

business review



november 1963

**FEDERAL RESERVE
BANK OF DALLAS**

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southwestern farm real estate developments

Farm real estate values in the five southwestern states reached a new high of almost \$23.8 billion early this year, a level about two-thirds above a decade ago. The advance during the past 10 years was a continuation of the generally upward movement characterizing rural land values in not only the Southwest but also the Nation since World War II. The continuation of the fairly persistent and pervasive rise in the value of farm real estate reflects influences originating from both the agricultural industry and the nonfarm sector of the economy.

Owners and many nonowners of farm and ranch property are affected by developments in the farm real estate market. Farm and ranch real estate not only provides current and potential income but may represent the accumulated savings and efforts of most of their lifetime. Ownership of land has been a traditional means through which many people have sought to build an estate, achieve security in their old age, and provide for periods of ill health. Changes in the value of the property could significantly affect how well these goals are being met.

Those desiring land for nonagricultural uses are affected by developments in the farmland market. Individuals seeking land for commercial, industrial, and residential subdivisions usually satisfy their needs by acquiring open land. Because of their responsibilities for planning and providing essential public services and facilities, officials of governmental units are interested in farm real estate values. Lenders in the farm mortgage field — including insurance companies, banks, and individuals — also

have an important interest in rural land values since most real estate mortgages typically are made for relatively long periods.

To farmers and nonfarmers alike, the ownership of farmland has an attraction other than just the income-producing potential. Rural property is valued highly as a place to rear children, hunt or fish, achieve privacy, or just loaf. Such objectives add another dimension to the interest in farm real estate prices.

Land and buildings comprise by far the largest proportion of total farm and ranch capital. In the Southwest the share of total farm and ranch capital accounted for by land and buildings in 1961 varied from 78 percent in the case of typical commercial cattle ranches to as much as 86 percent for irrigated cotton farms in the Texas High Plains. The relative importance of farm real estate capital on these kinds of farms and ranches, as well as many other types of commercial farms, in the Southwest in 1961 was little changed from 1954.

rising land values

The average value of farm real estate per acre (including both land and buildings) reached a new record in July 1963 in each of the Eleventh District states, according to data compiled by the U. S. Department of Agriculture. As compared with July last year, farmland values ranged from 7 percent higher in Oklahoma to 10 percent greater in Louisiana and Texas. Land values within the Eleventh Federal Reserve District (Texas and portions of Arizona, Louisiana, New Mexico, and Oklahoma) were 10 percent above July 1962.

**PERCENTAGE AVERAGE ANNUAL RATE
OF INCREASE IN FARM REAL
ESTATE VALUES,¹ 1953-63**

Area	Rate of increase (Percent)
Arizona	5.8
Louisiana	6.7
New Mexico	3.3
Oklahoma	5.1
Texas	5.4
Eleventh Federal Reserve District ²	5.4
United States ³	4.6

¹ Land and buildings as of July 1.

² Texas and portions of Arizona, Louisiana, New Mexico, and Oklahoma.

³ 48 states.

SOURCES: U. S. Department of Agriculture.
Federal Reserve Bank of Dallas.

Nationally, farm real estate values rose 6 percent during the same 12-month period. Although the advance in the market value of farm real estate in the Southwest during the 12 months ended in July was especially sharp, land prices throughout the past decade rose at a more rapid rate in the Southwest than in the Nation.

Between July 1953 and July 1963, farm real estate values in the Eleventh District increased at an average annual rate of 5.4 percent, compared with 4.6 percent in the United States (exclusive of Alaska and Hawaii). Among the individual states in the Southwest, the annual increase in land values during this 10-year period varied from 3.3 percent in New Mexico to as much as 6.7 percent in Louisiana. Available data suggest that all types of southwestern farmland — irrigated land, dry-farming land, and grazing land — shared in the upward movement in real estate values during the period.

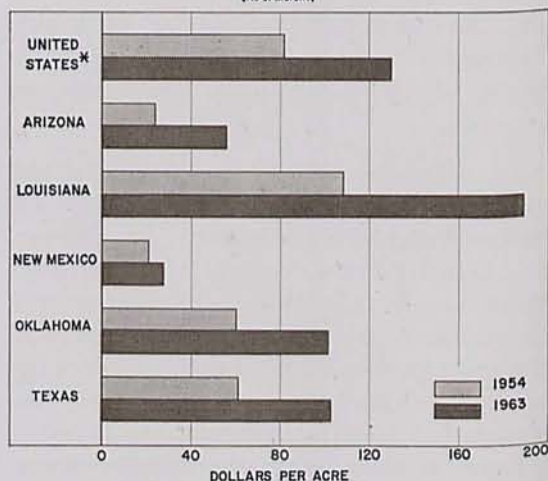
Although the rates of increase for the areas varied, the trends in farm real estate values in the Nation, the Eleventh District, and the individual southwestern states all followed the same general pattern during the past decade. This similarity in the movement of farmland prices suggests that the broad influences affecting the rural real estate market have been somewhat the same among geographical areas. The varia-

tions in rates of change in such land values probably reflect differences in the strength of the broad influences which have been common in all the areas, as well as factors which may be unique to land values in a particular region.

