

# BUSINESS REVIEW

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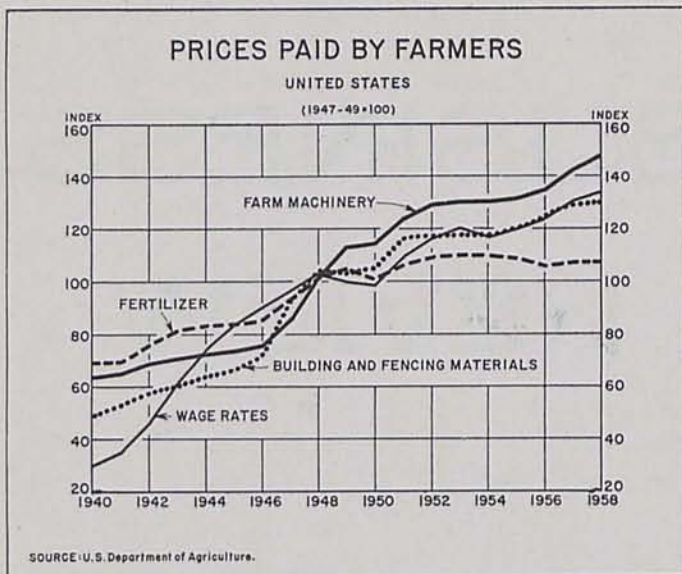
## SOURCES AND GROWTH OF AGRICULTURAL CREDIT

Today's commercial farmer and rancher and "Old MacDonald" of folk song fame have little in common, except perhaps a fascination for growing crops and animals. The caricature of the farmer as a slow-speaking, provincial hayseed has been as much a casualty of the changing agricultural scene as has Dobbin. Farmers and ranchers are hard-working businessmen, whose primary jobs are combining and managing resources, including the important task of using capital resources efficiently. Both the total amount loaned and the average size of loan per farm have grown steadily during the past several years. Among the major factors contributing to the increased use of credit have been the enlargement in the size of farms and ranches and the mechanization of crop and livestock production.

With the commercialization and specialization of agriculture, more capital is needed for the larger quantities of farm production goods which are now purchased from off-farm sources. Total out-of-pocket costs for fertilizers, insecticides, gasoline, and other supplies have risen significantly. Also, the changing structure of farm costs and prices, both from shifting consumer tastes and from alterations in governmental programs, has made it necessary for farmers to increase borrowings in order to make adjustments in farming operations.

Credit agencies were among the first to feel the impact of the development occurring within agriculture. Lenders found that larger and larger lines of credit were necessary; and, in many cases, new concepts with respect to repayment and other terms have been

**FEDERAL RESERVE BANK OF DALLAS**  
**DALLAS, TEXAS**



received by southwestern farmers and ranchers for farm products, as evidenced by Texas midmonth farm product prices, during 1954-58 averaged 15 percent below prices received in the 1949-53 period. At the same time, prices paid by the Nation's farmers for production items, interest, taxes, and wage rates (no precise over-all measure of southwestern farm production costs is available) during the recent 5-year period averaged 4 percent higher than in 1949-53.

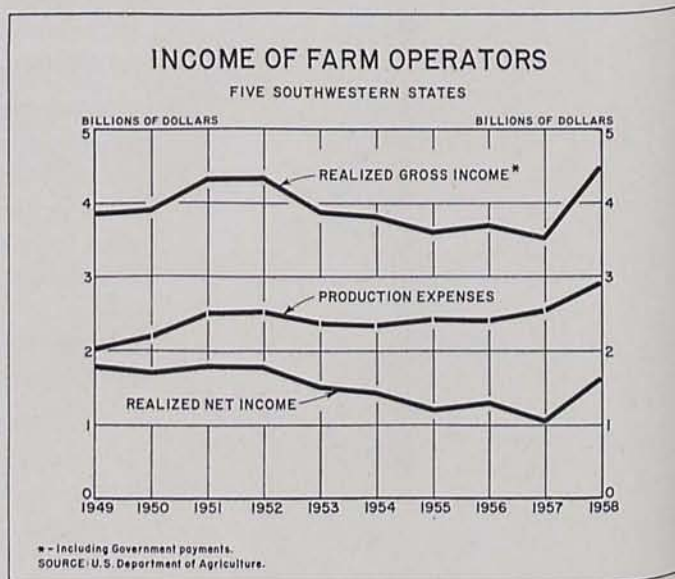
The realized gross farm income of southwestern farmers and ranchers during the past 5 years was 5 percent below that in the 1949-53 period, and realized net income was almost one-fourth smaller. The slight gain in agricultural output and an almost threefold increase in Government payments were insufficient to offset lower prices and an 8-percent average rise in total production expenses. On a per farm basis, net realized income during the 1954-58 period averaged 15 percent less than in 1949-53.

formulated. As farming and ranching became more scientific and businesslike, agricultural lending practices became more methodical. This article presents the broad trends and developments with respect to agricultural credit in the Southwest and is the foundation for a series of articles on credit in the ranching and grain sorghum and cotton farming segments of the industry. These subsequent articles will discuss the important financial and production developments and problems in the individual types of agriculture.

The problems of agricultural credit during much of the 1930's were largely depression-centered; and during this period, several new governmentally sponsored credit agencies were created to supplement credit available from existing sources. During World War II and the immediate postwar years, agricultural credit problems diminished. The relatively high wartime agricultural incomes — plus shortages of machinery, equipment, building materials, and durable household goods — reduced credit demands of farmers and ranchers. In recent years, however, declining farm product prices and rising production costs have lowered farm and ranch incomes, and efforts to adjust to these new circumstances have made agricultural credit considerations more important. Narrow profit margins, together with the ever-present weather risks, are likely to be relatively permanent features of southwestern agriculture.

In an effort to improve their incomes, farmers and ranchers have concentrated on increasing production while decreasing total and per unit costs. These income-boosting efforts have taken various forms, such as (1) enlarging the size of the farming unit; (2) working existing land more intensively by double cropping, irrigating, fertilizing, and similar measures; and (3) mechanizing farm and ranch operations. In most instances, all three of these general methods have been used in varying degrees. Practically without exception, the use of any one of these methods would entail additional capital.

