government. The use of wheat for these purposes declined significantly when subsidy programs were ended.

Exports are of vital importance to American wheat growers. Prior to the late 1920's, most of the wheat not used domestically was readily absorbed by foreign customers, especially when shortages persisted during and following World War I. Exports declined sharply during the 1930's, when foreign supplies increased, drought reduced domestic production, and world wheat prices were unusually depressed. During World War II, overseas trade in wheat was held down because of shipping

difficulties, domestic livestock feeding, and industrial utilization. During most of the post-World War II period, production has remained at a relatively high level, and sales abroad have been stimulated by foreign aid and other subsidy programs.

Since the 1950-51 marketing season, exports of wheat have averaged almost 370 million bushels, reaching an all-time high of 549 million bushels during the 1956-57 marketing year. Exports during the current marketing year may total 400 million bushels, much of which will be shipped under various subsidy programs.

Competition for foreign markets is likely to remain keen. It may be difficult for the United States to hold its wheat exports at high enough levels to permit an expansion in acreage while maintaining approximately current prices for wheat. Foreign production of wheat has gradually increased from the low point following World War II. In the 1945-49 period, foreign production of wheat was an eighth below the pre-World War II average. Production improved gradually, and during the past three seasons, the foreign outturn of wheat has averaged a fourth above pre-World War II harvests. Part of this gain reflects the recovery of agriculture from wartime disruption, but part of the increase resulted from the efforts of importing countries to become more self-sufficient in bread grain output.

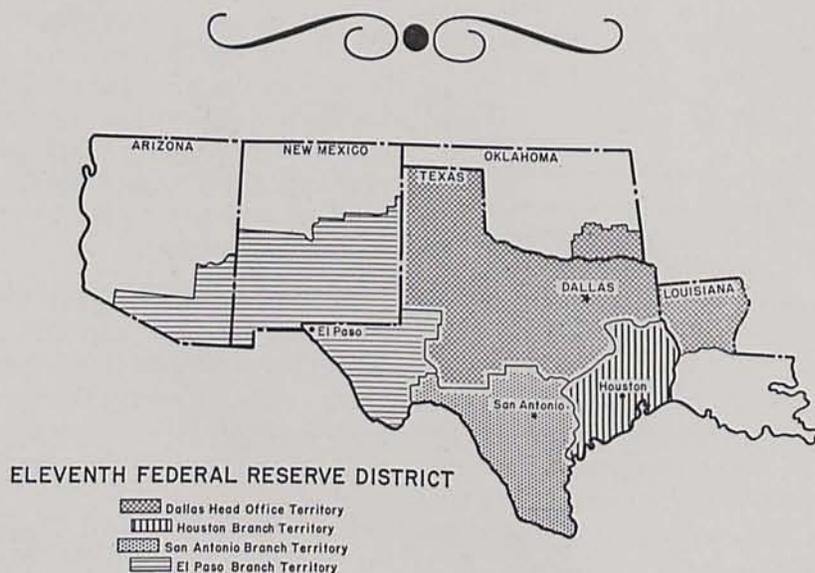
Wheat growers in both the Nation and the Southwest will receive a much-needed lift from the bumper crop. However, the size of the harvest should result in some sobering reflections upon the potential wheat-producing

capacity in relation to future utilization of wheat. Although adequate stocks of wheat should be maintained as insurance against crop failures, which are probable in the Great Plains wheat belt, it is more likely that growers will be faced with an excessive stocks position than with a situation of merely adequate or less than adequate supplies.

Despite the projected increase in population, it does not appear likely that domestic food wheat consumption will be sufficiently large to prevent surplus problems. Exports at current levels seem unrealistically high over the long run unless heavily subsidized under governmental programs. Increased feeding of wheat to livestock offers a major avenue of utilization for substantial quantities of the grain. The major deterrent to an increase in wheat feeding is the current unattractive price differentials between the traditional feed grains and wheat, which is presently being supported at food grain prices.

Barring a reversal in the foreseeable trends in domestic and foreign utilization of wheat for food, or an increase in wheat feeding, it is likely that wheat growers will continue to be subjected to pressures which will necessitate land-use adjustments. In the Great Plains, where wheat historically has been one of the more profitable alternatives, the adjustments may be painful. Many of the land-use changes would involve a shift from cropland to grassland, which would require additional capital outlays.

J. Z. ROWE
Agricultural Economist



EARNINGS AND EXPENSES OF COMMERCIAL BANK TRUST DEPARTMENTS

The percentage contribution of trust operations to total bank income is smaller in the Eleventh District than in any other Federal Reserve district, suggesting that trust banking is less fully developed in the Southwest than in other parts of the Nation. In recent years, however, the volume of trust business handled at banks in the Southwest has shown rapid growth, and the income derived from trust operations has registered a comparable advance. In 1957 the gain was especially impressive, as trust income at member banks in the District rose almost 19 percent above 1956, reaching a total of \$7,310,000.