The relatively more rapid rate of growth in southwestern farm real estate values may be accounted for, in part, by the lower per acre value of farmland in the region in comparison with the Nation. Consequently, a dollar increase in land prices in the Southwest would produce a larger percentage rise in land values than would be the case for the Nation. The average value of land and buildings in March this year varied from \$28 an acre in New Mexico to \$189 an acre in Louisiana. Among the five southwestern states, only the average per acre value in Louisiana exceeded the 48-state average of \$130 per acre in the Nation. Louisiana also was the only southwestern state in which per acre values exceeded the national average a decade earlier. In addition to the relatively lower value of farm real estate in the Southwest than in the Nation, the demands for land generated by industrialization and other nonagricultural uses in the region have been important factors contributing to the sub-

AVERAGE VALUE OF LAND AND BUILDINGS

(As of March)



* 48 states.
SOURCE: U.S. Department of Agriculture.

stantial rise in farmland prices during the past decade.

agricultural influences

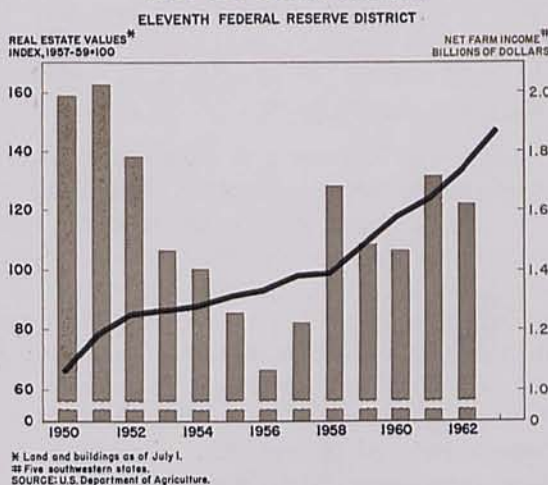
The trends in farm real estate values and in farm and ranch income usually have been somewhat similar. Following the declines in farm commodity prices and net farm income from the highs reached in 1951 as a result of the Korean conflict, farmland prices in the Southwest lost much of their buoyancy and were little changed between 1952 and early 1954. In the latter part of 1954, however, land prices began to renew their upward climb, while the decline in net farm income continued and was not reversed until 1957.

Land values for several years during the midfifties were suppressed somewhat by the widespread drought in the Southwest, which ended with the return of more normal rainfall conditions in 1957; even during the period when the drought was most severe, however, land values in the region were increasing, although at a slower pace than in parts of the United States which had adequate moisture supplies. Between July 1953 and July 1958, a span encompassing the drought period, the index of real estate values in the Eleventh District advanced 13 points, compared with 18 points in the 48 states. During the 1958-63 period, the District index rose 47 points and the national index advanced 26 points.

Much of the strength in southwestern land prices in recent years probably is the result of the general improvement in total farm income since the lows of the midfifties. Although about one-fifth below the record total in 1951, the \$1.6 billion net farm income of southwestern farmers and ranchers in 1962 is around 50 percent above that in 1956. Because of the fewer number of farms, net income per farm rose an even greater amount — almost 90 percent — between 1956 and 1962. In the Nation the recovery in farm income was less in terms of both total net income and net income per farm.

The efforts of southwestern farmers and ranchers to improve their net income undoubtedly have contributed to the almost consecutive annual gains in farm real estate values. The development and application of new technology and the widespread adoption of existing techniques are means through which farm operators have boosted efficiency and lowered unit production costs.

FARM REAL ESTATE VALUES AND NET FARM INCOME



Many of the improvements made by farmers and ranchers during the past few years have contributed to the overall productivity of their property. A substantial number of these improvements have become essentially a part of the farm or ranch itself and, as a result, have boosted the value of the land. An example of some importance in the Southwest is the continuing emphasis placed on irrigation development; between 1954 and 1959, irrigated land in farms in the southwestern states increased around one-fifth to a total of about 8 million acres.

The most marked expansion in acreage irrigated in the Southwest during the period occurred in areas where it was feasible to drill wells for subsurface water supplies, and some-

what less acreage was brought under irrigation in sections which received their water supplies from reservoirs and other surface sources. Extensive irrigation development during the past decade took place in Oklahoma, in the High Plains and more humid areas of Texas, and in various sections of New Mexico and Louisiana.

In addition to the investment involved in drilling new wells, considerable costs have been incurred in leveling or shaping the land, constructing surface irrigation ditches and laterals, and otherwise preparing the land for irrigation. One especially costly practice has been the establishment of underground irrigation water distribution systems.

Improvements other than irrigation development tend to increase the value of rural land. The construction of stock water structures and water-spreading devices, the eradication of brush and mesquite, and the employment of various other measures have improved the production and utilization of forage and, hence, the carrying capacity of ranges. In eastern sections of the District, many fields which had been abandoned or were low in productivity have been converted to improved pasture or timber.

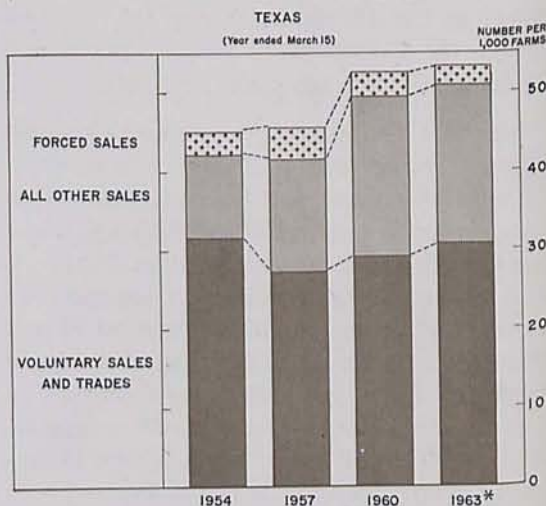
Besides the efforts made to improve efficiency and output on existing acreage, many farmers have viewed the acquisition of additional land as an especially effective means of improving their income. Although data are not available on the proportion of farm and ranch purchases made in order to enlarge existing units in the Southwest, national data indicate a rising proportion of farm real estate transfers for this purpose. In 1962, 46 percent of the farm purchases in the Nation were for farm and ranch enlargement, compared with 29 percent in 1954. A larger acreage can provide an opportunity to utilize existing machinery and equipment and other facilities more efficiently and may make the purchase of larger cost-saving machines feasible.

Since the acreages of many of the more profitable crops in the Southwest have been under governmental quota and acreage allotment programs, there is a strong incentive to obtain control over additional land with acreage allotments. The existence of a good "cotton base" or "crop history" on a farm is a particularly desirable asset, one which is usually capitalized into the value of the property and thereby boosts its selling price.