The changes that occurred in farm prices, costs, and income during the past decade have pointed up some of the difficulties faced by southwestern agriculture and the need for credit to make sound adjustments. Prices



## Farm Mortgage Debt Rises

Enlarging the size of the farm business by adding acreage has been a widely used method to boost income, but, by so doing, capital requirements have been increased sharply. Farm mortgage debt outstanding in the District states as of January 1, 1959, totaled almost \$1.4 billion, or more than double the outstanding indebtedness in 1950 but only one-fourth more than in 1930. The trend in southwestern farm real-estate indebtedness has exhibited something of a roller coaster effect during the past three decades. Farm indebtedness declined steadily from about \$1.1 billion in 1930 to \$520 million in 1946. Thereafter, southwestern farm real-estate indebtedness turned upward and has continued to increase each year, paralleling trends in the Nation.

Life insurance companies and Federal land banks are the principal institutional lenders on farm real estate in the Southwest, accounting for almost 35 percent and 23 percent, respectively, of the total outstanding farm mortgage debt at the beginning of this year. Commercial banks held 7 percent of the total, and the Farmers Home Administration accounted for 4 percent. Other lenders, primarily individuals, held the balance — approximately 30 percent — of the farm real-estate debt.

The proportion of the farm mortgage debt held by various lenders fluctuates considerably between individual states. In early 1959, life insurance companies held 42 percent of the indebtedness in New Mexico but only 17 percent of the outstanding farm debt in Louisi-

ana. Commercial banks in Louisiana were quite important lenders on farm property, providing 18 percent of the State's total; in New Mexico, banks accounted for slightly less than 4 percent of the farm real-estate mortgage holdings. Individuals and other miscellaneous lenders held nearly one-half of the real-estate debt in Arizona, compared with 28 percent in Texas. Federal land bank holdings were more than twice as important in Texas as in Arizona.

The variation in the proportion of mortgage debt held by major lenders results from several factors. Limits on loan amounts hamper some institutional lenders in the handling of large loans. Also, some institutional lenders may operate more intensively in certain areas than in others because of custom, familiarity, or other reasons. Commercial bank participation from state to state is influenced by state laws and regulations. In Louisiana, for example, real estate is used somewhat more extensively as security for production-type loans than in other District states because of some unusual features of its laws.

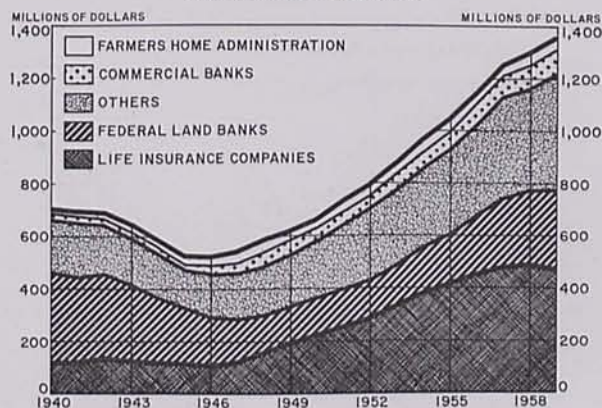
Since farm mortgages are long-term investment instruments, insurance companies and the Federal land banks serve this credit need particularly well. Insurance companies are interested in investing premium receipts in a profitable manner, and land banks provide the means through which the public can purchase high-grade investments, the proceeds from which are then invested in farm mortgages. Commercial banks are not as well suited to investing in long-term farm mortgages, since deposits are subject to unpredictable withdrawals and liquidity is a major consideration; moreover, legislation prevents banks from participating extensively in lending on real estate.

Individual lenders constitute an outstanding source of credit for farm real-estate purchases; in many instances, they provide the means by which young farmers start on the road to farmownership. Many of the individuals furnishing credit are relatives of the borrowers. For example, many sons purchase farms through arrangements with their fathers. Retiring farmers often hold the mortgages on the farms they previously worked and use the payments as retirement income. In most communities, there are a few individuals who are willing to finance the purchase of land for the interest income.

High costs of land limit the ability of some farmers to enlarge the size of the farming operations in order to achieve economies of scale. Farm land costs in the

### FARM MORTGAGE DEBT, BY LENDER GROUPS

FIVE SOUTHWESTERN STATES



SOURCE: U.S. Department of Agriculture.

Southwest have trended upward since the early 1930's; and in March 1959, prices were 267 percent above the depression low and were two-thirds higher than just a decade earlier. Land prices reflect many factors, some of which are economic while others have noneconomic bases.

Purchase of additional land by farmers to add to existing units has been a major influence in the land market. Industrialization and suburbanization have created an upward pressure on the price of land, as have leasing and royalties from mineral production. The fear of inflation has prompted some farmers and nonfarmers alike to invest in farm real estate; and, in many instances, the charm of owning a farm or ranch has induced many nonfarmers to enter the land market.

Some farmers feel that current asking prices are too high in relation to expected future returns from the land. Low net worth, poor managerial ability, or other factors place many farmers in a weak bargaining position. The orderly transfer of landownership to others, especially to young and capable farmers who have limited financial resources, is a major problem facing agricultural credit institutions.

Recognition of the problems involved has resulted in changes and some liberalization of regulations governing lending on farm real estate. Recent regulations permit national banks to make real-estate loans in amounts up to 75 percent of the appraised value for a period not to exceed 20 years. Previously, national banks were limited to lending an amount equal to two-thirds of the appraised value.

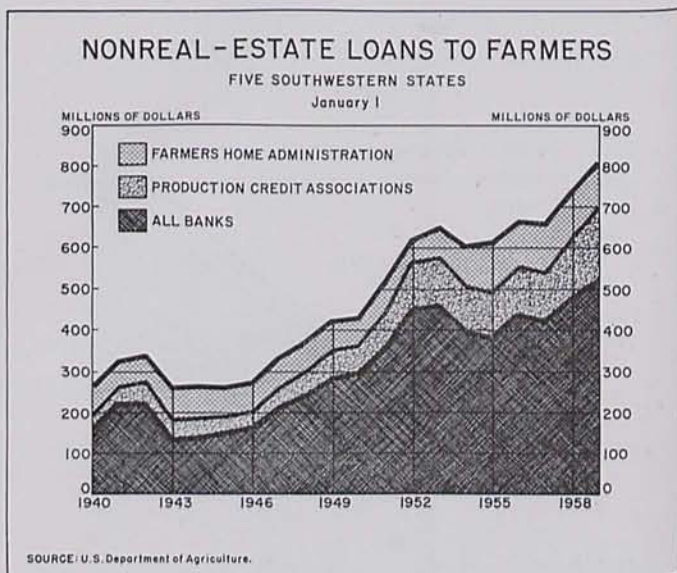
The Federal Farm Credit Board recently approved changes in the standards used by Federal land bank appraisers in determining the normal values. As a result, a general upward adjustment was made in the levels of normal prices of farm products and normal operating costs in order to provide more realistic benchmarks for determining the normal value of farm real estate. Although land banks cannot make a loan in excess of 65 percent of the normal agricultural value of the property, new legislation effective at the beginning of 1960 will permit land banks to include in the loan an additional amount which will cover the borrower's required purchase of stock equal to 5 percent of the value of the loan. In addition, the \$200,000 individual loan size limitation was removed to enable Federal land banks to accommodate larger loan requests.