The continued growth of trust business in the Southwest reflects not only the rapid development and growth of the southwestern economy but also the broadening and improvement of trust services offered by banks in the area. Over the years, economic development of the Southwest has created conditions favorable for the accumulation of personal wealth and, thus, has increased the demand for personal trust services. In addition, industrialization and the accompanying growth in business and industry have expanded sharply the volume of trust business handled for corporations and other forms of business organization. These developments, in turn, have been paralleled by an expansion of trust services provided by southwestern banks, which has enabled them to compete more effectively with banks in older sections of the country for trust business originating in the Southwest. Another factor contributing to the growth of trust banking in the area has been the increasing public understanding of trust services offered by commercial banks, reflecting largely the results of trust department education and public information programs.

The increase in trust earnings, which is at a rate substantially higher than the rate of growth in total bank earnings, has stimulated greater interest in the trust function and has called attention to the scarcity of statistical data in the trust field. In order to facilitate more careful study of trust operations by individual member banks in the District, the Federal Reserve Bank of Dallas annually conducts a survey of trust department earnings and expenses. Data for the 1957 survey were provided by 35 trust departments, which received \$6,462,912 in income from commissions and fees in 1957, or almost 90 percent of total member bank

trust income in the District. As in previous years, trust income was concentrated at the larger trust departments. Of the 35 banks represented in the survey, nine banks located in three cities received trust income in excess of \$300,000 each and accounted for three-fourths of total trust income received by all survey banks.

For trust departments in all size groups, personal accounts provided the major part of income in 1957. Dependence upon personal accounts as a source of trust income is much more pronounced, however, at the smaller trust departments. For all 35 banks in the survey, personal accounts furnished 82 percent of commissions and fees in 1957, while corporate accounts contributed the remaining 18 percent. Approximately half of 1957 income from personal accounts stemmed from personal trusts. Estates contributed slightly more than one-fourth of total income from personal accounts; personal agencies, almost 16 percent; and pension and profit-sharing trusts, the remaining 9 percent. Of total trust income from corporate accounts, approximately three-fourths was contributed by corporate agencies, and the remaining one-fourth was provided by corporate trusts. Distributions of income and related items for trust departments, classified by size of income, are shown in the table below.

DISTRIBUTION OF INCOME AND RELATED ITEMS FOR COMMERCIAL BANK TRUST DEPARTMENTS, 1957

Eleventh Federal Reserve District

(Percentage of total commissions and fees. Dollar amounts in thousands)

Item	35 banks with total commissions and fees of:			
	\$10- \$40	\$40- \$100	\$100- \$300	Over \$300
Number of banks	12	9	5	9
Commissions and fees from:				
Estates.....	15.9	26.0	18.3	21.8
Trusts.....	67.3	56.4	62.9	41.1
Pension and profit-sharing trusts.....	2.0	3.1	2.1	7.8
Agencies.....	14.8	14.5	16.7	29.3
Total income.....	100.0	100.0	100.0	100.0
Total expenses.....	124.3	95.2	114.8	91.6
Trust department net earnings (+) or losses (-) before income taxes.....	-24.3	+4.8	-14.8	+8.4
Allowed credits for deposits.....	30.0	15.3	26.5	14.6
Trust department net earnings (+) or losses (-), adjusted for deposit credits.....	+5.7	+20.1	+11.7	+23.0
Memorandum figures				
Average rate allowed as deposit credit (percent) ¹	2.2	1.8	2.3	2.6
Number of banks allowing deposit credits.....	4	5	5	5
Amount of total commissions and fees.....	\$202	\$613	\$844	\$4,804

¹ Based on reported rates only; excludes banks which do not allow a credit for deposits.

NOTE: The ratios are derived from aggregate dollar totals, not averages of individual bank ratios.

**DISTRIBUTION OF EXPENSES AND RELATED ITEMS FOR
COMMERCIAL BANK TRUST DEPARTMENTS, 1957**

Eleventh Federal Reserve District

(Percentage of total expenses. Dollar amounts in thousands)

Item	35 banks with total commissions and fees of:			
	\$10- \$40	\$40- \$100	\$100- \$300	Over \$300
Number of banks	12	9	5	9
Expenses				
Salaries and wages				
Officers	41.5	31.4	24.2	25.7
Employees	24.7	29.1	37.6	34.9
Pensions and retirements	2.1	3.1	2.1	5.4
Personnel insurance	.5	.9	.8	.8
Other expenses related to salaries	.9	1.1	.8	1.2
Occupancy of quarters	4.3	4.2	8.7	6.1
Furniture and equipment	2.1	1.9	3.2	2.7
Stationery, supplies, and postage	1.7	3.1	2.4	3.8
Telephone and telegraph	1.0	.8	.9	.8
Advertising	2.6	1.5	3.5	1.6
Directors' and trust committee fees	.4	1.4	.6	.5
Legal and professional fees	1.2	.8	.4	.7
Periodicals and investment services	.9	.7	.8	.4
Examinations	.6	.5	.7	.3
Other direct expenses	2.4	2.2	1.6	5.1
Total direct expenses	86.9	82.7	88.3	90.0
Overhead	13.1	17.3	11.7	10.0
Total expenses	100.0	100.0	100.0	100.0
Related items				
Amount of total expenses	\$251	\$584	\$969	\$4,398
Average number of officers	1.1	3.8	5.4	10.7
Average number of employees	1.6	5.8	20.0	45.7

NOTE: The ratios are derived from aggregate dollar totals, not averages of individual bank ratios.