Farmers and ranchers have been the most important group of buyers and sellers of farm real estate. Among the farmers and ranchers selling land, property sales by those still active in farming have substantially exceeded sales by retired farmers. Purchases of farm real estate by owner-operators have far exceeded those by tenants. As a group, tenants probably are in a somewhat less favorable financial position than farmers who already own some land. Often, the purchase of additional land is facilitated by using the equity in other property as collateral for the transaction.

The process of land acquisition for farm enlargement contains some elements which could produce very active bidding among farmers for

FARM TITLE TRANSFERS



* Year ended March 1.
SOURCE: U.S. Department of Agriculture.

the limited number of farms available for purchase in any one year or during a short span of years. If a farm or ranch operator wishes to expand the volume of his operations through the purchase of land, one of the more attractive possibilities ordinarily lies in acquiring adjoining or nearby properties. Although most farm equipment is highly mobile, diseconomies, including losses in the timeliness of operations, are likely if the farming tracts are too widely dispersed.

The problem of obtaining the piece of property "just next door" or "down the road" may be compounded by the possibility that several farmers may be interested in the same tract; sales of farms generally are fairly infrequent, and the sale of a particular farm may be quite rare. In Texas, for example, the U. S. Department of Agriculture estimates that 53.1 farm title transfers per 1,000 of all farms in the State were made during the year ended March 15, 1963. This rate of transfer is above the 44.9 per 1,000 farms a decade earlier but, because of the decline in the number of farms, the number of farm titles changing hands in the most recent 12-month period was considerably fewer. This decrease in the number of farms placed upon the market has been a major factor in characterizing farm real estate as being "tightly held."

The tightness with which farm real estate is held is partially reflected in the trend in the types of title transfers of farm and ranch property. In Texas the rate of voluntary sales and trades during the 12 months prior to March 15, 1963, was 30.6 per 1,000 farms in the State, a rate slightly below a decade earlier. Forced sales of farm property as a result of foreclosure or efforts to avoid foreclosure and sales because of tax delinquency have been relatively few in number. On the other hand, a rising proportion of sales in the State have occurred through transfers arising out of bequests, gifts, and administrators' and executors' sales of estates.

Such transfers occurred at the rate of 20.1 per 1,000 farms during the year ended in mid-March of 1963, compared with a rate of 10.5 during the comparable period 10 years earlier.

The relatively few voluntary transfers of farmland probably reflect a variety of reasons. Many owner-operators who feel that their existing units are below the optimum size are retaining their present holdings in the hope of purchasing suitable additional land. There are perhaps many other owner-operators who need to enlarge the size of their farms and ranches but have been unable to do so, and they are unwilling to sell their property because of lack of suitable alternatives for making a living. Undoubtedly, the inability of many farmers to buy or sell land at prices and on terms which appear to be reasonable has accounted for the moderation in the number of voluntary transfers.

The governmental Conservation Reserve land retirement program also has affected the sale of farmland. The 1956-61 cumulative acreage of land under the program totaled about 6.2 million acres, an amount approximating one-tenth of the total cropland in the five southwestern states in 1959. The annual rental payments for diverting cropland, together with the eligibility of many farmers for social security retirement benefits, have encouraged many individuals to place their farms under long-term contracts and retire from active farming. Some landowners have availed themselves of the opportunity of receiving both annual rental payments and payments for converting cropland to pasture or timber land.

Many owners of farm real estate are free of mortgage indebtedness or have a substantial equity in their property; consequently, the burden of interest and principal repayments is nonexistent or minimal. This strong equity position permits the landowner to wait for more attractive bids. In many instances, owners may view current returns to farm real estate

adequate in relation to the price paid for the land several years ago — a view which might change if current returns were related to the land's current value. An additional reluctance to sell farm property purchased several years ago may stem from the capital gains tax the seller would have to pay on the appreciated value of the farm or ranch. Although farm people are considerably more sophisticated than formerly with respect to alternative investment opportunities, the reinvestment of proceeds from the sale of land may introduce another element of uncertainty among some prospective sellers.

While the appreciation in the value of farmland can be of significant benefit to owners of rural property, current real estate values present an obstacle to many beginning farmers and tenant farmers desiring to purchase a farm or ranch. Individuals with modest financial resources ordinarily need to borrow substantial amounts in order to purchase an economic-size farm or ranch unit; in addition, allowance must be made for the capital needed to equip and operate the business. Unless assistance is provided by relatives or other interested persons, many would-be purchasers of land are unable to buy land at current prices.

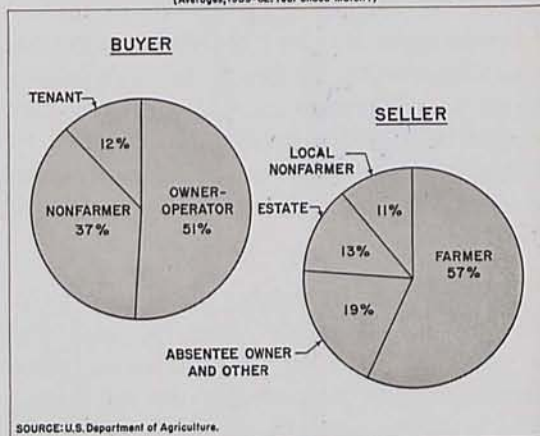
nonagricultural factors

While the changes occurring within the agricultural industry and the responses of farmers and ranchers to these changes are probably the most important factors influencing southwestern land values, forces of nonagricultural origin also have had an important bearing on rural land values. The opportunity for off-farm employment of owner-operators and family members has permitted many southwestern farmers to maintain their farming interests even though their units are too small to provide full-time employment for themselves and available family labor.

The dual sources of income from nonfarm occupations and from farming, including the

TYPES OF FARM REAL ESTATE BUYERS AND SELLERS

OKLAHOMA AND TEXAS
(Averages, 1959-62, Year ended March 1)



use of farm dwellings and home-produced food, have resulted in higher incomes for many rural families than would be possible if full efforts were devoted to a single job. In 1962, over one-third of the total income of farm people in the Nation came from nonfarm sources, and this proportion was somewhat greater for low-volume farm operators. This development has resulted in a closer relationship between farmland prices and the non-agricultural sectors of the economy.

