



# BUSINESS REVIEW

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## **SOUTHWESTERN CATTLE NUMBERS CONTINUE UPWARD**

Southwestern cattle numbers continued upward in 1960, marking the third year in the expansion phase of the sixth well-defined cycle in inventories since 1895. The number of cattle and calves on farms and ranches in Arizona, Louisiana, New Mexico, Oklahoma, and Texas has been increasing since 1958 and totaled a record 16.9 million at the beginning of 1961. Similarly, the cattle population in the Nation has been rising during the past 3 years and reached a record high of 97.1 million head by the first of this year.

The current estimates of livestock inventories, released in mid-February by the United States Department of Agriculture, reflect a considerable downward revision from the previous estimates for the 1955-59 period as a result of more complete information obtained in the 1959 Census of Agriculture. For example, before the 1959 census data on cattle numbers became available, USDA estimates had placed the Nation's cattle population as of the first of 1960 at 101.5 million head. This figure has been revised downward to 96.2 million.

Since cattle numbers are moderately below the level previously reported, the outlook for the cattle industry for the next 2 or 3 years is viewed as being somewhat brighter. Nevertheless, the adjustments that have already occurred in the prices of cattle probably will exert a sobering influence upon prudent cattle raisers. The present size of the Nation's breeding herds has the potential for a large and rapid increase in beef output if producers are so inclined.

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



## Trends in Southwestern Cattle Numbers

The stage was set for an upswing in cattle numbers in the Southwest with the end of the drought and consequent improvement in range conditions in 1957; and by the following year, the cattle population was increasing. Reflecting the incidence of drought, the advance in numbers in the five District states since the upturn in 1958 has been greater than the gain in the comparable length of time in the previous cycle. Between January 1, 1958, and January 1, 1961, cattle inventories rose almost 2.5 million, compared with just under 2 million during the comparable period in the expansion phase of the 1949-58 cycle. In contrast, numbers in the Nation during the most recent expansion have risen less than 6 million as compared with 11.2 million in the same length of time in the previous cycle.

The expansion of cattle inventories in the current cycle has exhibited divergent trends among the District states. Arizona, New Mexico, Oklahoma, and Texas began increasing numbers by 1958, but inventories in Louisiana did not turn upward until 1959. The slowness with which cattlemen in Louisiana are rebuilding herds may be the result of such factors as losses of cattle due to hurricanes and flooding, a severe feed shortage during the fall and winter of 1959-60, and the sale of considerable numbers of breeding stock to Texas and other states following the end of the drought in 1957. Numberwise, the largest and most persistent gains in cattle and calf inventories during the past 3 years occurred in Oklahoma and Texas. These states accounted for over 90 percent of the total increase in the District states, with Texas showing by far the largest expansion.

Cattle inventories in Arizona and New Mexico at the start of 1961 were above the lows reached in 1957 but were slightly smaller than at the first of 1960. The decrease in Arizona reflected the fact that reductions in both cows and calves were not fully offset by gains in other classes; in New Mexico, most of the decline was centered in lower inventories of calves. Severe localized drought conditions in the summer of 1960 may have resulted in heavier culling of cattle, particularly in Arizona.

Both in the Southwest and in the Nation, numbers of milk cattle have shown a fairly steady decline for several years. In the District states, milk cattle inventories decreased 57 percent from the high point in 1944 to the level of 1,969,000 head at the beginning of this year and now comprise less than 12 percent of the total, contrasted with 28 percent in the former year. The decline

## ALL CATTLE AND CALVES ON FARMS AND RANCHES, 1949-61

Five Southwestern States, Southwest, and United States

(In thousands)

January 1	Arizona	Louisiana	New Mexico	Oklahoma	Texas	SOUTH-WEST	United States
1949.....	818	1,224	1,178	2,481	7,957	13,658	76,830
1950.....	818	1,285	1,178	2,580	8,116	13,977	77,963
1951.....	851	1,426	1,225	2,786	8,765	15,053	82,083
1952.....	928	1,540	1,225	3,092	8,853	15,638	88,072
1953.....	965	1,833	1,237	3,247	8,853	16,135	94,241
1954.....	936	1,943	1,188	3,344	8,587	15,998	95,679
1955.....	983	1,904	1,164	3,277	8,501	15,829	96,592
1956.....	1,010	1,923	1,222	3,146	8,501	15,802	95,900
1957.....	947	1,942	1,112	2,957	7,736	14,694	92,860
1958.....	922	1,825	1,056	2,898	7,736	14,437	91,176
1959.....	949	1,697	1,130	3,217	8,432	15,425	93,322
1960.....	1,019	1,765	1,198	3,378	9,106	16,466	96,236
1961.....	1,014	1,818	1,174	3,513	9,379	16,898	97,139

SOURCE: United States Department of Agriculture.

in milk cattle numbers has permitted some expansion in beef-type animals, particularly in eastern sections of the District. The decline in milk cattle inventories reflects the disappearance of many small-sized family dairy farms selling cream and butter and the growing number of larger, more heavily capitalized commercial dairies with high-producing cows. The trend toward part-time farming has also encouraged beef raising at the expense of the more labor-intensive dairying enterprise.

## Cyclical Nature of the Cattle Industry

The cyclical nature of cattle numbers and prices is a major characteristic of the cattle industry. The variations in cattle numbers reflect the cumulative effect of the decisions of individual cattlemen in response to their assessment of future profit potentials. The condition of pastures and ranges and the adequacy of other roughages are key factors in determining the profitability of producing beef. Other important considerations are the availability and cost of labor, credit, and other production supplies incidental to cattle enterprises of different sizes. The cycle in prices of beef cattle reflects the supplies of cattle being marketed and consumer demand. The price cycle for beef has an inverse relationship to cattle marketings, and prices ordinarily begin to decline before the cyclical peak in numbers is reached.

The trends in cattle numbers and changes in the prices of beef in the Southwest are broadly similar to those for the Nation. Regional differences in pasture conditions and in the types of cattle enterprises may cause some variations between regions, but the persistent and dominating influences of the national market for beef result in quite similar cyclical patterns.