Eighteen of the trust departments represented in the 1957 survey conducted profitable trust operations, while 17 showed net losses before adjustment for deposit credits. Banks with net losses on trust operations were not concentrated in any particular size groups. In the largest size group (trust departments with income from commissions and fees of over \$300,000), six banks showed profits and three banks reported losses. In the smallest size group, or departments with trust income of \$10,000 to \$40,000, five departments recorded profits and seven indicated net losses.

The item "net earnings or losses before income taxes" provides a measure of the profitability of trust operations, but it does not indicate with precision the contribution of the trust department to the earning power of the parent bank. For example, many trust departments provide valuable services for the parent bank, such as stock transfer functions, for which no income is received. In addition, of course, trust departments are instrumental in attracting deposits, and the volume of trust funds deposited with the parent bank ranges well into millions of dollars at a number of banks in the District. Currently, only a few banks in the District allow the trust department a credit for servicing the stock of the parent bank, but the practice of allowing a deposit credit is increasingly common. In 1957, 19 trust departments received a deposit credit, and the rate of credit allowed at these banks averaged 2.2 percent. The importance of funds deposited by the trust department with the parent bank is indicated by the fact that the dollar amount of deposit credits received by the 19 trust departments equaled 26.7 percent of the commissions and fees received by these departments.

Seven large trust departments in the District were able to report detailed statements of 1957 income and expenses by type of account. At these banks, corporate trusts were by far the most profitable phase of trust operations, as the costs of servicing such accounts amounted to only 65.9 percent of the income received. These seven trust departments also reported profits from estates, personal trusts, and agencies. The costs of handling pension trusts exceeded by almost 32 percent the income derived from these accounts. This loss was offset almost completely, however, by the adjustment for deposit credits allowed at four of the seven banks.

Percentage distributions of trust department expenses for banks, classified by volume of trust income, are shown in the accompanying table. As indicated in the table, salary and wage payments comprise around 60

percent of total trust department expenses. As a percentage of total expenses, salary payments for officers tend to be higher at the smaller trust departments than at the larger ones, while the reverse tendency prevails with respect to salaries and wages for employees.

On an over-all basis, expenses incurred in performing trust operations in 1957 amounted to 96.0 percent of total commissions and fees received by the 35 survey banks. After net earnings are adjusted for deposit credits allowed at 19 of these banks, net profits from trust operations amounted to 20.7 percent of total commissions and fees received.

As of December 31, 1957, the 35 trust departments in the survey had on their books almost 11,000 personal accounts, the carrying value of which was slightly in excess of \$1 billion. By far the largest number of personal accounts represented personal trusts, which numbered 7,716 on December 31. The remaining personal accounts consisted of 1,436 personal agencies, 672 estates, and 439 pension trusts. In addition, the 35 trust departments represented in the survey had 596 corporate trust accounts (bond trusteeships) as of December 31, and these accounts involved carrying values of \$867.4 million. The number of corporate agencies as of December 31 was 3,835.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Retail sales at Eleventh District department stores during May were 16 percent above April and 3 percent above May 1957. The seasonally adjusted sales index (1947-49 = 100) reached 161 in May, up from 151 in April and 156 in May last year.

New car registrations during May in the metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio dropped 3 percent from the preceding month and, as in April, were 33 percent under a year earlier.

Agricultural prospects remain favorable in most sections of the District. The winter wheat crop in the District states is indicated, as of June 1, at more than double last year's output. The condition of ranges and pastures declined seasonally during June but was improved from the same time last year.

The value of construction contracts awarded in the District states during April reflected gains of 11 percent over March and 29 percent over April 1957. Further gains were indicated for May.



Sales at Eleventh District department stores during May rose 16 percent above April, partly because of an extra trading day, and were 3 percent above May 1957. The seasonally adjusted sales index, which includes an allowance for differences in the number of trading days, reached its highest point this year in May, 161 percent of the 1947-49 average. This compares with 151 in April and 156 for May last year. Cumulative sales for 1958 through the end of May were 2 percent under total sales during the first 5 months of 1957. For the first 2 weeks in June, total sales were 1 percent below the corresponding period last year.

During May, sales of major household appliances at stores reporting departmental breakdowns registered a 4-percent increase over May 1957, principally as a

Nonagricultural employment in the District states showed a small seasonal rise in May but was nearly 1 percent less than a year ago. Texas unemployment declined again in May to reach 5.4 percent of the labor force.

Wholesale prices of gasoline were raised in much of the Nation in early June, while gasoline stocks declined to a level 1 percent below a year earlier. Crude oil production in the District during the first half of June, at 2,630,000 barrels daily, rose 3 percent from May but was 24 percent under June 1957. For July production, the Texas Railroad Commission has adopted a 9-day production schedule, resulting in an increase of 121,745 barrels per day in allowables.

Weekly reporting member banks in the District gained \$245.2 million in deposits during the 4 weeks ended June 18, permitting increases of \$54.3 million in gross loans, \$53.3 million in investments, and \$134.5 million in cash accounts. Reserve positions of member banks eased further in May, and average excess reserves rose to the highest level since April 1955.

result of a year-to-year gain of 7 percent in sales of air-conditioning units. Sporting goods and camera sales continued strong during May, showing a 14-percent increase over a year earlier. In the clothing departments, men's and boys' wear sales were 8 percent above May 1957, but sales of women's and misses' ready-to-wear declined 4 percent from a year ago.