Nonfarmer demand for land has been significant in increasing farmland values. During 1959-62 in Oklahoma and Texas, 37 percent of farm real estate purchasers were nonfarmers, and it appears that nonfarmer interest in farmland in this area was somewhat greater than in the Nation. Many nonfarmers may have been attracted to land as an investment because of the appreciation in land values and the feeling that such a purchase was a suitable hedge against inflation.

The prestige which some persons attach to the ownership of farm and ranch property may have encouraged a few nonfarmers to enter the rural real estate market, while some individuals in certain income levels viewed ownership of

farm property as a means of achieving tax savings. The desire of nonfarmers to acquire land for recreational purposes has also been important, and the Conservation Reserve program encouraged some nonfarmers to buy land, especially those who did not need an immediate income return and hoped to take advantage of possible land appreciation or tax savings.

The production of minerals and the search for new sources of supply have had an especially important impact upon the southwestern land market. Land values even some distance from regions having proved reserves are often affected by the possibility that mineral deposits may be present, and sometimes this possibility may result in speculative activity. Since mineral rights can be conveyed separately from the other rights to the land, the sale price of a particular farm or ranch may be materially influenced by whether or not mineral rights are included in the transaction.

Income from royalties and leases has made a significant contribution to the total family income of landowners, a contribution which was quite important to owner-operators during the drought of the midfifties. In areas where the discovery of new reserves appears especially promising, bonuses for signing leases have, in effect, provided landowners a noteworthy proportion of the value of the property prior to the influence of mineral activity. The attraction of current and potential mineral income has perhaps increased the reluctance of present landowners to sell their property and has encouraged many farmers and nonfarmers to seek land partly for speculative purposes.

Upward pressures also have been placed upon southwestern real estate values as a result of industrialization, urbanization, and the use of land for airports, superhighways, reservoirs, and similar nonagricultural purposes. Rural land located near rapidly growing towns and

cities often is valued in relation to its potential for subdivision into residential, commercial, and industrial sites, rather than for agricultural uses. In addition to the effect of population growth and concentration upon land prices in the immediate fringe areas of towns and cities, there has been a fingerlike extension of residences and commercial establishments for quite some distance along highways and roads radiating from various major employment centers. Such convenient transportation arteries have encouraged many nonfarmers to purchase small rural tracts for residences.

concluding remarks

Among the various influences affecting the upward trend in southwestern land values during the past decade, it appears that bidding by farmers and ranchers for land held by somewhat reluctant sellers was one of the more important. Demand for land to enlarge the size of existing units is likely to continue in the future as farmers and ranchers adjust their operations to meet changing cost-price relationships. The trend in the value of land for agricultural production probably will depend, to a considerable extent, upon expectations with regard to farm and ranch income. Such income, in turn, is dependent upon many factors in both the nonfarm and the agricultural sectors of the economy, including governmental agricultural policies.

The tempo of mineral activity, the expansion of nonagricultural job opportunities, changes in working, living, and social habits, and the overall growth of the southwestern economy will have a significant bearing on the demand for rural property. The rather substantial up-trend that has characterized rural land values for many years may have introduced the attitude that further advances are assured. Such an attitude is fraught, of course, with the risks associated with any acquisitions made principally for speculative purposes.

district highlights

Industrial production in Texas, seasonally adjusted, rose in September to a record 123 percent of the 1957-59 average, which is up from 120 percent in August and is 5 percent over a year ago. All of the month-to-month advance occurred in manufacturing, as the mining index declined fractionally because of reduced crude petroleum output. Durable goods production increased more than 5 percent over August, paced by gains in the output of primary metals, furniture and fixtures, lumber and wood products, and machinery. The manufacture of nondurable goods, which was essentially unchanged in August from the July level, rose 2 percent in September and was 4 percent above a year earlier. The most notable month-to-month increases occurred in the output of textiles, apparel, and leather and leather products.

With all of the Eleventh District states sharing in the improvement, total nonagricultural employment rose during September to 4,785,900 wage and salary workers, advancing nearly 1 percent over the August level and 2 percent over a year ago. Small decreases in the number of workers on manufacturing payrolls in Arizona and New Mexico were more than offset by slight gains in Louisiana, Oklahoma, and Texas, with the result that total manufacturing employment rose fractionally during September. Nonmanufacturing employment advanced almost entirely on the strength of government hiring, as most other categories either were unchanged or showed slight declines.

Calls for crude oil for November have been reduced slightly in the District from the amounts that prevailed in September and October, partly because of a rapid buildup of heating oil inventories. Unusually mild weather in early autumn, coupled with a continued

high rate of crude runs to stills, helped to produce a record level of distillate stocks last month. In New Mexico the October flow rates of 39 barrels daily for the southeastern area of the State (the Eleventh District section) and 70 barrels daily in the northwest have been retained for November. However, because of a reduced rate of new well completions in recent months and one less production day in November, actual crude production in New Mexico may decline about 3 percent.

The Texas allowable for November has been set at 27.5 percent of maximum permissible production, down from 28.0 percent in the previous 2 months and the lowest rate since January. Actual crude oil output in the State is expected to decline approximately 1 percent from October. Louisiana has continued the depth bracket allowable for November that was in effect during September and October—namely, 31 percent of the March 1953 level.

At the District's weekly reporting member banks, commercial and industrial loans registered an increase of 2 percent during the first 9 months of 1963. However, the increase recorded in the commercial and industrial loan category this year is almost double that shown for the comparable period last year.

Reflecting a high level of building activity in the District, construction loans advanced almost 17 percent between December 26, 1962, and October 2, 1963, rising \$43 million to a level of \$304 million. Loans to firms engaged in services increased almost 3 percent, compared with a 9-percent gain a year ago. These two categories comprise about one-half of commercial and industrial loans.