The accompanying chart shows the cycles in numbers of all cattle and calves in the Nation. Two features



stand out in comparing the historical relationships between various cycles in both the Nation and the Southwest. First, the length of each cycle is shorter, indicating the shift that has occurred in beef production patterns and, perhaps, the quicker adjustments beef producers are making in response to changing economic relationships. Secondly, each successive cycle has started from a higher level, reflecting growth in population and income; and the peak in numbers has been progressively higher.

Special factors in the Southwest — largely related to drought conditions — produced a slightly different cyclical pattern in cattle inventories during the 1949-58 period from that in the Nation. In both instances, the over-all length of the 1949-58 cycle was the shortest of record. The downturn in numbers in the Southwest occurred during 1953, but liquidation of herds in the Nation was not begun until 1955.

As mentioned earlier, prices of cattle follow a general cyclical pattern inverse to that of marketings, although the absolute level of beef prices is influenced by the general level of prices for all commodities. Not only do the average prices for cattle vary during a cycle, but the price relationship between different types of cattle also changes. In the optimism of the early expansion of cattle numbers, prices of all kinds of cattle — particularly replacement stock — rise rather rapidly; and, relative to prices of slaughter animals, the prices of breeding cattle ordinarily increase rapidly. As the expansion phase continues and marketings increase, the level of cattle prices begins to decline, and the relationship

between breeding animals and slaughter animals starts to reverse itself.

During most cattle cycles, the composition of cattle inventories generally shows subtle but revealing changes. All classes of cattle — not just breeding stock — tend to increase during the expansion phase as livestock raisers retain cattle longer. Slaughter animals, such as steers, are held for relatively short periods, but calves are kept in the herds for a longer time.

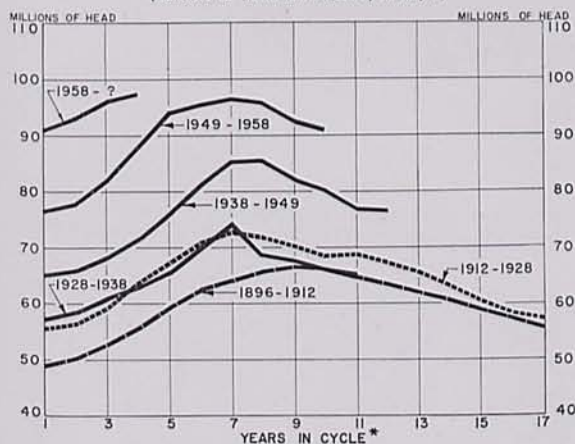
Thus, very early in the cyclical upswing, the number of calves becomes an increasingly larger proportion of total cattle and calf inventories and rises until the liquidation phase. The proportion of calves to total inventories usually is at its lowest near the end of the declining phase of the cycle. In the District states, calves comprised about 25 percent of total inventories at the beginning of 1958, and the proportion advanced to slightly more than 27 percent by the first of 1961, compared with 25 percent by the third year of expansion in the 1949-58 cycle.

The proportion of cows in the total inventory rises more slowly because of the time needed for heifer calves to reach maturity and have their first calf. Heifers, as a percentage of total cattle and calf numbers, increased only fractionally between the beginning of 1958 and the start of 1961 and comprised a slightly lower proportion of the total than in the earlier cycle. Cows comprised a little less than 53 percent of total inventories, or almost 4 percentage points below the early-1958 level and slightly below that at the same stage of the previous cycle. However, part of this decline reflects the long-range downtrend in milk cow numbers.

Reductions in numbers of breeding cows are made with great reluctance during the liquidation phase of the cattle cycle, since these animals are the basis for the cattleman's operation. As a result, cow numbers usually represent a larger proportion of total inventories in the latter part of a cycle, because slaughter animals and calves are sold before substantial reductions are made in cow numbers. Consequently, one of the major factors in cyclical changes in cattle inventories is the decision of livestock raisers with respect to the retention or sale of heifer calves. If an increasingly larger proportion is retained for additions to the foundation breeding herd, expansion in numbers will continue. On the other hand, larger marketings of heifer calves will moderate the cyclical expansion; or if marketings are accelerated to a marked degree, a reduction in total inventories could result.

## CATTLE INVENTORY CYCLES

UNITED STATES  
(Numbers on farms and ranches, January 1)



\* Begins with low point of end of previous cycle.  
SOURCE: U.S. Department of Agriculture.



### Current Stage of Inventory Cycle

Recent trends in cattle prices, changes in the level and composition of inventories, and the general characteristics of past cycles suggest that the expansion in cattle and calf numbers may continue for several more years, barring widespread drought. Basic cow herds do not appear to be excessive at this time, but immoderate additions to foundation herds could be unwise, particularly in view of the adjustments that have already taken place in prices. At the beginning of this year, there were 53 cattle per 100 persons residing in the United States, compared with 57 at the same stage of increasing numbers in the previous cycle. The ratio of cattle to population had risen to 60 head per 100 per-

sons before liquidation began. An advance in cattle numbers will be needed to accommodate the growing population, but the cattle industry has not been overly successful, in the past, in gearing beef output to the rather steady increase in consumers.

The present condition of pastures and ranges in the Southwest suggests that some further additions to herds may occur but the risk of recurring drought may temper expansion somewhat. The expected rise in pork production this year, and possibly into 1962, may result in some depressing effects on beef prices. Moreover, should the currently reduced level of economic activity persist over a considerable part of 1961, the demand for beef is likely to be adversely affected.

## PATTERN OF SOUTHWESTERN CONSTRUCTION

The construction industry is a very important factor in the development and growth of the southwestern economy, both in direct employment and payrolls generated and in major purchases of many raw materials and finished products. Indirectly, the industry provides a means of investment and savings. In a young, growing area such as the Southwest, the industry serves as a major element in attracting investment capital from older capital-surplus areas of the Nation. Since World War II, the region has accounted for an estimated 7 percent of the Nation's construction expenditures, around \$28 billion of which has been centered in Texas.

