

business review



may 1965

**FEDERAL RESERVE
BANK OF DALLAS**

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the texas dairy industry

The dairy industry of Texas has undergone substantial adjustments and is presently a highly commercialized endeavor in each of the stages involved in getting dairy products from the farm to the consumer. The production of milk has evolved from a small, part-time dairy enterprise on many farms to a highly specialized dairy operation on a much smaller number of farms. Likewise, the number of firms engaged in the processing and distribution of milk has also been reduced. Although the volume of milk produced on farms in Texas has decreased, the volume of milk marketed from farms and through processing and distributing firms has shown an increase. This increase primarily results from a reduction in the on-farm use of milk and a shift from retailing of milk by farmers.

The changes that have occurred in the production and marketing of dairy products reflect the response of the industry in adapting methods and techniques of operation to fulfill the demands brought about by a changing market structure. This article will discuss some of the more important changes in the production, distribution, and utilization of dairy products in Texas during the past two decades.

trends in production

Milk production in Texas in 1964 was one-fourth smaller than in 1945. During the 20-year period, total output decreased from about 4.1 billion pounds to 3.0 billion pounds. A large part of the decline in milk production occurred in the years immediately following 1945; during the past 10 years, production has tended to be relatively stable. Despite the lower total production, a larger supply of milk

has been available to consumers because of a reduction in the on-farm use of milk. Twenty years ago, about 40 percent of the milk was used on the farm where it was produced, in contrast to about 6 percent at the present time.

In addition, some milk and milk products supplying Texas markets come from out-of-state sources. For example, some of the Federal milk marketing areas serving Texas consumers include producing counties in Oklahoma and New Mexico. Also, some processors draw milk regularly from midwestern points, and such processed products as butter and cheese manufactured in other sections of the country are available to Texas consumers. Precise data are not available regarding the extent of milk and dairy product imports into the State, but these supplies probably constitute an important marginal amount. During the drought period several years ago, the inflow was considerable because production within Texas declined as a result of poor pasture conditions.

During the period when the proportion of milk produced on farms and sold to consumers was rising, there was a change in the proportion of milk reaching the consumer through the various channels of distribution. Of the total milk produced in Texas in 1945, 7 percent was sold directly to the consumer by the farmer in the form of fluid milk and cream. By 1964, this percentage had declined to less than 2 percent, as increased amounts of total production were channeled through plants and dealers. Milk churned on farms for butter constitutes a negligible use of milk, even though as much as 15 percent has been used for this purpose in the past. The smaller number of calves on dairy

farms has also reduced the on-farm use and provided larger amounts for commercial sale. Moreover, the larger urban but smaller farm population has served to curtail on-farm milk consumption and boost commercial sales.

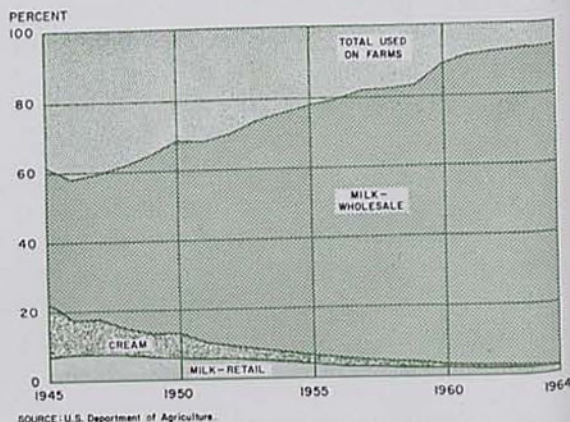
The total quantity of milk and milk products demanded has increased as a result of population gains and higher incomes. The increase in demand has been tempered, however, by a downtrend in the per capita consumption of dairy products, partly reflecting greater consumer acceptance of some items of nonmilk origin. To meet the challenge of supplying greater quantities of milk on regular schedules has required changes in assembly, processing, and distribution. Dairy men have found it advantageous to specialize in production and permit other firms to provide the necessary functions for getting the milk from the farm to the consumer in the form and at the time desired.