Borrowings by durable goods manufacturers, which account for about 5 percent of total

commercial and industrial loans, rose approximately 3 percent during the first 9 months of this year. This rise primarily reflects increases in loans to primary metal fabricators and machinery manufacturers. Producers of transportation equipment and "other fabricated metal products" reduced their bank indebtedness.

Loans to nondurable goods manufacturers registered little change as substantial repayments by food, liquor, and tobacco manufacturers and petroleum companies almost offset credit extended to textile, apparel, and leather producers. Loans to chemical and rubber producers were about unchanged.

Bank indebtedness of mining concerns, which represents approximately 18 percent of the total commercial and industrial category in the District, declined \$5.6 million during the first 9 months of 1963, in contrast to a \$17.6 million advance in the comparable period last year. Loans to trade concerns receded \$10.3 million, or over 3 percent, during the period as borrowings by both wholesale and retail businesses registered substantial declines. During the corresponding period in 1962, trade concerns reduced their bank indebtedness by 19 percent.

The seasonally adjusted index of District department store sales in September was 111 percent of the 1957-59 base, declining slightly from the 112 percent recorded for August and 113 percent a year ago. Cumulative sales for the first 9 months of 1963 were 4 percent above the corresponding period of 1962. Sales in the 4 weeks ended October 26 were 3 percent above the year-earlier figure.

Reflecting the continuation of the usual decline in sales toward the end of a model year, registrations of new passenger automobiles in four major Texas markets in September decreased 25 percent from August but were 15 percent higher than in September 1962. Registrations in both Dallas and San Antonio were

30 percent below August, while those in Fort Worth and Houston were 21 percent and 19 percent lower, respectively. However, combined registrations in the four markets during the first 9 months of this year were 12 percent higher than in the comparable period of 1962.

During October, drought conditions continued to intensify over much of the District and, in some sections, were the worst since 1956. In the latter part of the month, precipitation was received in some areas, but soaking rains are needed to dispel the effects of the prolonged moisture shortage. Range and pasture forage has progressively become more limited, and widespread supplemental feeding of livestock has been under way. The extremely poor condition of pastures, the short supply of roughage, and the high cost of purchased feedstuffs have confronted some livestock producers with the difficult decision of whether or not to sell their animals.

Despite the drought, crop prospects this year are fairly good. The unseasonably warm, open fall weather has been ideal for cotton harvesting and sorghum combining in western and northwestern parts of the District. In areas where 1963 crops have been either completely or nearly harvested, rain is urgently needed for the germination of fall-planted crops.

As of October 1, cotton production in the District states is estimated at 6.5 million bales, or 3 percent above the previous month's forecast but 4 percent less than the 1962 output. Outturns are indicated to be below 1962 in all of the District states except Louisiana, which shows a 15-percent gain. The Texas cotton crop estimate, at 4.5 million bales, is 150,000 bales above the September 1 indication but is 5 percent less than last year. Prospective cotton production in the Nation is placed at 14.8 million bales. A crop of this size would be 4 percent above the month-earlier forecast and practically the same as the 1962 production.

**new
member
banks**

The Commercial National Bank of Dallas, Dallas, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business October 4, 1963, as a member of the Federal Reserve System. The new member bank has capital of \$200,000, surplus of \$200,000, and undivided profits of \$100,000. The officers are: Leonard B. Brown, Chairman of the Board and President; Ken Tuck, Executive Vice President; Thomas H. Means, Cashier; and Raymond Fields, Jr., Assistant Cashier.

The Texoma National Bank of Sherman, Sherman, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business October 7, 1963, as a member of the Federal Reserve System. The new member bank has capital of \$150,000, surplus of \$100,000, and undivided profits of \$50,000. The officers are: Paul N. Brown, Chairman of the Board; Clyde E. Hale, President; Charles W. Burch, Vice President and Cashier; James F. Chartrau, Assistant Vice President; and Mrs. John C. Towles, Assistant Cashier.

The Nassau Bay National Bank of Clear Lake, Clear Lake, Texas (Post Office Houston, Texas), a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business October 18, 1963, as a member of the Federal Reserve System. The new member bank has capital of \$200,000, surplus of \$200,000, and undivided profits of \$100,000. The officers are: Jake Kamin, Chairman of the Board; Ivan E. Brown, President; Curtis McKallip, Vice President; and Donald R. Cade, Cashier.

The Citizens National Bank of Lufkin, Lufkin, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business October 18, 1963, as a member of the Federal Reserve System. The new member bank has capital of \$160,000, surplus of \$100,000, and undivided profits of \$60,000. The officers are: B. H. McVicker, President; Carter Waldrop, Executive Vice President and Cashier; Parker McVicker, Vice President; H. E. Lacey, Vice President; Murphy George, Vice President; and William D. O'Quinn, Vice President.

**new
par
banks**

The Post Oak Bank, Houston, Texas, a 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 30, 1963. The officers are: George A. Butler, Chairman of the Board (Inactive); Robert L. West, President (Inactive); J. R. Lyne, Jr., Senior Vice President and Cashier; and William T. Keenan, Vice President.

The Citizens State Bank, Paris, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, October 31, 1963. The officers are: Jess B. Alford, Chairman of the Board; Harold T. Hyde, President; and William C. Young, Executive Vice President and Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