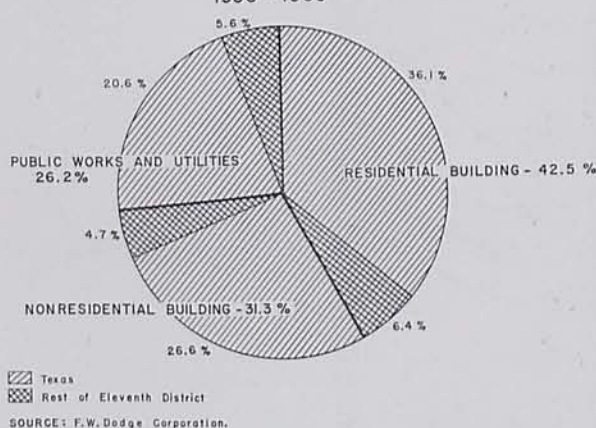
From 1956 to 1960, the total value of construction contracts awarded in the Eleventh Federal Reserve District was almost \$11.3 billion, with \$9.4 billion (or 83 percent) of this amount being located in Texas and the remaining \$1.9 billion placed within the Eleventh District portions of the southwestern states of Arizona, Louisiana, New Mexico, and Oklahoma. A breakdown of the District's total awards during this 5-year period indicates that nearly \$4.8 billion (43 percent) was for residential building, more than \$3.5 billion (31 percent) was for nonresidential building, and about \$3.0 billion (26 percent) was for public works and utilities.

It is particularly appropriate to consider recent developments in the construction industry. In other postwar recessions, this industry has been a major supporting and countercyclical force; whereas, in the current period of economic slack, construction has supplied both upward and downward pressures. This seeming

contradiction has occurred in response to the contrasting movements among the major segments of the industry, residential and nonresidential building and public works. Perhaps an explanation of these divergent moves can be obtained by appraising some of the trends developing in the industry over the past few years.

The source of economic power and growth in the Southwest over the decade of the 1950's has been its industrial expansion and diversification. A whole family of new industries, some raw material-based and others market-oriented, has developed in this region, and their growth has stimulated the rise of a strong industrial

CONSTRUCTION CONTRACTS AWARDED,  
BY TYPE AND BY AREA  
ELEVENTH FEDERAL RESERVE DISTRICT  
1956 - 1960





construction industry. Rapidly growing petrochemical, electronic, machinery, and other diverse manufacturing activities have located mainly in or near the large southwestern metropolitan centers. Indicative of this industrial expansion is the fact that, between 1954 and 1958, the total value added by manufacture in the five District states increased almost 40 percent, or at twice the national rate of growth. Value added in Texas, which accounted for over two-thirds of the five-state volume, increased at an even faster rate, 44 percent. As capital spending plans fluctuated, industrial construction also shifted. The level of spending for new plant and equipment has been relatively high for many years, and industrial construction in the Southwest achieved a new record in 1960.

The remarkable rate of industrial growth and diversification has supported a sharply higher rate of natural population advance and a rising rate of in-migration. The population of the Southwest rose nearly 3.3 million from 1950 to 1960, with almost one-quarter of a million persons in-migrating from other states. The population growth was accompanied by a marked shift in location from rural areas to the major metropolitan areas of the Southwest. These new southwesterners, both natives and in-migrants, formed the core of an expanding market for all types of consumer goods and services, which, in turn, brought a marked increase in commercial construction. The recognition that the Southwest was developing into a primary market encouraged the growth of new warehousing, branch office, and other service functions. The reinforcing character of this growth can be seen in the attraction of additional thousands of workers to handle such expanded facilities. In 1960, District nonresidential building, which includes the important components of commercial and industrial building, reached a record of \$816 million, after averaging \$706 million annually since 1956.

Perhaps more importantly, though, the population gains have stimulated the demand for new housing and municipal service construction. With wartime demands largely satisfied in the first half of the 1950 decade, the residential construction industry had to meet changing consumer preferences and the exceptionally strong market demand stemming from population shifts in the past 5 years. As their children grew up, many veterans of World War II and the Korean War began to search for larger homes, and the emphasis in home building shifted away from the two-bedroom home to three-, four- and five-bedroom houses. Thus, residential build-

# VALUE OF CONSTRUCTION CONTRACTS AWARDED, BY MAJOR TYPES OF CONSTRUCTION, 1956-60

Texas and Eleventh Federal Reserve District

(In millions of dollars)

Type and area	1956	1957	1958	1959	1960p	TOTAL
Residential building						
Texas.....	656	714	907	972	825	4,074
Eleventh District.....	763	830	1,079	1,154	962	4,788
Nonresidential building						
Texas.....	608	516	603	572	704	3,003
Eleventh District.....	713	606	715	679	816	3,529
Public works and utilities						
Texas.....	350	461	532	492	492	2,327
Eleventh District.....	506	579	670	592	611	2,958
TOTAL						
Texas.....	1,614	1,691	2,042	2,036	2,021	9,404
Eleventh District.....	1,982	2,015	2,464	2,425	2,389	11,275

p — Preliminary.  
SOURCE: F. W. Dodge Corporation.

ing enlarged its share of the construction total in the District to a new record of 48 percent in 1959. However, the inducement to expansion was too strong, and overbuilding occurred in some of the major metropolitan areas. In 1960 the residential sector's share of the District's total construction declined to 40 percent.

The problems of southwestern home building in 1960 also included the effects of a higher mortgage rate and reduced availability of mortgage funds in the early part of the year, a rising vacancy rate for apartments and rental units, a slower rate of growth in personal income, increasing unemployment, and the lack of stimulus from any appreciable change in down-payment terms or mortgage loan maturity schedules. After many years of rapid expansion, perhaps the home-building sector of the construction industry was overstaffed, and its excesses of other recent years required a period of gestation. For whatever reason, the residential housing market failed to provide the needed stimulus, and home building in the region declined almost 17 percent from its 1959 record.

The home-building market shifted rapidly from project-type to custom-type construction and then to apartment building. The trend toward large suburban developments slowed in the past year, and a counter-trend of apartment construction near the center of major cities was especially noticeable. Many one- or two-story apartment buildings with 20 to 100 units have been constructed near major thoroughfares at short distances from the downtown areas. In addition, some luxurious multistory apartments have been built. Accompanying these developments has been a marked growth in remodeling and repair of existing houses.