The increased use of the sales contract in the purchase of farm land has been a significant development in facilitating the transfer of landownership. This type of sale arrangement may become an increasingly important means by which capable but impecunious young farmers may gain control of land resources. Individual sellers of land may find that the sales contract offers important tax advantages, as well as a means of obtaining investment income. For the purchaser, a sales contract often provides an opportunity to buy farm or ranch property with considerably less down payment than is required by conventional institutional lenders.

### Nonreal-Estate Loans Rise

The assumption of a sizable long-term debt, such as might be involved in land purchase, probably is one of the most important financial decisions made by many farmers and ranchers during a lifetime. However, the regularity with which farmers borrow for short-term purposes makes this type of credit almost as significant as the tractor to the farm business. Much of this short-term credit is secured by liens on growing crops, livestock, machinery, and equipment and, most important, depends upon the integrity and ability of the borrower.

Outstanding nonreal-estate loans of southwestern farmers and ranchers held by principal lending institutions totaled more than \$810 million at the beginning of 1959. An indebtedness of this magnitude is 86 percent greater than in 1950 and is more than three times larger than in 1940. The total short-term indebtedness to farmers is understated, since much of the short-term



FARM DEBT OUTSTANDING, BY MATURITY, JUNE 30, 1956

Eleventh Federal Reserve District

(Percentage distribution)

Maturity <sup>1</sup>	Current expenses	Intermediate-term investment	Other nonreal-estate purposes	Purchase of farm real estate
Demand.....	6	4	3	7
1 - 6 months.....	52	41	45	9
9 months - 1 year.....	40	29	35	22
15 months - 5 years.....	2	20	10	20
Over 5 years.....	0	6	7	42
All maturities.....	100	100	100	100

<sup>1</sup> Loans were classified under the nearest maturity listed.

credit is repaid before the end of the year and merchant, or trade, credit is not included. An Indiana study made in 1954 shows that approximately 38 percent of the amount spent on production items by farmers was financed by some type of merchant credit, compared with 15 percent by both banks and production credit associations.

Commercial banks are the primary source of institutional short-term agricultural credit in the District states, accounting for almost two-thirds of such credit outstanding at the beginning of 1959. The balance of the institutional credit is provided by agencies of the Farm Credit Administration, especially production credit associations, and by the Farmers Home Administration. PCA's, together with the Federal intermediate credit banks, held almost one-fourth of the outstanding nonreal-estate debt at the beginning of this year. The Farmers Home Administration had approximately 12 percent of the nonreal-estate indebtedness.

Bank credit outstanding accounted for 87 percent of the nonreal-estate debt of farmers in Arizona on January 1, 1959, but only 48 percent of the total in Louisiana—the lowest proportion of any of the District states. This relatively smaller amount of participation by Louisiana banks probably reflects the increased proportion of real estate-secured loans mentioned earlier. PCA's and FICB's were the least important lenders in Arizona (providing about one-tenth of the total) but accounted for more than one-third of the nonreal-estate debt in Louisiana and almost one-fourth of the outstanding short-term debt in both New Mexico and Texas. Production and subsistence loans of the Farmers Home Administration were of the greatest importance in Louisiana and of the least significance in Arizona.

One of the major trends during the past decade has been the decline in the proportion of nonreal-estate credit extended directly to southwestern farmers by commercial banks and the gain in the percentage made by PCA's and FICB's. In the early 1950's, banks provided approximately 70 percent of the nonreal-estate credit, contrasted with around 65 percent currently. On the other hand, the PCA's and FICB's increased their proportion from about 18 percent of the total to almost 23 percent. Most of this gain has occurred in the past 2 years. The Farmers Home Administration is furnishing a somewhat smaller amount under its regular programs than earlier, although loans advanced under special emergency drought-related programs

were particularly significant during the mid-1950's. Subsequently, emergency loans have declined in importance.

The problem of providing adequate operating, or working, capital to southwestern farmers and ranchers is requiring more attention on the part of lenders than formerly. Not only are larger amounts of nonreal-estate credit needed to accommodate today's commercialized and specialized agriculture, but the narrow profit margins make it necessary for the extension of credit to be realistic. A loan must be realistic as to the total amount extended, the interest return, and the timing of repayment.

One of the major developments in nonreal-estate credit has been the increasing importance of loans with maturities of more than 1 year. These types of loans—commonly called intermediate-term loans—are usually incurred for semicapital or capital improvement purposes. The bulk of the farm nonreal-estate loans in the Southwest is for crop and livestock production expenses and family living costs.

The principal usage of intermediate-term credit in the Southwest has been for the purchase of farm machinery and equipment, for major alterations in or construction of buildings, and, to a lesser extent, for semipermanent or permanent types of soil conservation or land improvement practices. In some cases, such as a major change in farm organization, the additional income resulting from the change may be small and may not begin for some time after the change has been initiated. In such situations, full repayment of any loans may take considerable time.

Commercial banks have been quite active in supplying intermediate-term credit to farmers and ranchers. In a survey of farm loans held by banks in the Eleventh Federal Reserve District in 1956, over one-fifth of the

dollar amount of outstanding loans had been renewed one or more times in accordance with an understanding between the banker and the farmer at the time the original loan was made. Almost one-fourth of the debt on single-payment loans had been renewed once according to prior plans, and 8 percent of the outstanding indebtedness repayable on an instalment basis had been renewed by plan.

Many lenders prefer to make notes due once each year rather than for a longer period, even though it is recognized that the note will have to be extended. This arrangement provides an annual opportunity to review the financial progress of the borrower and to outline his anticipated capital needs during the coming year. On the other hand, some bankers prefer to make individual notes of varying maturities which will be consistent with the total credit needs and repayment potential of the borrower. An annual review of the borrower's financial progress also is made and, in fact, is a necessary part of determining the level at which the borrower's line of credit should be set.