November 1963



**FEDERAL RESERVE BANK
OF DALLAS**

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Oct. 23, 1963	Sept. 18, 1963	Oct. 24, 1962
ASSETS			
Commercial and industrial loans.....	1,873,049	1,890,846	1,784,825
Agricultural loans.....	45,766	44,248	46,877
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	274	274	17,004
Other securities.....	55,450	56,951	44,826
Other loans for purchasing or carrying:			
U. S. Government securities.....	1,594	1,690	2,061
Other securities.....	246,415	245,097	178,264
Loans to domestic commercial banks.....	94,277	80,388	82,994
Loans to foreign banks.....	2,482	2,175	6
Loans to other financial institutions:			
Sales finance, personal finance, etc.....	96,704	102,315	95,603
Savings banks, mtge. cos., ins. cos., etc.....	257,515	259,761	195,816
Real estate loans.....	346,665	328,893	279,180
All other loans.....	943,047	921,645	821,565
Gross loans.....	3,963,238	3,934,283	3,549,021
Less reserves and unallocated charge-offs..	68,734	69,575	61,681
Net loans.....	3,894,504	3,864,708	3,487,340
Treasury bills.....	102,926	141,252	187,101
Treasury certificates of indebtedness.....	68,758	67,198	92,136
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	134,598	147,901	229,136
After 1 but within 5 years.....	726,887	718,147	578,922
After 5 years.....	436,711	435,875	510,917
Other securities.....	648,397	627,698	515,557
Total investments.....	2,118,277	2,138,071	2,113,769
Cash items in process of collection.....	629,853	668,639	551,115
Balances with banks in the United States.....	450,716	547,518	456,241
Balances with banks in foreign countries.....	2,953	2,646	2,076
Currency and coin.....	64,769	62,230	61,176
Reserves with Federal Reserve Bank.....	543,666	574,189	610,245
Other assets.....	260,329	257,579	202,966
TOTAL ASSETS.....	7,965,067	8,115,580	7,484,928
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations....	3,195,886	3,185,725	3,099,407
Foreign governments and official institutions, central banks, and international institutions..	2,686	2,725	5,095
U. S. Government.....	65,572	144,144	203,651
States and political subdivisions.....	173,577	170,361	239,470
Banks in the United States, including mutual savings banks.....	1,072,366	1,213,377	1,049,913
Banks in foreign countries.....	13,226	13,411	13,641
Certified and officers' checks, etc.....	43,564	69,709	46,201
Total demand deposits.....	4,566,877	4,799,452	4,657,378
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits.....	1,092,340	1,083,327	971,360
Other time deposits.....	924,499	948,164	736,295
Foreign governments and official institutions, central banks, and international institutions..	505	505	2,508
U. S. Government, including postal savings...	5,452	5,852	6,652
States and political subdivisions.....	307,181	309,690	254,802
Banks in the United States, including mutual savings banks.....	12,061	14,001	5,083
Banks in foreign countries.....	2,400	2,400	2,350
Total time and savings deposits.....	2,344,438	2,363,939	1,979,050
Total deposits.....	6,911,315	7,163,391	6,636,428
Bills payable, rediscounts, etc.....	242,695	146,720	97,400
All other liabilities.....	127,027	127,446	104,467
Capital accounts.....	684,030	678,023	646,633
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	7,965,067	8,115,580	7,484,928

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Oct. 23, 1963	Sept. 18, 1963	Oct. 24, 1962
Total gold certificate reserves.....	577,024	588,353	637,747
Discounts for member banks.....	25,895	14,875	10,905
Other discounts and advances.....	1,710	1,710	596
U. S. Government securities.....	1,281,413	1,300,631	1,206,595
Total earning assets.....	1,309,018	1,317,216	1,218,096
Member bank reserve deposits.....	905,295	914,656	994,683
Federal Reserve notes in actual circulation....	949,224	947,689	871,881

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Oct. 2, 1963	4 weeks ended Sept. 4, 1963	4 weeks ended Oct. 3, 1962
RESERVE CITY BANKS			
Total reserves held.....	599,480	586,903	605,081
With Federal Reserve Bank.....	557,582	545,732	561,281
Currency and coin.....	41,898	41,171	43,800
Required reserves.....	596,015	582,445	599,856
Excess reserves.....	3,465	4,458	5,225
Borrowings.....	9,991	2,554	1,215
Free reserves.....	-6,526	1,904	4,010
COUNTRY BANKS			
Total reserves held.....	535,324	529,070	537,576
With Federal Reserve Bank.....	412,661	410,298	426,414
Currency and coin.....	122,663	118,772	111,162
Required reserves.....	492,118	484,893	478,385
Excess reserves.....	43,206	44,177	59,191
Borrowings.....	3,520	5,679	6,624
Free reserves.....	39,686	38,498	52,567
ALL MEMBER BANKS			
Total reserves held.....	1,134,804	1,115,973	1,142,657
With Federal Reserve Bank.....	970,243	956,030	987,695
Currency and coin.....	164,561	159,943	154,962
Required reserves.....	1,088,133	1,067,338	1,078,241
Excess reserves.....	46,671	48,635	64,416
Borrowings.....	13,511	8,233	7,839
Free reserves.....	33,160	40,402	56,577

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
1961: September.....	7,889	3,910	3,979	2,787	1,404	1,383
1962: September.....	8,194	4,096	4,098	3,357	1,666	1,691
1963: April.....	8,284	4,016	4,268	3,836	1,886	1,950
May.....	8,126	3,979	4,147	3,907	1,935	1,972
June.....	8,235	4,067	4,168	3,948	1,957	1,991
July.....	8,311	4,088	4,223	3,975	1,963	2,012
August.....	8,164	3,971	4,193	4,005	1,983	2,022
September.....	8,407	4,150	4,257	4,044	2,014	2,030

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Sept. 25, 1963	Aug. 28, 1963	Sept. 26, 1962
ASSETS			
Loans and discounts.....	6,501	6,370	5,823
U. S. Government obligations.....	2,806	2,789	2,860
Other securities.....	1,355	1,330	1,088
Reserves with Federal Reserve Bank.....	887	915	906
Cash in vault ^e	184	181	173
Balances with banks in the United States....	1,176	1,098	1,146
Balances with banks in foreign countries ^e ...	4	3	4
Cash items in process of collection.....	712	638	656
Other assets ^e	381	362	318
TOTAL ASSETS^e.....	14,006	13,686	12,974
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,359	1,281	1,347
Other demand deposits.....	7,108	6,901	6,931
Time deposits.....	4,047	4,022	3,378
Total deposits.....	12,514	12,204	11,656
Borrowings ^e	146	163	73
Other liabilities ^e	176	147	144
Total capital accounts ^e	1,170	1,172	1,101
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^e.....	14,006	13,686	12,974

^e — Estimated.