The population advance of the Southwest, concentrating in the major metropolitan areas and stimulating



the large suburban developments, has brought a rising demand for municipal services. New streets, additional water and sewerage facilities, and expanded utilities have featured this suburban growth. With characteristic lag, the construction of many such facilities has only recently been accomplished; thus, though suburban growth has slowed, expenditures of state and local governments have risen.

In the heavy engineering sector, one would expect fairly steady growth in outlays for electric and gas utilities and perhaps an anticyclical characteristic in the construction of public projects, highways, water resource development projects, and military installations. But, such is not necessarily the case. Heavy engineering projects, which accounted for one-fourth of the District's total construction awards in 1956, peaked at 29 percent in 1957 and averaged 26 percent of total awards over the 1956-60 period. However, during this 5-year period, the yearly value of heavy engineering awards increased one-fifth from the 1956 level of \$506 million.

A cumulative comparison shows that the greatest growth in heavy engineering awards in the District took place between 1958 and 1960; and, to an increasing extent, this growth has centered in Texas. Many large contracts have been awarded in Texas for pipelines to develop natural gas reserves, for additional electrical generating and distributive capacity to handle the rapid and continuing growth of the residential and commercial power markets, and for a vast network of expressways and public roads. In 1956, Texas had 69 percent of the District's total heavy engineering construction value, but by 1959 this share had increased to a record 83 percent.

Educational facilities have also been a major high light of the construction industry in the past few years. The increasing number of children reaching school age has so taxed existing school facilities that a major program of construction, starting with the elementary schools and now moving to secondary schools and public institutions for higher education has been implemented.

Suburban shopping center construction also has been stimulated by the population growth; and in many major metropolitan areas, such construction reached a new peak in the past 5 years. However, the trend slowed in 1960, in keeping with the changing emphasis upon apartment building.

In fact, since 1956, the construction industry of the Southwest has concentrated upon catching up to the housing and commercial and government facilities needed to meet the economic and population advances in the earlier postwar years. The year 1960 gave evidence that at least a substantial part of this process has been accomplished in housing. Perhaps the principal areas for further growth will be highways, water resource developments, and urban renewal projects.

Federal outlays for public works have been substantial in Texas and the District. From July 1956 through December 1959, nearly 700 miles of the Federal interstate and defense highway system were built in Texas at a cost of about \$186 million, of which the Federal Government furnished \$159 million. Texas received 6.3 percent of total Federal funds disbursed in the Nation for this purpose and built 11.7 percent of the national interstate and defense highway mileage. This greater efficiency in using highway funds reflects, in part, the fact that the Southwest already has space in which to expand and does not need to destroy as many structures to build new highways as other more fully developed areas of the Nation do.

Under the so-called primary, secondary, and urban road program, about 6,558 miles of highways have been built in Texas since July 1, 1956, at a cost of over \$357 million, one-half of which was paid by the Federal Government. Texas received 6.7 percent of the funds disbursed under this program and built 7.7 percent of the national mileage. The continuous problems of enlarging, updating, and renovating streets, public buildings, and educational and other institutional structures are expected to command an increasing share of the construction industry's attention in the foreseeable future.

The 1960 construction pattern in the Southwest continued the trends of 1958 and 1959, insofar as public works and commercial and industrial construction were concerned. However, in home building, the 1960 picture of decline may have been the culmination of a long process of adjustment, or it may have been just a temporary deviation from the trends of other recent postwar years. The internal adjustments needed to accommodate these changes in the construction pattern are ones which have proved to be painful and, to some extent, damaging to the industry. On the other hand, the stronger, more flexible concerns which have survived form the core of the efficient construction industry the Southwest needs for future growth.



# BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Daily average crude oil production in the Eleventh District increased slightly during January, and output in early February was at the month-earlier

level. Crude oil runs to refinery stills advanced more than seasonally in January. The Texas crude oil allowable schedule has been extended to 10 producing days for March. Mixed trends were shown in January drilling activity.

District agricultural conditions improved somewhat in February. Cotton, corn, and grain sorghum planting is under way in the Lower Valley, and field work is active in south Texas commercial vegetable areas. Southwestern pastures and ranges show the effect of severe winter weather. Numbers of cattle, sheep, and turkeys in the District states on January 1 were higher than a year ago, but inventories of hogs and chickens were lower.

In the 4 weeks ended February 15, the District weekly reporting member banks showed advances in loans, investments, and time deposits but a reduction in demand deposits. Reserve positions of the District's

member banks improved further between January 4 and February 1 and remained comfortable.

District department store sales in January declined more than seasonally from December 1960 and were 3 percent under January last year. Department store inventories were reduced during January and at the end of the month were substantially under a year ago. New car registrations in the four major Texas markets in January declined 13 percent from December and 18 percent from a year earlier.

Nonagricultural employment in the five southwestern states declined during January. In Texas, unemployment increased to 222,800, or 6.3 percent of the State's total labor force. The seasonally adjusted Texas industrial production index rose in January because of advances in manufacturing output; however, mining activity decreased.

Construction contracts awarded in the five southwestern states during December 1960 advanced over the previous month and a year earlier, reflecting significant increases in awards for nonresidential building and public works and utilities construction.



Department store sales in the Eleventh Federal Reserve District declined more than seasonally during January and were 3 percent below January 1960.

Year-to-year sales losses were not confined to any particular commodity group but were widely distributed throughout the major merchandise departments — wearing apparel, as well as furniture and household appliances. Sales in early February, on a daily average basis, were slightly above the comparable period a year ago.

The seasonally adjusted index of District department store sales for January 1961 was 167 percent of the 1947-49 average, compared with 171 for both January and December 1960, when sales were at record levels for each of these months. Department store inven-

tories were adjusted downward during January and on January 31, the end of the fiscal year for most department stores, were substantially under a year ago.