The PCA's initiated a program of making loans with terms of up to 3 years in 1955, and the Farm Credit Act of 1956 extended the permissible term to 5 years, effective at the beginning of 1957. Intermediate-term loans are proving quite popular; as of June 30, 1958, a total of \$107 million in such loans was outstanding at PCA's in the Nation, or more than double the amount a year earlier. These types of loans accounted for 9 percent of the total amount of PCA outstanding loans at mid-1958, compared with only 5 percent a year earlier.

Another major influence in the short-term agricultural credit field is the rising importance of production credit supplied by merchants, manufacturers, and other businesses selling to farmers and ranchers or using agricultural products. This development has been particularly significant in the production of broilers and other poultry products, primarily as a result of contractual arrangements between producers and feed-manufacturing and -distributing firms. These firms borrow from commercial banks on the basis of their own credit-worthiness and then extend credit directly to farmers in the form of feed, chicks, or other production goods and services.

The credit extended by nonfarm concerns for the production of agricultural commodities is classed by banks as loans to businesses, instead of loans to farm-

ers and ranchers. This indirect lending of short-term agricultural production credit is likely to increase rather than diminish, further causing bank statistics to understate the credit requirements for agricultural production. As business firms compete to assure themselves of a market for their products, a source of supply for their raw materials, and a way to achieve quality control or economies, there will probably be a closer tie between agricultural production and the processing and distribution activities.

Large city banks have long been important sources of agricultural credit through direct lending activities, by the purchase of agricultural paper, and by participation in the overlines of their country correspondents. These city banks are likely to furnish an increasing portion of the total credit used in agricultural production if the trend in integration of the agricultural production and marketing processes continues. Direct lending to farmers for production purposes is likely to remain dominant for some time to come, however, and probably will constitute the major type of investment for the smaller country bank.

Developments in agriculture which are requiring a more extensive use of credit are important to each type of agriculture in this District. The broad trend toward mechanization, the increase in the size of farms to utilize the efficiency of mechanization, and the tendencies toward large-volume production in agriculture apply equally as well to a cattle ranch as to a poultry or cotton farm. However, various other problems and practices need to be considered in relation to the specific types of agriculture.

As mentioned above, articles dealing with ranching and cotton and grain sorghum farming will be developed and will discuss changes in such physical characteristics of farms as per acre yields and utilization of farm land; financial aspects of operation, including average capital requirements, types of receipts, and net income; and, finally, additional information on the interaction between the physical and financial items and the management ability of the farmer, incorporating ratios of production per man-hour and per unit of input, operating expenses per unit of production, and prices received and paid. These articles are designed to present the interrelationships and differential impact of the far-reaching changes in the management of agricultural production and credit resources.

J. Z. ROWE  
Agricultural Economist

# BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



September employment of non-farm workers in the Eleventh District states was only slightly higher than the August total, as seasonal gains concentrated

in school employment were about offset by declines caused mainly by strikes and lower building activity. Texas unemployment, however, showed further improvement.

Rains during the first part of October delayed crop harvesting, but generally favorable weather conditions after midmonth resulted in accelerated field work. Outturns of cotton and grain sorghums in the District states continue to exceed year-earlier levels. The 1959-60 Texas citrus crop is expected to be substantially above the preceding season's output. October rains boosted grazing prospects in the District; most calves are moving to market at heavy weights.

District department store sales in September dropped sharply from the record level reached in August but were still greater than in September 1958. Inventories rose about seasonally and remained well above a year earlier. September new car registrations in the District's four most populous areas were well below the August total as the end of the model year approached but still recorded a large year-to-year increase.

Sales at department stores in the Eleventh District during September were 3 percent above a year ago but showed a contra-seasonal 9-percent decline from

the record August level. The seasonally adjusted sales index dropped sharply from 189 in August to 167 percent of the 1947-49 average in September but was above the 162 registered in September 1958. Cumulative sales at the end of the third quarter were still 9 percent above sales in the same period last year.

Sales in each of the metropolitan areas in the District for which separate department store data are available

Industrial production in Texas during September held at the August level, after allowance for seasonal factors. Minerals production was strengthened by a rise in oil output, and manufacturing activity generally remained at high levels outside strike-affected metals industries.

Construction awards in the region were down again in August, with losses registered in both residential and nonresidential construction.

Although total demand for petroleum products advanced contraseasonally while crude runs to stills declined, stocks of most major refined products rose to new record highs in September and the first half of October. As a result, prices of refined products remained depressed, and District states will maintain low crude oil production allowables during November. Very little change in imports of either crude oil or refined products was reported in September and early October.

In the 5 weeks ended October 21, gross loans (excluding loans to banks) declined \$12.2 million at reporting member banks in the District. Deposits also declined, but investment accounts expanded. Bank reserve positions remained under pressure in September, and borrowings from the Federal Reserve Bank continued at a relatively high level.

showed month-to-month declines which ranged from 5 percent in Dallas, El Paso, and Shreveport to 17 percent in Corpus Christi. Sales in the Houston area were up 8 percent for the largest year-to-year gain; at the other extreme, El Paso department store sales were 4 percent below a year ago. It should be pointed out that the observance of Labor Day as a holiday in both 1958 and 1959 was not uniform at all the District's stores nor at all stores in any one metropolitan area, which would account for some distortion in comparisons with year-earlier figures.

The District department stores furnishing sales data by departments recorded the most favorable year-to-

## DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	September 1959 from			September 1959 from	
	Aug. 1959	Sept. 1958	9 mos. 1959 comp. with 9 mos. 1958	Aug. 1959	Sept. 1958
Total Eleventh District . . .	-9	3	9	5	10
Corpus Christi . . . . .	-17	2	2	4	-1
Dallas . . . . .	-5	5	11	8	17
El Paso . . . . .	-5	-4	4	1	5
Fort Worth . . . . .	-6	-3	6	3	-1
Houston . . . . .	-8	8	12	6	19
San Antonio . . . . .	-14	0	4	8	8
Shreveport, La. . . . .	-5	5	7	3	9
Waco . . . . .	-10	-3	9	6	1
Other cities . . . . .	-12	6	10	1	7

## 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
1958: September . . .	155r	162	174	164
1959: July . . . . .	155	174	171	180
August . . . . .	176	189	182	182
September . . . . .	160	167	191p	181p

r — Revised.  
p — Preliminary.

year comparisons during September in sales of women's apparel. Women's and misses' dress sales rose 14 percent over a year earlier, while sales of women's and misses' accessories and women's and misses' coats and suits increased 4 percent each. Men's clothing sales declined 3 percent. In the durable goods lines, sales of major household appliances scored the largest gain, rising 11 percent over a year earlier. Sales of radios, television sets, and musical equipment advanced 3 percent, while sales of furniture and bedding and of floor coverings were down 4 percent and 13 percent, respectively.