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

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts ¹			Demand deposits ¹		
	September 1963	Percent change from		Sept. 30, 1963	Annual rate of turnover	
		Aug. 1963	Sept. 1962		Sept. 1963	Aug. 1963
ARIZONA						
Tucson.....	\$ 271,135	-10	-13	\$ 162,417	20.8	23.5
LOUISIANA						
Monroe.....	92,661	-2	15	55,404	20.9	22.1
Shreveport.....	330,985	-2	17	178,137	22.9	23.3
NEW MEXICO						
Roswell.....	54,484	-1	9	35,020	18.8	19.3
TEXAS						
Abilene.....	103,321	3	8	70,807	17.6	17.3
Amarillo.....	236,835	1	14	125,393	23.2	23.3
Austin.....	266,566	-15	4	165,351	19.8	24.0
Beaumont.....	199,761	0	21	106,760	22.8	22.9
Corpus Christi.....	203,419	-13	4	119,084	20.8	24.1
Corpus Christi.....	20,880	5	8	22,167	11.6	11.3
Dallas.....	3,292,619	-7	13	1,320,558	30.0	32.6
El Paso.....	337,358	-3	8	174,135	23.9	24.4
Fort Worth.....	802,783	-2	7	409,518	23.8	24.4
Galveston.....	97,115	-9	10	63,484	19.3	21.8
Houston.....	3,249,620	-3	14	1,516,601	25.9	27.1
Laredo.....	32,779	-4	8	25,875	15.2	16.8
Lubbock.....	200,308	-3	-13	125,535	19.8	20.9
Port Arthur.....	60,324	-7	-1	41,201	17.4	18.4
San Angelo.....	57,729	-2	7	51,283	13.6	13.9
San Antonio.....	709,320	-4	10	421,399	20.4	21.4
Texarkana ²	29,180	-2	17	18,726	18.6	19.2
Tyler.....	99,187	-4	15	69,470	17.2	17.9
Waco.....	120,934	-3	1	72,883	20.3	21.1
Wichita Falls.....	120,802	0	17	103,851	14.2	14.2
Total—24 cities.....	\$10,990,105	-5	11	\$5,455,059	24.5	25.9

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
² 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 \$66,620,000 for the month of September 1963.

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	September 1963 from		9 months, 1963 from 1962
	August 1963	September 1962	
Total Eleventh District.....	-16	-2	4
Corpus Christi.....	-26	-6	2
Dallas.....	-15	1	3
El Paso.....	-22	-9	0
Houston.....	-14	1	5
San Antonio.....	-17	-2	4
Shreveport, La.....	-14	7	7
Waco.....	-14	-1	2
Other cities.....	-18	-7	2

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District
(1957-59 = 100)

Date	SALES (Daily average)		STOCKS (End of month)	
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1962: September.....	109	113	117	110
1963: April.....	108	110	117	114
May.....	106	110	116	118
June.....	103	115	111	118
July.....	103	114	115	120
August.....	113	112	119	117
September.....	107	111	120p	113p

p — Preliminary.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	September 1963p	August 1963	July 1963	September 1962
TEXAS				
Total industrial production.....	123	120	121	117
Manufacturing.....	135	131	133	130
Durable.....	132	126	129	126
Non-durable.....	137	135	135	132
Mining.....	106	107	107	100
UNITED STATES				
Total industrial production.....	126	126	127	120
Manufacturing.....	126	126	127	120
Durable.....	125	125	127r	119
Non-durable.....	127	127	126	122
Mining.....	110	111	111	106
Utilities.....	144	144	145r	133

p — Preliminary.

r — Revised.

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Sept. 1963 from	
	September 1963p	August 1963	September 1962r	Aug. 1963	Sept. 1962
Total nonagricultural wage and salary workers..	4,785,900	4,752,600	4,676,900	0.7	2.3
Manufacturing.....	828,000	825,000	812,100	.4	2.0
Nonmanufacturing.....	3,957,900	3,927,600	3,864,800	.8	2.4
Mining.....	237,600	240,500	243,000	-1.2	-2.2
Construction.....	341,900	343,700	313,800	-5	9.0
Transportation and public utilities.....	395,700	395,600	397,000	.0	-3
Trade.....	1,140,400	1,136,900	1,124,800	.3	1.4
Finance.....	240,400	242,500	232,400	-9	3.4
Service.....	670,500	674,200	650,900	-5	3.0
Government.....	931,400	894,200	902,900	4.2	3.2

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	Percent change					
	NUMBER			Sept. 1963 from		
	Sept. 1963	9 mos. 1963	Sept. 1962	9 mos. 1963	Aug. 1963	Sept. 1962
ARIZONA						
Tucson.....	689	6,385	\$ 2,220	\$ 24,888	-25	19
LOUISIANA						
Shreveport.....	290	2,590	2,674	22,389	16	3
TEXAS						
Abilene.....	123	1,027	1,204	12,309	18	-10
Amarillo.....	263	2,517	2,677	33,776	-29	17
Austin.....	342	3,170	8,955	65,776	14	76
Beaumont.....	232	2,382	701	10,759	-41	-17
Corpus Christi.....	305	2,875	1,116	20,037	-63	-62
Dallas.....	1,968	19,661	11,724	183,452	-47	-25
El Paso.....	365	3,784	2,365	34,954	-13	67
Fort Worth.....	631	5,511	3,939	39,342	60	88
Galveston.....	140	1,432	341	10,916	-49	-37
Houston.....	1,705	17,345	25,669	259,139	3	13
Lubbock.....	180	1,752	1,772	32,192	-47	-59
Midland.....	105	906	626	9,922	-41	-54
Odessa.....	69	642	755	6,381	-34	106
Port Arthur.....	112	1,085	433	3,790	73	-8
San Antonio.....	1,139	10,550	5,559	45,381	38	0
Waco.....	282	2,258	807	13,421	-39	-7
Wichita Falls.....	111	994	2,166	11,369	189	37
Total—19 cities.....	9,051	86,866	\$75,703	\$840,193	-13	4

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	September 1963p	August 1963	September 1962	January—September	
				1963p	1962
FIVE SOUTHWESTERN STATES¹	390	444	359	3,643	3,320
Residential building.....	185	212	140	1,675	1,428
Nonresidential building.....	92	136	107	1,023	1,009
Public works and utilities....	112	97	113	944	883
UNITED STATES	3,707	4,061	3,273	34,181	31,614
Residential building.....	1,789	1,883	1,519	15,662	13,944
Nonresidential building.....	1,154	1,322	1,019	10,929	9,997
Public works and utilities....	764	857	735	7,590	7,672

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

p — Preliminary.