New car registrations in the four major Texas markets in January decreased 13 percent from the preced-

## DEPARTMENT STORE SALES

(Preliminary percentage change in retail value)

Area	January 1961 from	
	December 1960	January 1960
Total Eleventh District.....	-57	-3
Corpus Christi.....	-63	-2
Dallas.....	-57	-6
El Paso.....	-60	-11
Fort Worth.....	-59	-5
Houston.....	-54	1
San Antonio.....	-52	1
Shreveport, La.....	-56	-4
Waco.....	-59	1
Other cities.....	-59	-1



# 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
1960: January.....	135	171	163r	186r
November.....	190	163	211	192
December.....	293	171	169	182
1961: January.....	132p	167p	158p	179p

r — Revised.

p — Preliminary.

ing month and 18 percent from January 1960. Each of the four markets also showed downward sales trends. Compared with a year ago, January new car registrations were 14 percent lower in Dallas and 11 percent less in Houston. San Antonio and Fort Worth reflected declines of 29 percent and 33 percent, respectively.



Agricultural conditions in the Eleventh District improved somewhat during February, although many fields in the eastern half of the District have been

too wet to graze or plow for the past 3 months. Planting of cotton, corn, and sorghums has gained momentum in the Lower Rio Grande Valley of Texas. Most wheat in the Plains is in good condition, and oat prospects are favorable throughout most of the District. In the Lower Valley and Coastal Bend, peaches are blooming and pecan buds are swelling.

Field work has been active in south Texas commercial vegetable areas. Frost in the Lower Valley the first week in February resulted in light losses of tender vegetables. Cabbage, carrots, and lettuce are being shipped from the valley; and a fairly good volume of beets, broccoli, cauliflower, and leafy green vegetables is available. Early spring onions are in good condition in south Texas. Watermelon planting is under way in the Falfurrias area, and land preparation for melons and spring vegetables is active in south-central and east Texas. Tomatoes are coming up in hotbeds in south-central counties, and seeding of hotbeds is progressing in east Texas.

Pastures and ranges in many sections of the District show the effect of prolonged periods of severe winter weather. Cold, wet conditions have prevented the usual growth of winter grasses, weeds, and legumes. Small grains have provided very little grazing in east Texas, coastal sections, and the Blacklands. Compared with a year earlier, feed conditions in the range states of the

# LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

Species	Texas		Five southwestern states <sup>1</sup>		United States	
	1961	1960	1961	1960	1961	1960
Cattle.....	9,379	9,106	16,898	16,466	97,139	96,236
Milk cattle....	956	1,004	1,969	2,037	29,936	30,181
Beef cattle....	8,423	8,102	14,929	14,429	67,203	66,055
Sheep.....	6,159	5,938	8,246	7,978	32,932	33,170
Stock sheep...	5,968	5,738	7,876	7,634	28,677	28,849
Feeders.....	191	200	370	344	4,255	4,321
Hogs.....	1,037	1,115	1,779	2,018	55,305	59,026
Chickens <sup>2</sup> .....	15,500	17,008	24,809	27,101	357,910	369,484
Turkeys.....	415	391	561	522	6,840	5,633

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

<sup>2</sup> Does not include commercial broilers.

SOURCE: United States Department of Agriculture.

District as of February 1 were somewhat improved in Oklahoma, unchanged in New Mexico, and less favorable in Arizona and Texas.

Supplemental feeding of livestock reached a seasonal peak in February, as ranchers attempted to halt further weight loss of the animals. Cattle in the eastern half of the District continue to be maintained primarily on roughage and protein supplement. In some areas of east Texas, roughage feed supplies are becoming scarce. Goat shearing has increased in the Edwards Plateau.

The number of all cattle and calves on farms and ranches in the District states as of January 1, 1961, advanced to an all-time high of 16,898,000 head, reflecting a 3-percent gain over the revised 1960 figure. An increase in the number of beef cattle more than offset a decline in milk cattle inventories. The number of sheep in the District was up 3 percent over the year-earlier level, but hog numbers were down 12 percent. In the Nation, cattle numbers reached a record 97,139,000 at the beginning of 1961. This is the third consecutive year that the national cattle inventory has shown an over-all increase.



In the 4 weeks ended February 15, weekly reporting member banks in the District showed advances in loans, investments, and time deposits but a reduction in demand deposits. Cash accounts decreased, and total assets expanded.

Gross loans (excluding interbank loans) rose \$27.6 million during the 4 weeks, as increases of \$45.8 million in consumer-type loans and \$6.2 million in loans for purchasing or carrying securities were only partially offset by declines of \$14.0 million in commercial and industrial loans and \$9.1 million in loans to nonbank financial institutions. In the comparable period a year



ago, gross loans declined \$33.4 million, primarily as a result of a \$23.1 million decrease in commercial and industrial loans.

Total investments of the District weekly reporting member banks grew \$52.7 million between January 18 and February 15. Holdings of Government securities advanced \$29.5 million, as reductions of \$17.7 million in Treasury bills and \$13.9 million in Treasury certificates were more than offset by increases of \$17.5 million in Treasury notes and Government bonds due within 1 year and \$44.7 million in Treasury notes and Government bonds due after 1 but within 5 years. Non-Government security holdings rose \$23.2 million. In the corresponding period of 1960, total investments declined \$56.5 million, with a \$6.6 million growth in holdings of non-Government securities being more than offset by a \$63.1 million reduction in holdings of Government securities.