At the end of September, District department store inventories were 10 percent above the year-earlier level and were up 5 percent, or slightly less than seasonally, from August. Orders outstanding and new orders placed recorded approximately seasonal movements from August to September; compared with September 1958, orders outstanding were up 16 percent, but new orders were 3 percent lower.

New automobile registrations during September in the District's four most populous areas fell 22 percent below the August total but were 44 percent above a year ago. All four areas registered gains over the low level in September 1958; the largest was reported in the Houston area, where September registrations were almost

double those of a year earlier. For the first 9 months of 1959, cumulative registrations in the four areas were 39 percent above the comparable 1958 period.



General soaking rains through mid-October over a major part of the District delayed harvesting, seeding of small grains, and preparation of soils for next year's crop. In most eastern sections, precipitation was so heavy that soils have been drying slowly; in some low-lying areas, they remain too wet to be worked.

Wheat seeding in the Plains is being rushed, and over three-fourths of the crop has been planted. Moisture conditions are generally satisfactory in most wheat areas, and early plantings are up to good stands. Planting of oats in eastern sections was delayed by waterlogged soils until midmonth. Fields planted prior to the early October rains are up to good stands, and later seedings should make rapid development.

Cotton production in the District states is placed, as of October 1, at 6,578,000 bales, or 10 percent larger than both a year ago and the 10-year (1948-57) average. Compared with the September forecast, gains in output were noted for New Mexico, Oklahoma, and Texas, while slight decreases were indicated for Arizona and Louisiana. In Texas the crop is estimated to be 4,600,000 bales, or 7 percent more than in 1958 and 16 percent greater than the 10-year average. The indicated average yield of 350 pounds per acre in the State is second only to last year's record yield of 383 pounds.

Harvesting of a record grain sorghum crop is drawing to a close in the High Plains area of Texas and New Mexico, although wet weather caused repeated interruptions during the past month. In many areas, difficulty was encountered in harvesting the remaining acreages as much of the crop had lodged badly. Grain sorghum output in the District states is indicated at slightly more than 310 million bushels, or 2 percent larger than the previous record crop of 1958 and 2 1/3 times greater than the 10-year average.

Windrowed peanuts in the Cross Timbers and parts of north Texas suffered damage as a result of heavy October rains. Only a small portion of the important Cross Timbers peanut crop has been dug. Production of peanuts in the Southwest, as indicated prior to the October rains, is placed at almost 358 million pounds, or 4 percent below the 1958 crop although 20 percent above average. Rice farmers in Texas coastal areas and in



Louisiana have virtually completed the combining of remaining fields. Rice production, at 26 million bags, is 12 percent larger than last year's output, mainly as a result of increased plantings.

### CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES <sup>1</sup>		
	Estimated Oct. 1, 1959	1958	Average 1948-57	Estimated Oct. 1, 1959	1958	Average 1948-57
Cotton <sup>2</sup> .....	4,600	4,308	3,956	6,578	5,953	5,962
Corn.....	43,708	42,973	41,073	71,281	70,560	70,487
Winter wheat....	56,440	73,040	35,358	150,771	196,780	103,644
Oats.....	24,156	53,130	24,373	38,636	77,823	38,987
Barley.....	6,884	10,143	2,206	29,586	35,848	13,757
Rye.....	135	338	223	1,025	1,679	853
Rice <sup>3</sup> .....	13,136	11,938	13,013	26,046	23,158	25,360
Sorghum grain....	276,912	273,066	113,524	310,477	305,047	132,824
Flaxseed.....	385	336	753	455	361	1,023
Hay <sup>4</sup> .....	2,359	2,487	1,753	6,541	6,773	5,156
Peanuts <sup>5</sup> .....	221,200	224,110	193,061	357,700	371,060	297,879
Irish potatoes <sup>6</sup> ...	2,620	2,285	1,513	5,852	5,192	73,543
Sweet potatoes <sup>6</sup> ..	1,560	1,210	7,351	6,695	6,107	76,366
Pecans <sup>7</sup> .....	26,000	26,000	35,040	68,400	60,000	73,180

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

<sup>2</sup> In thousands of bales.

<sup>3</sup> In thousands of bags containing 100 pounds each.

<sup>4</sup> In thousands of tons.

<sup>5</sup> In thousands of pounds.

<sup>6</sup> In thousands of hundredweight.

<sup>7</sup> Average, 1949-57.

SOURCE: United States Department of Agriculture.

The total citrus crop in Texas for the 1959-60 season is placed at 9 million boxes, compared with 6.5 million boxes from the 1958-59 crop. Grapefruit production showed a gain of 38 percent over last year, and the out-turn of oranges is indicated to be 39 percent larger. The quality of the fruit is expected to be the best in recent years if conditions remain favorable.

Grazing prospects have been maintained in most sections of the District as a result of widespread precipitation. Forage conditions in the eastern half of the District are particularly lush, and recent cool temperatures have promoted the development of winter weeds, grasses, and clovers.

Gross loans (excluding loans to domestic commercial banks) contracted \$12.2 million at weekly reporting banks in the District during the 5 weeks ended

October 21. This decline, which contrasts with a moderate gain during the comparable period last year, further extends an emerging pattern in which recent loan growth has been smaller than in the corresponding period of 1958. During the first half of 1959, however, loans expanded at a substantially higher rate than in the first half of the preceding year.

### CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Oct. 21, 1959	Sept. 16, 1959	Oct. 22, 1958
<b>ASSETS</b>			
Commercial and industrial loans.....	\$1,508,147	\$1,507,386	\$ —
Agricultural loans.....	33,428	34,930	37,929
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	743	738	
Other securities.....	12,288	12,085	19,327
Other loans for purchasing or carrying:			
U. S. Government securities.....	12,622	10,892	
Other securities.....	188,584	179,929	180,315
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	128,527	136,293	—
Savings banks, mtge. cos., ins. cos., etc.....	119,039	125,067	—
Loans to foreign banks.....	138	59	—
Loans to domestic commercial banks.....	51,150	29,480	10,489
Real-estate loans.....	211,236	219,344	226,579
All other loans.....	715,111	715,330	—
Gross loans.....	2,981,013	2,971,533	2,710,227
Less reserves and unallocated charge-offs..	50,299	51,031	45,864
Net loans.....	2,930,714	2,920,502	2,664,363
Treasury bills.....	113,091	54,836	101,209
Treasury certificates of indebtedness.....	45,658	50,696	174,506
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	36,625	41,313	—
After 1 but within 5 years.....	818,457	845,532	1,210,819
After 5 years.....	312,545	296,859	—
Other securities.....	345,154	333,712	319,015
Total investments.....	1,671,530	1,622,948	1,805,549
Cash items in process of collection.....	492,356	548,464	433,137
Balances with banks in the United States.....	467,544	519,544	448,222
Balances with banks in foreign countries.....	2,218	1,816	2,139
Currency and coin.....	50,500	50,877	48,615
Reserves with Federal Reserve Bank.....	547,269	591,286	597,793
Other assets.....	188,087	167,528	180,382
<b>TOTAL ASSETS.....</b>	<b>6,350,218</b>	<b>6,422,965</b>	<b>6,180,200</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
<b>Demand deposits</b>			
Individuals, partnerships, and corporations....	2,973,959	3,007,607	2,958,699
United States Government.....	210,460	137,875	109,805
States and political subdivisions.....	168,391	169,180	139,815
Banks in the United States.....	972,420	1,042,977	968,139
Banks in foreign countries.....	15,965	16,634	16,851
Certified and officers' checks, etc.....	71,922	79,547	52,802
Total demand deposits.....	4,413,117	4,453,820	4,246,111
<b>Time deposits</b>			
Individuals, partnerships, and corporations....	1,053,581	1,059,366	1,064,300
United States Government.....	6,255	7,035	7,455
Postal savings.....	421	421	421
States and political subdivisions.....	169,510	166,517	222,465
Banks in the U. S. and foreign countries.....	7,453	7,774	6,807
Total time deposits.....	1,237,220	1,241,113	1,301,448
Total deposits.....	5,650,337	5,694,933	5,547,559
Bills payable, rediscounts, etc.....	76,822	128,956	52,500
All other liabilities.....	87,019	65,555	86,519
Capital accounts.....	536,040	533,521	493,622
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....</b>	<b>6,350,218</b>	<b>6,422,965</b>	<b>6,180,200</b>

NOTE: Effective July 1, 1959, this series was revised. The revised form includes several new items, the most important of which is loans to financial institutions, previously reported against other loan categories. Comparable year-earlier figures for the new items will be shown when they become available.

The latest 5-week decline in loans was weighted heavily by contraction in the real-estate loan category, which has registered an uninterrupted decline since mid-year, and by contraction in loans to nonbank financial institutions. Consumer-type loans also moved lower in the 5-week period, following persistent advances earlier in the year.

## RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	September 1959	August 1959	September 1958
<b>RESERVE CITY BANKS</b>			
Reserve balances.....	\$ 549,249	\$ 554,607	\$ 559,407
Required reserves.....	545,675	546,277	551,014
Excess reserves.....	3,574	8,330	8,393
Borrowings.....	22,143	21,128	2,619
Free reserves.....	-18,569	-12,798	5,774
<b>COUNTRY BANKS</b>			
Reserve balances.....	444,820	445,604	434,002
Required reserves.....	405,348	404,443	384,656
Excess reserves.....	39,472	41,161	49,346
Borrowings.....	21,868	22,446	2,695
Free reserves.....	17,604	18,715	46,651
<b>MEMBER BANKS</b>			
Reserve balances.....	994,069	1,000,211	993,409
Required reserves.....	951,023	950,720	935,670
Excess reserves.....	43,046	49,491	57,739
Borrowings.....	44,011	43,574	5,314
Free reserves.....	-965	5,917	52,425

The combined declines noted above were partially offset by upward movements in two loan categories during late September and early October. Loans to finance securities transactions showed a moderate gain, and commercial and industrial loans moved modestly higher. At the end of the period, gross loans at the reporting banks were 10 percent above the year-earlier level.

Investment accounts at weekly reporting member banks expanded fairly sharply during the 5 weeks, registering a gain of \$48.6 million. Bank subscriptions to a recent special offering of Treasury bills more than accounted for the over-all increase, as total bill holdings rose \$58.3 million. Reporting banks liquidated Treasury certificates of indebtedness and also notes and bonds maturing within 5 years, but they acquired an additional \$15.7 million of Government bonds maturing after 5 years. Non-Government investments also rose moderately.

Despite a substantial increase in Government deposits, associated with bank payment for newly issued securities, total deposits at reporting banks registered a 5-week reduction of \$44.6 million. Reflecting principally the net withdrawals made by correspondent banks and individuals and businesses, demand balances declined \$40.7 million. Nevertheless, demand balances remained 4 percent above the year-earlier level. In an extension of the downward movement which has prevailed since midyear, time accounts decreased \$3.9 million, reaching a level 5 percent below a year ago.

Earning assets of the Federal Reserve Bank of Dallas declined \$7.4 million during the 5 weeks ended October 21. The Bank's holdings of Government securities reg-

## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Oct. 21, 1959	Sept. 16, 1959	Oct. 22, 1958
Total gold certificate reserves.....	\$ 701,895	\$ 736,948	\$ 783,106
Discounts for member banks.....	24,235	20,810	21,200
Other discounts and advances.....	296	36	68
U. S. Government securities.....	1,052,293	1,063,419	988,099
Total earning assets.....	1,076,824	1,084,265	1,009,367
Member bank reserve deposits.....	950,849	983,307	987,223
Federal Reserve notes in actual circulation.....	803,509	804,072	759,534

istered a slightly larger decline, reflecting System sales and redemptions of Government securities during the period, but part of this reduction was offset by an increase in the volume of discounts and advances for member banks. Gold certificate reserves of the Bank showed a decrease of \$35.1 million during the 5 weeks. Federal Reserve notes in actual circulation also decreased nominally but on October 21 were almost 6 percent above the year-earlier level.

## NEW PAR BANKS

The First State Bank, Dell City, Texas, an insured nonmember bank located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, October 1, 1959. The officers are: Charles Thomas, President, and Olian Vinson, Cashier.

The Belfort 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 its opening date, October 1, 1959. The officers are: E. R. Boehck, President; J. W. Wilson, Executive Vice President; and Fredric M. Saunders, Cashier.

The Sandia State Bank, Sandia, 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 October 21, 1959. The officers are: K. E. Schlabach, President; Ruth A. Schlabach, Vice President; Hazel A. Shives, Cashier; and Jeanette Herschapp, Assistant Cashier.