NOTE. — Details may not add to totals because of rounding.

SOURCE: F. W. Dodge Corporation.

MARKETED PRODUCTION OF NATURAL GAS

Area	In millions of cubic feet			Seasonally adjusted index (1957-59=100)		
	Second quarter 1963	First quarter 1963	Second quarter 1962	Second quarter 1963	First quarter 1963	Second quarter 1962
Louisiana.....	898,000	1,032,900	813,100	179	166	162
New Mexico.....	186,800	218,200	183,700	109	110	107
Oklahoma.....	222,900	251,000	215,800	130	136	126
Texas.....	1,490,300	1,587,300	1,422,600	114	111	109
Total	2,798,000	3,089,400	2,635,200	130	127	123

SOURCES: U. S. Bureau of Mines.
Federal Reserve Bank of Dallas.

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	September 1963p	August 1963p	September 1962
CRUDE OIL RUNS TO REFINERY STILLS (Daily average)	111	109	108
DEMAND (Daily average)			
Gasoline.....	112	110	107
Kerosene.....	184	156	165
Distillate fuel oil.....	129	119	114
Residual fuel oil.....	93	91	96
Four refined products.....	114	110	108
STOCKS (End of month)			
Gasoline.....	110	109	107
Kerosene.....	109	117	113
Distillate fuel oil.....	106	107	104
Residual fuel oil.....	84	90	87
Four refined products.....	105	106	104

p — Preliminary.

SOURCES: American Petroleum Institute.
U. S. Bureau of Mines.
Federal Reserve Bank of Dallas.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	September 1963p	August 1963p	September 1962	Percent change from	
				August 1963	September 1962
ELEVENTH DISTRICT	3,102.0	3,134.5	2,950.6	-1.0	5.1
Texas.....	2,679.8	2,710.5	2,541.1	-1.1	5.5
Gulf Coast.....	502.3	512.6	476.3	-2.0	5.5
West Texas.....	1,227.3	1,253.6	1,130.0	-2.1	8.6
East Texas (proper).....	106.0	112.8	116.8	-6.0	-9.3
Panhandle.....	106.0	105.7	104.3	.3	1.6
Rest of State.....	738.2	725.8	713.7	1.7	3.4
Southeastern New Mexico.....	272.3	271.5	269.1	.3	1.2
Northern Louisiana.....	149.9	152.5	140.4	-1.7	6.8
OUTSIDE ELEVENTH DISTRICT	4,478.9	4,509.5	4,390.2	-.7	2.0
UNITED STATES	7,580.9	7,644.0	7,340.8	-.8	3.3

p — Preliminary.

SOURCES: American Petroleum Institute.
U. S. Bureau of Mines.
Federal Reserve Bank of Dallas.

COTTON PRODUCTION

Texas Crop Reporting Districts

(In thousands of bales — 500 pounds gross weight)

Area	1963, indicated		1963 as percent of 1962	
	Oct. 1	1962	1961	1962
1-N — Northern High Plains.....	500	584	522	86
1-S — Southern High Plains.....	1,620	1,730	1,839	94
2-N — Red Bed Plains.....	300	287	379	105
2-S — Red Bed Plains.....	360	320	429	113
3 — Western Cross Timbers.....	15	17	23	88
4 — Black and Grand Prairies.....	500	444	410	113
5-N — East Texas Timbers Plains.....	40	29	31	138
5-S — East Texas Timbers Plains.....	80	63	66	127
6 — Trans-Pecos.....	280	251	287	112
7 — Edwards Plateau.....	45	35	71	129
8-N — Southern Texas Prairies.....	125	123	82	102
8-S — Southern Texas Prairies.....	100	157	161	64
9 — Coastal Prairies.....	220	212	102	104
10-N — South Texas Plains.....	50	61	54	82
10-S — Lower Rio Grande Valley.....	265	413	330	64
State	4,500	4,726	4,786	95

SOURCE: U. S. Department of Agriculture.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS		FIVE SOUTHWESTERN STATES ¹			
	1963, estimated Oct. 1	1962	Average 1957-61	1963, estimated Oct. 1	1962	Average 1957-61
Cotton ²	4,500	4,726	4,298	6,530	6,794	6,146
Corn.....	25,032	32,612	35,820	37,010	43,654	53,674
Winter wheat.....	37,406	43,696	64,329	118,277	121,577	168,296
Oats.....	14,576	15,932	30,406	21,286	23,787	48,408
Barley.....	4,200	3,859	8,564	22,822	22,387	33,989
Rye.....	375	253	314	1,215	775	973
Rice ³	16,946	15,801	12,135	33,456	31,295	24,309
Sorghum grain.....	226,760	201,006	248,304	262,661	237,074	281,808
Flaxseed.....	635	188	729	635	188	729
Hay ⁴	1,915	2,278	2,177	6,169	6,968	6,440
Peanuts ⁵	212,160	222,400	204,783	382,740	401,025	348,442
Irish potatoes ⁶	2,646	2,524	2,361	6,004	5,429	5,260
Sweet potatoes ⁶	975	1,530	1,173	5,457	5,738	5,299
Pecans ⁷	40,000	14,000	32,860	96,000	33,500	80,340

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

² In thousands of bales.

³ In thousands of bags containing 100 pounds each.

⁴ In thousands of tons.

⁵ In thousands of pounds.

⁶ In thousands of hundredweight.

SOURCE: U. S. Department of Agriculture.