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: May.....	155	156r	173	175
1958: March.....	137	153	168	160
April.....	143	151	169	163
May.....	159	161	161p	162p

r — Revised.
p — Preliminary.

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	May 1958 from		5 mos. 1958 comp. with 5 mos. 1957	May 1958 from	
	April 1958	May 1957		April 1958	May 1957
Total Eleventh District.....	16	3	-2	-5	-7
Corpus Christi.....	6	-3	-5	-6	-10
Dallas.....	18	6	2	-6	0
El Paso.....	6	5	1	-5	2
Fort Worth.....	17	6	-1	-6	-9
Houston.....	16	-6	-9	-2	-12
San Antonio.....	26	6	1	-5	-8
Shreveport, La.....	6	-5	-6	-9	-9
Waco.....	24	-3	-6	-5	-17
Other cities.....	11	9	3	-6	-8

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	May 1958 from		5 mos. 1958 comp. with 5 mos. 1957
	April 1958	May 1957	
FURNITURE STORES			
Total Eleventh District.....	27	6	1
Amarillo.....	3	-24	-22
Austin.....	50	6	-1
Dallas.....	49	22	0
Houston.....	25	11	4
Lubbock.....	19	12	-
San Antonio.....	43	-1	-2
Shreveport, La.....	12	7	10
Wichita Falls.....	21	5	-19
Other cities.....	21	-4	-3
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District.....	11	-3	-
Dallas.....	12	-8	-

At the department stores in the District that report credit data, end-of-May outstanding balances on regular charge accounts were 3 percent above the month-earlier level but were 1 percent under a year ago. Outstanding balances on instalment accounts were fractionally lower than in April and were 3 percent below a year earlier. A 4-percent increase in collections on instalment accounts, plus the reduction in instalment accounts receivable, resulted in an estimated average pay-out period in May of slightly less than 11 months for this type of department store credit. This is the first time since May 1952 that the average pay-out period has been less than 11 months.

Inventories at District department stores declined further during May to a level 5 percent below the previous month and 7 percent under a year ago. New orders showed more than the usual increase from April to May and were 4 percent above May 1957. As a result, orders outstanding at the end of May were sharply above April but still were 2 percent below the end of May last year.

Total new car registrations in the metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio in

May were 3 percent less than in the preceding month and were 33 percent under the number of registrations in the same month last year. In the San Antonio area, a fractional month-to-month increase occurred, but registrations still were 26 percent under May 1957. The Dallas area showed a decrease of less than 1 percent from April, while in Fort Worth and Houston, registrations during May were 6 percent below the previous month. Year-to-year declines of 32 to 35 percent occurred in the Dallas, Fort Worth, and Houston metropolitan areas.



The tropical storm Alma triggered widespread showers over a major portion of the District during mid-June. This precipitation brought welcome moisture and relief from soaring temperatures. In some sections, particularly west and southwest of San Antonio, cloudbursts occurred and major streams and their tributaries overflowed, but crop and livestock losses were light. Precipitation came too late in south Texas to provide much benefit for feed crops; in many other sections, shower activity maintained crop and forage development.

On June 20 the first bale of 1958-crop American cotton was ginned in the Lower Valley of Texas, and this year's cotton harvesting season was officially launched. In the Lower Valley, cotton continues to fruit heavily, and in the Coastal Bend, plants are in full bloom and are setting on a heavy crop of fruit. Cotton prospects in central, northern, and eastern Texas remain favorable; in dry-land areas of the northwestern section of the District, plants are making satisfactory development but would benefit from additional moisture. Throughout most of the irrigated sections of Arizona, New Mexico, and western Texas, the crop is making good growth. Injurious cotton insect populations were building up throughout most of the cotton-growing areas, but conditions have been generally satisfactory for their control. A severe outbreak of grasshoppers has occurred in northwestern sections of the District, particularly in the northern Panhandle of Texas. Extensive control measures are under way.

Most of the wheat has been harvested in eastern sections, and the crop in later areas is maturing rapidly as a result of high temperatures and winds. Combining is reaching a peak in the High Plains sections of Texas and New Mexico, and a bumper crop is in prospect. The Government recently announced that growers in

areas where adequate storage is unavailable will be permitted to pile their wheat on the ground and will be eligible for price supports at reduced levels. Production of winter wheat in the District states, as of June 1, is placed at 168,183,000 bushels, or 6 percent larger than the month-earlier forecast and more than twice the output in 1957. Wheat outturn in Texas is indicated at 67,944,000 bushels, the same as on May 1. In the Nation, the winter wheat crop is at a record high of over 1 billion bushels, or 51 percent greater than the 1957 crop.

Other major crops in the District are making satisfactory growth, although moisture is needed in some areas — particularly the Southern High Plains — to permit completion of grain sorghum plantings. Peanut, rice, and broomcorn prospects remain favorable.