Total demand for major petroleum products advanced contra-seasonally during the 5 weeks ended October 16 and averaged 2 percent greater than a year earlier. Demand for gasoline continued high despite the close of the usual vacation season and was 5 percent above a year ago. Although increasing in line with seasonal expectations, demand for distillate fuel oils remained 2 percent lower than in the early fall of 1958.

Although total demand for the major refined products advanced over 3 percent during late September and early October, crude runs to stills declined nearly 5 percent and were at about the same level as a year ago. District crude runs declined even more than the national average and, at a rate of 2,049,000 barrels daily during the first half of October, were almost 9 percent lower than in the corresponding period of 1958.

Despite the impressive rise in product demand and the efforts of refiners to reduce domestic output of petroleum products, stocks of most refined products continued to increase during the early fall. Gasoline stocks, which totaled 178,732,000 barrels on October 16, were 5 percent greater than a year earlier; at the current level, gasoline stocks continue to depress both wholesale and retail prices. Stocks of the four major refined products totaled 451,761,000 barrels on October 16, or 5 percent above a year earlier.

Crude oil production was stable during the first half of October in the Nation but declined slightly in the District. With Texas allowables set at 9 days, District crude oil production averaged 2,848,000 barrels daily during the first 16 days of October, compared with 3,058,000 barrels daily a year earlier. Despite comparatively low rates of crude oil output, stocks of crude oil in the United States rose slightly during early October. For the fifth consecutive month, Texas allowables for November have been set at 9 days, but because of the shorter month, daily average production probably will rise 2 percent. In Louisiana, crude oil production allowables are scheduled for no significant change in November or December.



September employment of non-agricultural workers in the District states, at 4,294,800, showed a slight increase of 3,700 over the August total. Seasonal gains concentrated in school employment were almost matched by employment declines caused mainly by the copper and steel strikes and decreases in building activity.

Unemployment in Texas decreased another 5,400 workers in September to reach a level of 147,500, or 4.1 percent of the civilian labor force. Total claims for unemployment compensation in Texas declined 1 percent from mid-September to mid-October.

Industrial production in Texas was seasonally constant during September, although secondary effects from the steel strike were gaining momentum. The im-

## NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change Sept. 1959 from	
	September 1959p	August 1959	September 1958r	Aug. 1959	Sept. 1958
Total nonagricultural					
wage and salary workers..	4,294,800	4,291,100	4,231,400	0.1	1.5
Manufacturing.....	774,700	776,300	762,300	-2.1	1.6
Nonmanufacturing.....	3,520,100	3,514,800	3,469,100	.2	1.5
Mining.....	248,500	256,100	251,000	-3.0	-1.0
Construction.....	318,200	323,300	303,200	-1.6	4.9
Transportation and public utilities.....	398,900	399,500	397,400	-.2	.4
Trade.....	1,050,800	1,047,900	1,040,000	.3	1.0
Finance.....	191,100	192,400	185,600	-.7	3.0
Service.....	506,100	509,200	500,000	-.6	1.2
Government.....	806,500	786,400	791,900	2.6	1.8

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

portant minerals sector was strengthened by an increase in crude oil production and manufacturing output, except in steel and steel-consuming industries and petroleum refining. Major manufacturing industries improving production during September included food, chemicals, and transportation equipment.

The value of construction contracts awarded in the District states decreased another 9 percent during August to a level 16 percent below that of August 1958. Both residential and nonresidential construction shared in the decline. Furthermore, the number of dwelling units proposed in FHA applications received in the District states during August decreased to 4,400, or down 24 percent from July — compared with a national decline of 12 percent. Major industrial and commercial projects proposed for the District include a \$9 million telephone building expansion in Dallas and two new iron and steel plants in the western part of the District. A \$3.2 million steel mill is scheduled for the El Paso area; and a \$3.5 million iron mill, using local magnetite ores, is contemplated for Alamogordo, New Mexico.

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	September 1959p	August 1959	July 1959	September 1958
TEXAS				
Total industrial production...	170	170	168	168r
Total manufactures.....	209	210	205r	194r
Durable manufactures.....	246	248	236	226r
Nondurable manufactures...	192	192	191r	179r
Minerals.....	132	132	131r	143r
UNITED STATES				
Total industrial production...	148	149	153	137
Total manufactures.....	152	153	157	139
Durable manufactures.....	158	159	167	145
Nondurable manufactures...	145	146	146	133
Minerals.....	116	117	118	123

p — Preliminary.

r — Revised.

SOURCES: Board of Governors of the Federal Reserve System.  
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 <sup>1</sup>			Demand deposits <sup>1</sup>			
	September 1959	Percentage change from		Annual rate of turnover			
		Aug. 1959	Sept. 1958	Sept. 30, 1959	Sept. 1959	Aug. 1959	Sept. 1958
<b>ARIZONA</b>							
Tucson.....	\$ 216,582	9	15	\$ 127,805	20.2	18.6	21.4
<b>LOUISIANA</b>							
Monroe.....	77,383	4	1	51,311	17.8	17.0	17.6
Shreveport.....	302,549	-2	6	190,587	19.0	19.2	19.7
<b>NEW MEXICO</b>							
Roswell.....	37,703	5	18	29,405	15.2	14.8	13.4
<b>TEXAS</b>							
Abilene.....	101,724	11	14	63,782	19.1	17.2	17.5
Amarillo.....	226,365	-3	15	115,317	23.3	23.6	20.2
Austin.....	201,750	-8	2	143,047	16.6	17.0	19.3
Beaumont.....	162,236	8	10	100,636	19.6	18.1	17.2
Corpus Christi.....	197,038	0	4	111,652	21.0	20.8	19.7
Corpus Christi.....	17,200	1	-10	20,059	10.3	10.1	10.4
Dallas.....	2,574,482	0	14	1,138,722	27.4	27.4	24.8
El Paso.....	332,412	4	13	164,012	23.8	22.8	22.8
Fort Worth.....	780,877	4	7	374,426	24.8	24.1	23.8
Galveston.....	93,644	15	3	62,529	17.5	15.2	16.4
Houston.....	2,560,855	6	13	1,230,380	25.1	23.5	22.7
Laredo.....	26,248	9	6	21,811	14.5	13.2	13.7
Lubbock.....	183,434	8	16	105,529	20.4	18.7	18.4
Port Arthur.....	60,873	-2	1	42,371	17.2	17.3	16.1
San Angelo.....	58,092	11	12	46,334	15.1	13.8	14.6
San Antonio.....	603,139	1	12	387,952	18.4	18.0	16.8
Texarkana <sup>2</sup> .....	21,024	-3	7	15,051	16.4	16.7	14.2
Tyler.....	88,524	5	6	59,184	17.6	16.7	16.3
Waco.....	115,869	9	22	67,302	20.6	19.1	16.8
Wichita Falls.....	121,710	2	16	103,399	14.2	13.8	11.6
Total—24 cities.....	\$9,161,713	3	12	\$4,772,603	23.0	22.2	21.2

<sup>1</sup> Deposits of individuals, partnerships, and corporations and of states and political subdivisions.