In the 4 weeks ended February 15, the weekly reporting member banks recorded a \$20.3 million expansion in total deposits; although demand deposits declined, time deposits advanced substantially. The \$60.1 million reduction in demand deposits reflected decreases of \$28.5 million in deposits of individuals, partnerships, and corporations and \$77.6 million in deposits of domestic banks. However, demand deposits of the United States Government increased \$39.4 million. Time deposits continued the growth begun over 7 months ago by advancing \$80.4 million during the

#### RESERVE POSITIONS OF MEMBER BANKS

##### Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Feb. 1, 1961	4 weeks ended Jan. 4, 1961	4 weeks ended Feb. 3, 1960
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	581,528	588,396	548,015
With Federal Reserve Bank....	540,928	547,007	544,963
Cash allowed as reserves.....	40,600	41,389	3,052
Required reserves.....	567,197	576,412	542,260
Excess reserves.....	14,331	11,984	5,755
Borrowings.....	304	1,098	73,519
Free reserves.....	14,027	10,886	—67,764
<b>COUNTRY BANKS</b>			
Total reserves held.....	528,119	517,358	471,775
With Federal Reserve Bank....	424,294	415,593	465,125
Cash allowed as reserves.....	103,825	101,765	6,650
Required reserves.....	445,446	439,738	422,118
Excess reserves.....	82,673	77,620	49,657
Borrowings.....	434	1,189	10,152
Free reserves.....	82,239	76,431	39,505
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	1,109,647	1,105,754	1,019,790
With Federal Reserve Bank....	965,222	962,600	1,010,088
Cash allowed as reserves.....	144,425	143,154	9,702
Required reserves.....	1,012,643	1,016,150	964,378
Excess reserves.....	97,004	89,604	55,412
Borrowings.....	738	2,287	83,671
Free reserves.....	96,266	87,317	—28,259

NOTE. — Regulations permitting member banks to count part of their vault cash in meeting reserve requirements became effective in December 1959; effective November 24, 1960, all vault cash can be counted in meeting reserve requirements.

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

##### Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 15, 1961	Jan. 18, 1961	Feb. 17, 1960
<b>ASSETS</b>			
Commercial and industrial loans.....	1,537,676	1,551,631	1,476,337
Agricultural loans.....	32,945	32,092	32,221
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	28,878	28,247	383
Other securities.....	25,736	21,402	19,513
Other loans for purchasing or carrying:			
U. S. Government securities.....	9,127	8,456	8,524
Other securities.....	194,632	194,108	193,582
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	85,989	98,335	134,181
Savings banks, mtge. cos., ins. cos., etc.....	127,759	124,557	109,318
Loans to foreign banks.....	76	101	655
Loans to domestic commercial banks.....	65,262	47,937	34,277
Real-estate loans.....	217,103	219,238	205,116
All other loans.....	787,947	742,147	725,946
Gross loans.....	3,113,130	3,068,251	2,940,053
Less reserves and unallocated charge-offs..	57,220	57,076	53,722
Net loans.....	3,055,910	3,011,175	2,886,331
Treasury bills.....	112,923	130,629	36,422
Treasury certificates of indebtedness.....	34,427	48,295	22,524
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	164,137	146,617	71,552
After 1 but within 5 years.....	778,113	733,436	760,379
After 5 years.....	368,304	369,430	316,211
Other securities.....	408,895	385,686	370,230
Total investments.....	1,866,799	1,814,093	1,577,318
Cash items in process of collection.....	541,239	532,810	496,655
Balances with banks in the United States.....	498,398	509,017	456,056
Balances with banks in foreign countries.....	2,068	2,157	2,270
Currency and coin.....	53,067	54,961	48,707
Reserves with Federal Reserve Bank.....	537,779	588,370	555,985
Other assets.....	210,488	223,077	217,931
<b>TOTAL ASSETS.....</b>	<b>6,765,748</b>	<b>6,735,660</b>	<b>6,241,253</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits:			
Individuals, partnerships, and corporations....	2,917,671	2,946,137	2,838,777
United States Government.....	103,714	64,352	93,863
States and political subdivisions.....	227,870	227,934	216,936
Banks in the United States.....	1,079,243	1,156,817	892,228
Banks in foreign countries.....	14,848	14,562	14,029
Certified and officers' checks, etc.....	55,813	49,468	50,131
Total demand deposits.....	4,399,159	4,459,270	4,105,964
Time deposits:			
Individuals, partnerships, and corporations....	1,306,619	1,235,707	1,014,873
United States Government.....	14,513	12,513	11,255
Postal savings.....	394	394	394
States and political subdivisions.....	270,240	262,738	239,110
Banks in the U. S. and foreign countries.....	10,288	10,254	6,663
Total time deposits.....	1,602,054	1,521,606	1,272,295
Total deposits.....	6,001,213	5,980,876	5,378,259
Bills payable, rediscounts, etc.....	71,000	58,025	184,800
All other liabilities.....	118,808	124,643	132,552
Capital accounts.....	574,727	572,116	545,642
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....</b>	<b>6,765,748</b>	<b>6,735,660</b>	<b>6,241,253</b>

4-week period. The growth in time deposits was largely accounted for by a \$70.9 million expansion in deposits of individuals, partnerships, and corporations.

Total reserves of the District member banks increased in the 4 weeks ended February 1. Excess reserves advanced at both reserve city banks and country banks, while borrowings were reduced. Thus, an already comfortable reserve position was improved



# CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 15, 1961	Jan. 18, 1961	Feb. 17, 1960
Total gold certificate reserves.....	650,222	721,174	683,576
Discounts for member banks.....	300	100	85,526
Other discounts and advances.....	522	522	0
U. S. Government securities.....	1,072,986	1,084,537	1,009,809
Total earning assets.....	1,073,808	1,085,159	1,095,335
Member bank reserve deposits.....	911,210	971,441	962,914
Federal Reserve notes in actual circulation.....	811,529	822,631	789,425

even further. In the comparable period a year ago, reserve city banks had net borrowed reserves of \$67.8 million; country banks showed free reserves of \$39.5 million, which is less than half the average for the 4 weeks ended February 1, 1961.

Between January 18 and February 15, total earning assets of the Federal Reserve Bank of Dallas declined \$11.4 million. Holdings of United States Government securities were reduced \$11.6 million; on the other hand, discounts for member banks increased \$200,000. Federal Reserve notes in circulation decreased \$11.1 million during the period to a level \$22.1 million above a year earlier. Gold certificate reserves declined \$71.0 million in the 4 weeks ended February 15 and were \$33.4 million below a year ago.



The Texas crude oil allowable schedule for March has been increased to 10 producing days, primarily because of reduced crude oil stocks. Although the

February allowable schedules in the other District states have been retained for March, the Texas increase should result in a rise in District crude oil output during the month. Normally, a production decline of 3 percent is expected between February and March.

Daily average crude oil production in the District has increased slightly each month since last October, and indications are that output during early February approximated the January level. A similar pattern has also been established in the Nation.