Movement of vegetables, mainly tomatoes and melons, from the Lower Valley has practically ceased. Supplies of these crops are still available, but poor demand and low prices are hastening the end of the shipping season. Tomatoes, onions, and potatoes in various areas within Texas are being shipped in volume, and watermelon supplies are increasing.

The condition of ranges and pastures declined during the past month as a result of dwindling surface moisture. Ample feed generally is available throughout most of the District, although in some sections in the northwest, supplemental feeding is being started. Range feed conditions in each of the District states as of June 1 were below those of a month earlier but were improved from the comparable date a year ago.

Cash receipts from farm marketings in the District states during the first quarter of 1958 totaled \$762,575,000, or 29 percent more than during the same 3 months in 1957. Receipts from crops were 40 percent higher, and those for livestock and livestock products were 20 percent greater.

CASH RECEIPTS FROM FARM MARKETINGS

Five Southwestern States and United States

(Dollar amounts in thousands)

Area	January-March		Percentage increase
	1958	1957	
Arizona.....	\$ 108,272	\$ 90,163	20
Louisiana.....	65,976	56,830	16
New Mexico.....	39,669	35,254	13
Oklahoma.....	98,668	91,669	8
Texas.....	449,990	315,743	43
Total.....	\$ 762,575	\$ 589,659	29
United States.....	\$6,959,893	\$6,486,612	7

SOURCE: United States Department of Agriculture.



Utilizing proceeds from a \$245.2 million increase in deposits, weekly reporting member banks in the District made substantial additions to loans, investments,

and cash accounts during the 4 weeks ended June 18. Except for agricultural loans, which declined moderately, all of the major loan categories registered gains during the 4 weeks. Commercial and industrial loans, though declining slightly at the same time last year, provided the major expansive force in this year's increase, rising \$22.2 million between May 21 and June 18. Real-estate loans continued their upward movement by rising \$6.9 million, loans to finance securities transactions showed a gain of \$9.5 million, and loans to banks expanded \$12.4 million. The residual category "all other loans" — principally consumer loans — also showed a moderate gain during the 4 weeks, following several months of decline.

Investment expansion during the 4 weeks ended June 18 was concentrated in longer-term issues, reflecting bank efforts to lengthen portfolios and bolster their current earnings position. Portfolio lengthening was facilitated by the terms on securities offered by the Treasury in its cash offering and June refunding operation. Reporting banks reduced their combined holdings of Treasury bills, certificates, and notes by \$25.6 million but added \$63.4 million in Government bonds and \$15.5 million in non-Government investments.

Deposit gains, which totaled \$245.2 million during the 4-week period, included a \$221.8 million increase in demand balances and a \$23.5 million increase in time accounts. Interbank deposit balances rose substantially, providing \$125.4 million of the total gain in demand deposits, while individuals and businesses added \$95.1 million. Individuals and businesses also increased their time deposits by \$34.8 million, more than accounting for the over-all increase in these accounts.

Reserve positions of member banks in the District showed moderate further easing in May, and average excess reserves rose to \$75.2 million, the highest level since April 1955. The May increase, which amounted to \$6.5 million, represents a continuation of the trend that began in November and marks the seventh consecutive monthly gain in excess reserves in the District. The latest monthly increase in average excess reserves stemmed basically from a \$17.4 million reduction in required reserves. The decline in required reserves was

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	May 1958	April 1958	May 1957
RESERVE CITY BANKS			
Reserve balances.....	\$550,834	\$553,441	\$546,483
Required reserves.....	528,327	545,015	539,092
Excess reserves.....	22,507	8,426	7,391
Borrowings.....	3,863	1,897	21,156
Free reserves.....	18,644	6,529	-13,765
COUNTRY BANKS			
Reserve balances.....	430,929	439,214	449,235
Required reserves.....	378,263	378,957	403,586
Excess reserves.....	52,666	60,257	45,649
Borrowings.....	2,049	943	4,002
Free reserves.....	50,617	59,314	41,647
MEMBER BANKS			
Reserve balances.....	981,763	992,655	995,718
Required reserves.....	906,590	923,972	942,678
Excess reserves.....	75,173	68,683	53,040
Borrowings.....	5,912	2,840	25,158
Free reserves.....	69,261	65,843	27,882