<sup>2</sup> 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 \$49,023,000 for the month of September 1959.

**VALUE OF CONSTRUCTION CONTRACTS AWARDED**

(In thousands of dollars)

Area and type	August 1959	July 1959	August 1958	January—August	
				1959	1958
<b>FIVE SOUTHWESTERN STATES<sup>1</sup></b>					
Residential.....	\$ 325,598	\$ 357,580	\$ 386,189	\$ 2,792,279	\$ 2,783,344
All other.....	164,609	164,854	176,673	1,321,591	1,115,225
<b>UNITED STATES.....</b>	<b>3,083,649</b>	<b>3,635,444</b>	<b>3,466,576</b>	<b>25,573,909</b>	<b>23,798,508</b>
Residential.....	1,551,224	1,684,919	1,450,576	12,115,843	9,500,035
All other.....	1,532,425	1,950,525	2,016,000	13,458,066	14,298,473

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

**CRUDE OIL: DAILY AVERAGE PRODUCTION**

(In thousands of barrels)

Area	Change from				
	September 1959 <sup>1</sup>	August 1959 <sup>1</sup>	September 1958 <sup>2</sup>	August 1959	September 1958
<b>ELEVENTH DISTRICT</b>					
Texas.....	2,858.2	2,817.6	3,244.8	40.6	-386.6
Gulf Coast.....	460.2	456.0	545.9	4.2	-85.7
West Texas.....	1,094.4	1,065.9	1,263.0	28.5	-168.6
East Texas (proper).....	132.2	129.2	167.7	3.0	-35.5
Panhandle.....	110.0	109.6	109.1	.4	.9
Rest of State.....	696.6	692.7	802.8	3.9	-106.2
Southeastern New Mexico.....	251.0	249.9	243.9	1.1	7.1
Northern Louisiana.....	113.8	114.2	112.4	-.4	1.4
<b>OUTSIDE ELEVENTH DISTRICT</b>	<b>3,965.8</b>	<b>3,992.2</b>	<b>3,854.3</b>	<b>-26.4</b>	<b>111.5</b>
<b>UNITED STATES.....</b>	<b>6,824.0</b>	<b>6,809.8</b>	<b>7,099.1</b>	<b>14.2</b>	<b>-275.1</b>

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

**CONDITION STATISTICS OF ALL MEMBER BANKS**

Eleventh Federal Reserve District

(In millions of dollars)

Item	Sept. 30, 1959	Aug. 26, 1959	Sept. 24, 1958
<b>ASSETS</b>			
Loans and discounts.....	\$ 4,731	\$ 4,765	\$ 4,320
United States Government obligations.....	2,468	2,585	2,647
Other securities.....	839	815	778
Reserves with Federal Reserve Bank.....	891	939	961
Cash in vault.....	146	146	156
Balances with banks in the United States.....	1,032	954	1,107
Balances with banks in foreign countries.....	3	2	1
Cash items in process of collection.....	569	502	459
Other assets.....	295	268	257
<b>TOTAL ASSETS<sup>e</sup></b>	<b>10,974</b>	<b>10,976</b>	<b>10,686</b>
<b>LIABILITIES AND CAPITAL</b>			
Demand deposits of banks.....	1,130	1,062	1,219
Other demand deposits.....	6,645	6,678	6,380
Time deposits.....	2,113	2,124	2,109
<b>Total deposits.....</b>	<b>9,888</b>	<b>9,864</b>	<b>9,708</b>
Borrowings.....	72	112	20
Other liabilities.....	96	86	105
Total capital accounts.....	918	914	853
<b>TOTAL LIABILITIES AND CAPITAL<sup>e</sup></b>	<b>10,974</b>	<b>10,976</b>	<b>10,686</b>

e—Estimated.

**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
1957: September.....	\$7,312	\$3,585	\$3,727	\$1,649	\$ 891	\$ 758
1958: September.....	7,641	3,792	3,849	2,114	1,166	948
1959: May.....	7,674	3,751	3,923	2,156	1,125	1,031
June.....	7,678	3,771	3,907	2,177	1,135	1,042
July.....	7,662	3,760	3,902	2,159	1,122	1,037
August.....	7,643	3,770	3,873	2,125	1,099	1,026
September.....	7,779	3,921	3,858	2,113	1,087	1,026

**BUILDING PERMITS**

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percentage change		
	Sept. 1959	9 mos. 1959	Sept. 1959	9 mos. 1959	Sept. 1959 from 1958	9 mos. 1959 comp. with 9 mos. 1958	
<b>ARIZONA</b>							
Tucson.....	824	6,104	\$ 4,919	\$ 29,297	80	280	138
<b>LOUISIANA</b>							
Shreveport.....	481	4,225	1,906	22,187	-34	-34	-10
<b>TEXAS</b>							
Abilene.....	177	2,118	1,975	22,947	-15	-39	42
Amarillo.....	306	2,935	1,892	28,981	-57	-42	35
Austin.....	320	2,927	7,294	46,318	44	38	26
Beaumont.....	368	3,318	1,453	15,419	5	29	-4
Corpus Christi.....	70	771	1,512	16,840	39	39	-10
Dallas.....	2,255	20,519	13,064	136,774	-8	-5	14
El Paso.....	620	5,710	7,687	51,059	7	44	3
Fort Worth.....	758	7,314	3,251	45,462	-27	-15	13
Galveston.....	123	1,043	252	3,295	-77	1	15
Houston.....	1,306	13,576	16,666	159,389	16	-21	-9
Lubbock.....	273	3,097	3,063	45,526	-15	-38	45
Port Arthur.....	190	1,748	934	8,242	11	160	-2
San Antonio.....	1,485	13,223	6,713	49,221	78	43	5
Waco.....	267	2,107	907	12,370	24	-39	1
Wichita Falls.....	157	1,652	833	11,563	36	-6	97
<b>Total—17 cities.....</b>	<b>9,980</b>	<b>92,387</b>	<b>\$74,321</b>	<b>\$704,890</b>	<b>5</b>	<b>-1</b>	<b>10</b>