Nevertheless, District drilling activity was somewhat mixed during January. The average number of rotary rigs employed in the District declined significantly; however, total footage drilled advanced, and the total number of wells completed decreased only moderately. These trends are evidence of the more intensive utilization of drilling equipment.

Crude oil imports advanced significantly in January; however, demand for crude oil was heavy during the

month, resulting in reduced inventories in the Nation. National stocks had increased slightly during the previous 2 months.

January crude oil runs to District and national refinery stills, advancing more than seasonally, rose about 4 percent, and refinery operations remained at this higher level in early February. Imports of refined products also increased significantly during January. Demand for the four major petroleum products, however, was virtually unchanged during the month, and a less than anticipated decline in product stocks resulted.

Seasonal advances occurred in the consumption of distillate fuel oil during January, and gasoline demand declined seasonally. A greater than anticipated rise in residual fuel oil consumption compensated for a minor increase in kerosene demand. Refined product demand strengthened contraseasonally in early February. Weather conditions at midmonth were moderate; yet, heating oil supplies were somewhat limited, and prices remained firm. On the other hand, gasoline prices, at the wholesale and retail levels, were shaded in certain parts of the Nation.



Nonfarm employment declined in all sectors during January in the District states but was moderately above a year ago because of growth in finance, service, and government employment. The January decline was mainly the result of seasonal reductions in trade and service employment, which accounted for three-fourths of the total decrease in nonfarm employment and contributed significantly to the rise in unemployment.

## NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change Jan. 1961 from	
	January 1961e	December 1960	January 1960r	Dec. 1960	Jan. 1960
Total nonagricultural					
wage and salary workers..	4,380,600	4,478,700	4,359,600	-2.2	0.5
Manufacturing.....	763,400	771,800	776,700	-1.1	-1.7
Nonmanufacturing.....	3,617,200	3,706,900	3,582,900	-2.4	1.0
Mining.....	241,800	242,300	247,500	-.2	-2.3
Construction.....	283,000	286,900	283,700	-1.4	-.3
Transportation and public utilities.....	397,300	403,800	405,000	-1.6	-1.9
Trade.....	1,081,300	1,146,100	1,081,800	-5.7	-.1
Finance.....	205,500	205,600	197,500	-.1	4.1
Service.....	549,800	558,900	539,500	-1.6	1.9
Government.....	858,500	863,300	827,900	-.6	3.7

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

e — Estimated.

r — Revised.

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



# INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1947-49 = 100)

Area and type of index	January 1961p	December 1960	November 1960	January 1960
<b>TEXAS</b>				
Total industrial production.....	173	171	172	173
Total manufactures.....	215	210	215	213
Durable manufactures.....	247	237	251	249
Nondurable manufactures.....	200	197	198	197
Mining.....	132	133	131	133
<b>UNITED STATES</b>				
Total industrial production.....	155	157	159	168
Total manufactures.....	152	154	157	168
Durable manufactures.....	154	156	160	180r
Nondurable manufactures.....	155	157	158	159
Mining.....	128	128	128	128
Utilities.....	294	294	293	280

p — Preliminary.

r — Revised.

SOURCES: Board of Governors of the Federal Reserve System.  
Federal Reserve Bank of Dallas.

Construction employment in the five District states combined decreased during January; but in Texas, such employment moved strongly against the seasonal pattern, reflecting increases in contract lettings. Manufacturing employment showed only a slight decline in the five states, especially in Texas. Thus, the fairly sustained level of manufacturing employment and the reversal in the trend of Texas construction employment were favorable factors in recent employment developments.

Insured and total unemployment in Texas rose markedly during January to reach 222,800, which is 6.3 percent of the State's total labor force. In the Nation, the January rate of unemployment amounted to 6.6 percent.

The index of Texas industrial production advanced 2 points during January to a seasonally adjusted level of 173. Total manufactures increased as a result of a sharp gain in the output of durables and a smaller rise in

the production of nondurables. Strength in durable goods manufacturing was shown mainly in primary metals, electrical machinery, and stone, clay, and glass industries. In the nondurable goods sector, there was increased production of food, textiles, and petroleum and coal products. Mining activity declined slightly from the month-earlier and year-earlier levels.

# VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	December 1960p	November 1960	December 1959	January—December 1960p	1959
<b>FIVE SOUTHWESTERN STATES<sup>1</sup></b>					
Residential.....	289,537	222,940	252,145	3,762,959	3,882,290
All other.....	105,651	102,925	113,537	1,523,265	1,827,549
<b>UNITED STATES.....</b>	183,886	120,015	138,608	2,239,694	2,054,741
Residential.....	2,717,701	2,843,444	2,224,060	36,317,629	36,268,544
All other.....	877,733	1,232,134	993,185	15,105,423	17,149,677
	1,839,968	1,611,310	1,230,875	21,212,206	19,118,867

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

p — Preliminary.

SOURCE: F. W. Dodge Corporation.

The total value of construction contracts awarded in the five southwestern states rose sharply in December 1960 to \$290 million. Residential awards advanced slightly but remained below a year ago. "All other" awards, however, increased substantially over November and were considerably above the year-earlier figure. On balance, construction contracts awarded in the five states during 1960 totaled almost \$3.8 billion, which is slightly below 1959. The residential sector was 17 percent below the record 1959 level and accounted for all of the decline in the total value of contract awards. On the other hand, sharp rises in industrial and commercial building awards during 1960 resulted in a 9-percent gain in "all other" awards.