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	June 18, 1958	May 21, 1958	June 19, 1957
ASSETS			
Commercial and industrial loans.....	\$1,522,222	\$1,500,009	\$1,456,368
Agricultural loans.....	28,983	29,023	23,335
Loans to brokers and dealers in securities.....	35,557	30,501	24,012
Other loans for purchasing or carrying securities.....	184,461	180,060	150,333
Real-estate loans.....	217,969	211,060	192,643
Loans to banks.....	22,411	10,028	5,730
All other loans.....	630,171	626,729	606,016
Gross loans.....	2,641,774	2,587,410	2,458,437
Less reserves and unallocated charge-offs..	45,150	45,293	42,253
Net loans.....	2,596,624	2,542,117	2,416,184
U. S. Treasury bills.....	71,101	80,218	106,505
U. S. Treasury certificates of indebtedness.....	87,357	91,451	124,613
U. S. Treasury notes.....	268,503	280,937	171,275
U. S. Government bonds (inc. gtd. obligations)...	1,001,632	938,186	816,106
Other securities.....	315,397	299,906	277,700
Total investments.....	1,743,990	1,690,698	1,496,199
Cash items in process of collection.....	460,322	392,791	439,440
Balances with banks in the United States.....	576,056	538,253	466,254
Balances with banks in foreign countries.....	1,415	1,244	1,680
Currency and coin.....	49,070	47,275	47,309
Reserves with Federal Reserve Bank.....	607,436	580,192	591,317
Other assets.....	165,863	156,017	150,358
TOTAL ASSETS.....	6,200,776	5,948,587	5,608,741
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,830,435	2,735,324	2,846,557
United States Government.....	136,886	137,549	95,597
States and political subdivisions.....	200,616	221,596	178,250
Banks in the United States.....	1,070,722	945,298	882,094
Banks in foreign countries.....	15,119	17,296	17,852
Certified and officers' checks, etc.....	73,213	48,169	65,550
Total demand deposits.....	4,326,991	4,105,232	4,085,900
Time deposits			
Individuals, partnerships, and corporations....	1,040,668	1,005,794	790,073
United States Government.....	12,125	12,125	12,420
Postal savings.....	411	421	421
States and political subdivisions.....	228,939	240,597	169,815
Banks in the U. S. and foreign countries.....	1,794	1,538	7,225
Total time deposits.....	1,283,937	1,260,475	979,954
Total deposits.....	5,610,928	5,365,707	5,065,854
Bills payable, rediscounts, etc.....	28,500	27,500	34,500
All other liabilities.....	75,524	70,643	62,194
Total capital accounts.....	485,824	484,737	446,193
TOTAL LIABILITIES AND CAPITAL.....	6,200,776	5,948,587	5,608,741

partially a result of the lower reserve requirements at reserve city banks during the month. Average borrowings from the Federal Reserve Bank rose moderately in May, but free reserves (excess reserves minus borrowings) advanced to \$69.3 million, also the highest level since April 1955.

Reflecting System open market purchases during the period, holdings of Government securities by the Federal Reserve Bank of Dallas rose \$28.2 million during the 4 weeks ended June 18. This increase, plus a \$5.8 million gain in discounts for member banks, produced a \$34 million expansion in the Bank's total earning assets.

The Treasury experienced favorable results in its recent cash offering of \$1 billion of 3¼-percent bonds of 1985 and its refunding of \$9.6 billion of issues maturing June 15. Subscriptions to the cash offering amounted to \$2.6 billion. Subscriptions from savings-type investors were allotted 60 percent, subscriptions from commercial banks for their own account were allotted 40 percent, and all other subscriptions were allotted 25 percent. In the June refunding operation, exchanges for the new 2½-percent bond of 1965 amounted to \$7.4 billion, while exchanges for the new 1¼-percent certificate due May 15, 1959, totaled \$1.8 billion. Of the \$9.6 billion of maturing issues, only \$356 million was presented for cash redemption.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	June 18, 1958	May 21, 1958	June 19, 1957
Total gold certificate reserves.....	\$763,244	\$767,533	\$770,288
Discounts for member banks.....	13,800	8,000	28,700
Other discounts and advances.....	0	0	0
U. S. Government securities.....	966,099	937,880	896,275
Total earning assets.....	979,899	945,880	924,975
Member bank reserve deposits.....	980,597	968,381	988,645
Federal Reserve notes in actual circulation....	713,050	710,342	683,650



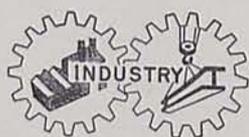
The petroleum industry essentially completed the correction of its oversupply situation in the first half of June, and current inventory levels have resulted in some firming of product prices. Wholesale prices of gasoline were increased in much of the Nation in early June, and the demand for gasoline was virtually constant from a year earlier. Although disappointing motoring weather has prevailed in many areas during the early touring season, increases in gasoline sales have stemmed from improved farming activity. Total demand for petroleum

products in the 5 weeks ended June 13 was 2 percent below the comparable period of 1957, partly as a result of abnormal exports last year.

District crude oil production in early June, at 2,630,000 barrels daily, rose 3 percent from May but was 24 percent under output in June 1957. Production nationally was 11 percent below the year-earlier level. Reflecting the improved supply situation, the Texas Railroad Commission has adopted a 9-day production schedule for July, resulting in an increase of 121,745 barrels per day in allowables. New Mexico allowables remain at the June level.

Total imports, at 1,360,000 barrels daily in the 5 weeks ended June 13, were sharply below the prior 5-week period and were 10 percent less than in the comparable period of 1957. The President ordered an extension of the voluntary imports control program to include unfinished gasoline and other unfinished oils. Since the total supply of crude oil remained below demand, crude stocks in the Nation declined 2 percent in early June to total 263,060,000 barrels on June 7, or 2 percent less than the year-earlier level. Crude stocks of District origin showed a 10-percent year-to-year reduction.

District crude runs to refinery stills averaged 2,116,000 barrels daily in the first half of June to show a moderate increase over the May level but were 6 percent less than in June 1957. National refinery operations were 2 percent below a year ago. Total products stocks showed a seasonal 3-percent gain in early June to total 373,287,000 barrels on June 13, or 2 percent above the year-earlier level. However, the year-to-year increment was confined exclusively to residual fuel oil, since light fuel oil inventories were sharply under a year ago and gasoline stocks were 1 percent lower.