# 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>			
	January 1961	Percent change from		Jan. 31, 1961	Annual rate of turnover		
		Dec. 1960	Jan. 1960		Jan. 1961	Dec. 1960	Jan. 1960
ARIZONA							
Tucson.....	\$ 260,154	8	8	\$ 138,202	22.6	21.6	19.1
LOUISIANA							
Monroe.....	89,159	11	5	50,547	20.0	17.6	18.4
Shreveport.....	367,447	6	7	189,847	22.4	21.5	20.4
NEW MEXICO							
Roswell.....	49,679	14	22	36,158	17.6	16.4	15.2
TEXAS							
Abilene.....	106,640	1	7	66,172	19.2	19.3	18.5
Amarillo.....	241,697	10	12	120,569	23.9	22.0	21.8
Austin.....	218,369	7	—4	148,616	16.9	16.1	17.8
Beaumont.....	169,535	—1	7	104,570	19.3	19.2	18.1
Corpus Christi.....	195,015	0	—5	108,210	21.6	21.7	21.4
Corsicana.....	18,278	1	—5	20,181	10.8	10.8	11.3
Dallas.....	3,268,724	—8	6	1,169,088	31.3	34.3	31.0
El Paso.....	363,789	—5	4	174,794	25.2	26.8	24.5
Fort Worth.....	842,151	0	6	373,380	25.8	25.4	25.7
Galveston.....	92,927	—2	2	61,436	18.4	19.2	16.8
Houston.....	2,749,717	—7	8	1,306,668	24.6	26.0	23.3
Laredo.....	28,801	—5	—6	21,668	15.8	16.7	16.2
Lubbock.....	296,792	—3	0	125,182	28.3	30.2	27.0
Port Arthur.....	63,056	—5	—5	45,052	17.4	18.4	17.6
San Angelo.....	57,479	8	9	47,162	14.6	13.4	13.6
San Antonio.....	627,966	1	4	382,197	19.7	19.7	19.6
Texarkana <sup>2</sup> .....	22,649	—2	—1	17,637	15.6	16.1	16.7
Tyler.....	90,295	9	4	59,782	17.9	16.7	16.7
Waco.....	112,633	2	2	70,704	18.8	18.5	19.0
Wichita Falls.....	125,718	0	—1	98,772	14.8	15.0	13.4
Total—24 cities.....	\$10,458,670	—4	6	\$4,936,594	24.6	25.7	23.8

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

<sup>2</sup> These figures include only two banks in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including one bank located in the Eighth District, amounted to \$50,006,000 for the month of January 1961.

# DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Change from				
	January 1961p	December 1960p	January 1960	December 1960	January 1960
ELEVENTH DISTRICT.....	2,990.8	2,966.7	3,093.8	0.8	—3.3
Texas.....	2,617.8	2,592.9	2,714.4	1.0	—3.6
Gulf Coast.....	479.8	477.8	487.6	.4	—1.6
West Texas.....	1,188.7	1,171.6	1,210.7	1.5	—1.8
East Texas (proper).....	132.9	132.6	140.7	.2	—5.6
Panhandle.....	104.2	102.0	101.3	2.2	2.9
Rest of State.....	712.2	708.9	774.1	.5	—8.0
Southeastern New Mexico.....	262.6	263.2	256.5	—2	2.4
Northern Louisiana.....	110.4	110.6	122.9	—2	—10.2
OUTSIDE ELEVENTH DISTRICT.....	4,186.1	4,172.2	4,136.5	.3	1.2
UNITED STATES.....	7,176.9	7,138.9	7,230.3	.5	—7

p — Preliminary.

SOURCES: American Petroleum Institute.  
United States Bureau of Mines.  
Federal Reserve Bank of Dallas.

# HARVESTED ACREAGE OF PRINCIPAL CROPS

(In thousands of acres)

Area	1960	1959	1958	Average 1949–58
Arizona.....	1,183	1,206	1,220	1,157
Louisiana.....	2,543	2,590	2,414	2,899
New Mexico.....	1,202	1,147	1,122	1,314
Oklahoma.....	9,635	9,468	9,285	10,301
Texas.....	24,134	24,086	24,286	24,568
Total.....	38,697	38,497	38,327	40,239

SOURCE: United States Department of Agriculture.

# 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
1959: January....	8,106	3,952	4,154	2,090	1,106	984
1960: January....	8,084	3,912	4,172	2,111	1,081	1,030
September.....	7,577	3,814	3,763	2,317	1,170	1,147
October.....	7,699	3,875	3,824	2,368	1,198	1,170
November.....	7,879	3,933	3,946	2,426	1,229	1,197
December.....	8,044	4,030	4,014	2,482	1,263	1,219
1961: January....	8,135	4,032	4,103	2,564	1,308	1,256

# CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 25, 1961	Dec. 28, 1960	Jan. 27, 1960
ASSETS			
Loans and discounts.....	4,892	5,157	4,738
United States Government obligations.....	2,657	2,593	2,548
Other securities.....	890	867	862
Reserves with Federal Reserve Bank.....	943	868	920
Cash in vault.....	157	164	150
Balances with banks in the United States.....	1,336	1,251	1,005
Balances with banks in foreign countries.....	2	2	2
Cash items in process of collection.....	553	579	507
Other assets.....	324	313	340
TOTAL ASSETS.....	11,754	11,794	11,072
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,338	1,373	1,094
Other demand deposits.....	6,670	6,745	6,642
Time deposits.....	2,593	2,504	2,145
Total deposits.....	10,601	10,622	9,881
Borrowings.....	6	22	101
Other liabilities.....	165	170	175
Total capital accounts.....	982	980	915
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	11,754	11,794	11,072

e — Estimated.

# BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		Percent change January 1961 from	
	January 1961	January 1961	December 1960	January 1960
ARIZONA				
Tucson.....	639	\$ 4,603	—16	43
LOUISIANA				
Shreveport.....	320	6,981	364	226
TEXAS				
Abilene.....	117	1,469	139	22
Amarillo.....	265	2,303	73	—19
Austin.....	299	4,576	—37	65
Beaumont.....	250	1,012	—24	78
Corpus Christi.....	237	1,609	159	53
Dallas.....	1,548	21,943	80	86
El Paso.....	494	5,606	—58	158
Fort Worth.....	503	2,103	—10	—36
Galveston.....	73	348	122	278
Houston.....	1,103	15,100	12	—11
Lubbock.....	203	3,083	93	—24
Port Arthur.....	116	558	32	—49
San Antonio.....	928	3,857	—24	26
Waco.....	166	1,149	60	—38
Wichita Falls.....	172	3,431	332	105
Total—17 cities.....	7,433	\$79,731	19	33