Employment at District states nonagricultural establishments showed a small seasonal rise of 10,200 from April to reach a May total of 4,253,800 workers.

Construction and services accounted for the largest increases, but industrial employment recorded a further decline. Compared with a year earlier, May non-agricultural employment was down 33,800, or nearly 1 percent, against a nearly 4-percent decline in the Nation. Texas unemployment decreased 4,200 from April to a May level of 195,200, or 5.4 percent of the labor force. From mid-May to mid-June, the number of per-

sons filing claims for unemployment compensation in Texas decreased more than 8,000 to reach 78,519.

The value of construction contracts awarded in the District states during April reflected gains of 11 percent over March and 29 percent over April 1957. This was the first year-to-year increase in 1958, but the favorable comparison is partly explained by the unusually low level of awards for public works and utilities construction in April last year. The value of residential awards showed real strength, however, with a sharp 35-percent gain over a year earlier, to reach the highest level since records for the five-state area were begun in January 1956. During the first 4 months of 1958, total awards in the region were 3 percent less than a year ago, compared with a year-to-year loss of 7 percent in the Nation. During May, improved weather brought Texas construction contract awards to a level about 1 percent higher than in April and 18 percent greater than a year earlier, according to the *Texas Contractor*. Commercial buildings and highways were among the categories showing the largest month-to-month increases in May.

Business plant expansion in the District states appears to be continuing at a higher level than in the Nation. The value of nonresidential building construction contracts in the region during the first 4 months of 1958 reflected a 16-percent gain over a year earlier, contrasted with a 7-percent decline in the Nation. Increases were indicated for commercial and industrial plant construction, as well as for public buildings. During April, there were several unusually large contracts for business construction — including a \$15 million contract for a petroleum refinery in Houston, an \$8 million award for a store building in Dallas, and an \$8 million contract for a petroleum pipeline.

NONAGRICULTURAL EMPLOYMENT
Five Southwestern States¹

Type of employment	Number of persons			Percent change May 1958 from	
	May 1958 ^e	April 1958	May 1957 ^r	April 1958	May 1957
Total nonagricultural					
wage and salary workers..	4,253,800	4,243,600	4,287,600	0.2	-0.8
Manufacturing.....	735,500	737,300	778,300	-.3	-5.5
Nonmanufacturing.....	3,518,300	3,506,300	3,509,300	.3	.3
Mining.....	241,100	242,100	260,700	-.4	-7.5
Construction.....	302,300	294,700	296,600	2.6	1.9
Transportation and public utilities.....	388,300	390,600	404,900	-.6	-4.1
Trade.....	1,118,800	1,116,400	1,115,800	.2	.3
Finance.....	189,000	188,500	182,600	.3	3.5
Service.....	527,700	525,000	516,700	.5	2.1
Government.....	751,100	749,000	732,000	.3	2.6

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
e — Estimated.
r — Revised.
SOURCES: State employment agencies.
Federal Reserve Bank of Dallas.

**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			
	May 1958	Percentage change from		May 31, 1958	Annual rate of turnover		
		April 1958	May 1957		May 1958	April 1958	May 1957
ARIZONA							
Tucson.....	\$ 176,767	-1	5	\$ 102,357	20.0	19.9	20.0
LOUISIANA							
Monroe.....	63,551	-4	-11	50,823	15.1	15.6	16.4
Shreveport.....	283,257	7	1	179,295	18.4	16.9	17.9
NEW MEXICO							
Roswell.....	32,058	3	4	27,412	14.0	13.4	13.8
TEXAS							
Abilene.....	79,734	-3	-2	58,144	16.3	16.6	16.4
Amarillo.....	170,986	-5	0	109,356	18.8	19.9	20.2
Austin.....	181,725	3	15	127,368	16.8	16.0	15.2
Beaumont.....	144,269	1	-12	107,541	16.0	15.7	18.2
Corpus Christi.....	181,714	4	-5	111,079	19.4	19.0	20.5
Coriscana.....	14,982	3	0	21,481	8.4	8.2	8.2
Dallas.....	2,236,045	3	1	1,010,647	26.4	25.7	27.4
El Paso.....	299,144	3	3	148,114	23.4	22.3	24.2
Fort Worth.....	681,809	0	-4	360,775	22.6	22.3	23.0
Galveston.....	83,992	-1	-10	65,783	15.2	15.0	15.7
Houston.....	2,283,371	2	-7	1,173,761	23.0	22.4	24.4
Laredo.....	29,669	15	12	21,257	16.8	14.6	15.6
Lubbock.....	140,480	0	-1	100,808	16.4	16.2	17.3
Port Arthur.....	67,181	3	6	43,417	18.4	17.5	17.4
San Angelo.....	49,292	3	6	39,028	14.9	14.0	12.5
San Antonio.....	555,258	1	4	372,278	18.6	19.0	19.1
Texarkana ²	19,807	3	4	15,895	14.9	14.0	14.6
Tyler.....	76,375	-3	-9	60,825	15.1	15.6	16.1
Waco.....	94,593	3	4	66,236	17.2	16.8	17.2
Wichita Falls.....	96,216	1	-4	101,375	11.3	11.2	11.5
Total—24 cities.....	\$8,042,275	2	-2	\$4,475,055	21.4	21.0	22.1

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 one bank located in the Eighth District, amounted to \$39,618,000 for the month of May 1958.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1956: May.....	\$7,133	\$3,455	\$3,678	\$1,363	\$ 766	\$597
1957: May.....	7,199	3,502	3,697	1,565	831	734
1958: January...	7,573	3,656	3,917	1,684	889	795
February...	7,297	3,481	3,816	1,729	915	814
March.....	7,378	3,589	3,789	1,810	959	851
April.....	7,502	3,677	3,825	1,916	1,033	883
May.....	7,402	3,654	3,748	1,992	1,088	904

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	May 1958 ¹	April 1958 ¹	May 1957 ²	Change from	
				April 1958	May 1957
ELEVENTH DISTRICT.....	2,564.1	2,591.4	3,540.3	-27.3	-976.2
Texas.....	2,201.4	2,224.1	3,156.4	-22.7	-955.0
Gulf Coast.....	442.6	446.2	624.9	-3.6	-182.3
West Texas.....	891.9	892.6	1,357.7	-7	-465.8
East Texas (proper).....	116.2	117.4	208.7	-1.2	-92.5
Panhandle.....	106.8	107.7	116.4	-9	-9.6
Rest of State.....	643.9	660.2	848.7	-16.3	-204.8
Southeastern New Mexico.....	246.8	251.7	252.5	-4.9	-5.7
Northern Louisiana.....	116.0	115.6	131.4	.4	-15.4
OUTSIDE ELEVENTH DISTRICT.....	3,680.2	3,649.1	3,901.5	31.1	-221.3
UNITED STATES.....	6,244.3	6,240.5	7,441.8	3.8	-1,197.5

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

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	May 28, 1958	April 30, 1958	May 29, 1957
ASSETS			
Loans and discounts.....	\$4,202	\$4,172	\$3,909
United States Government obligations.....	2,597	2,572	2,513
Other securities.....	717	706	646
Reserves with Federal Reserve Bank.....	882	971	978
Cash in vault ^e	123	131	104
Balances with banks in the United States.....	1,186	1,107	881
Balances with banks in foreign countries ^e	1	2	2
Cash items in process of collection.....	407	477	402
Other assets ^e	238	242	222
TOTAL ASSETS^e.....	10,353	10,380	9,657
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,126	1,097	928
Other demand deposits.....	6,261	6,367	6,266
Time deposits.....	2,018	1,962	1,574
Total deposits.....	9,405	9,426	8,768
Borrowings ^e	15	31	36
Other liabilities ^e	98	96	83
Total capital accounts ^e	835	827	770
TOTAL LIABILITIES AND CAPITAL^e.....	10,353	10,380	9,657

^e — Estimated.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percentage change		
	May 1958	5 mos. 1958	May 1958	5 mos. 1958	May 1958 from		5 mos. 1958 comp. with 5 mos. 1957
					April 1958	May 1957	
ARIZONA							
Tucson.....	586	2,285	\$ 2,121	\$ 7,385	181	98	-17
LOUISIANA							
Shreveport....	597	2,316	1,737	10,757	19	-54	4
TEXAS							
Abilene.....	177	728	1,660	7,048	-13	3	5
Amarillo.....	282	1,252	2,272	11,387	-23	7	-12
Austin.....	268	1,198	6,165	19,372	54	97	7
Beaumont.....	374	1,668	1,317	6,182	-7	-12	7
Corpus Christi.....	350	1,637	1,794	10,851	-33	39	65
Dallas.....	2,471	9,959	12,898	57,490	-12	11	8
El Paso.....	643	2,997	5,271	24,872	-15	171	87
Fort Worth.....	678	3,139	3,654	19,588	9	-43	-17
Galveston.....	137	580	572	1,624	34	29	11
Houston.....	1,544	6,202	19,786	92,028	-1	26	-5
Lubbock.....	261	1,159	3,874	15,211	28	117	18
Port Arthur.....	224	873	855	6,611	77	25	157
San Antonio.....	1,614	7,653	5,943	24,314	-2	5	7
Waco.....	204	1,020	1,066	5,054	16	-26	-12
Wichita Falls... 195	646	525	2,638	10,624	-24	-33	-59
Total—17 cities..	10,605	45,312	\$71,510	\$322,412	1	16	4

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	April 1958	March 1958	April 1957	January—April	
				1958	1957
FIVE SOUTHWESTERN STATES¹.....	\$ 343,705	\$ 310,656	\$ 267,514	\$1,128,989	\$ 1,160,202
Residential.....	134,595	122,317	99,872	466,346	438,487
All other.....	209,110	188,339	167,642	662,643	721,715
UNITED STATES.....	2,881,011	2,721,228	2,777,623	9,621,720	10,314,991
Residential.....	1,240,217	1,070,556	1,232,859	3,815,478	4,031,007
All other.....	1,640,794	1,650,672	1,544,764	5,806,242	6,283,984

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