Despite declining numbers of cows, a particularly notable change has occurred in the production of milk per cow. Milk cow numbers in Texas have declined steadily in the past 20 years. In 1945, there were nearly 1.6 million head of milk cows 2 years old and over on Texas farms and ranches, representing 17 percent of all cattle. Two decades later, the number is placed at 489,000 cows, or slightly less than 5 percent of all cattle. Although milk cow numbers declined about 70 percent during the past two decades, the total output of milk decreased only 26 percent as there was an advance in production per cow. The high level of output from a relatively smaller number of cows has been attained through general improvements in Texas dairy herds.

The attention being given to improved breeding through artificial insemination, selection practices, and better feeding and general care is among the factors contributing to the rise in output per cow. Production per cow more than doubled in the past two decades. In 1945 the average production per cow in the State

was 3,040 pounds per year, while the 1964 figure is placed at 6,150 pounds. Although the doubling of output per cow during the past two decades is impressive, Texas dairy men as a group have considerable room for further improvement in the performance of their herds when this performance is compared with the U. S. average of 7,880 pounds per cow. The averages of many herds belonging to members of dairy herd improvement associations in Texas are double the Texas average.

MILK DISPOSITION BY TEXAS FARMERS



Despite the decreases in the numbers of milk cows and dairy farms, the size of herd has increased, as the shift toward a more intensified dairy enterprise and improved management have resulted in a more commercialized dairy farm enterprise. The 1945 Census of Agriculture reports 11,867 dairy farms in Texas, with about 12 cows per farm. A downward adjustment in the number of farms continued during the next 15 years, and the number of dairy farms reported in the 1959 Census of Agriculture is 6,436, with slightly over 50 cows per farm. Empirical evidence suggests that the reduction in the number of dairy farms and the expansion in the average herd size have continued.

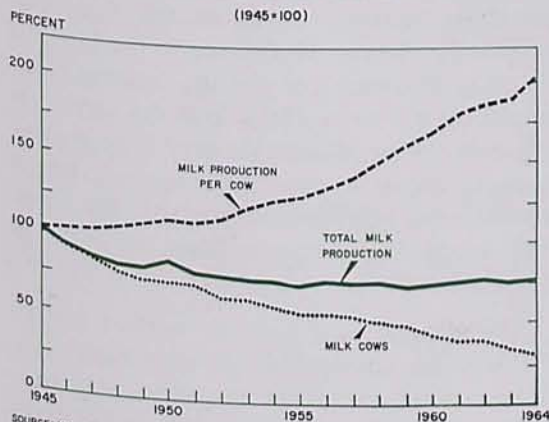
Several factors account for the decline in the total number of dairy farms and the growth in

individual herd size. The market demand for larger quantities of grade A whole milk has been a particularly important factor. The changes required of dairy farmers to specialize in the production of grade A milk have sharply increased capital outlays. The expansion and upgrading of the herd require more careful selection and breeding of milk stock or the purchase of better-quality cows and heifers; this upgrading of herd quality represents a major outlay. The production of grade A milk has also necessitated improvements in the type and size of the milking parlor and related facilities.

To meet sanitary regulations and reduce milking costs (especially labor costs), dairymen have installed pipeline milkers and refrigerated bulk holding tanks. Of course, hand-milking was an early casualty of changes in dairy production. Additional investments have been made in complementary facilities and equipment, such as water and electrical systems and paved lots. Currently, most dairy farms with 50 or more cows may have over \$50,000 invested in milk-handling equipment and facilities alone. In addition, the purchase of forage harvesting equipment, provision of hay and feed storage facilities, and pasture and fencing improvements have materially increased the capital outlays of modern dairy farms.

MILK PRODUCTION AND MILK COW NUMBERS IN TEXAS

(1945=100)



SOURCE: U.S. Department of Agriculture.

The new methods and equipment have enabled dairymen to enlarge herds and, yet, employ little if any additional labor. On a national basis, the man-hours required to produce a hundredweight of milk were reduced about 60 percent in the last 20 years. The total cost of producing milk, especially grade A, has been rising but, with larger volumes, the per unit cost has been held down through the use of laborsaving equipment. The overall effect of cost increases has been partially offset through the higher prices for grade A milk and the larger proportion of the total milk supply that is used in the bottle trade.

The development of commercialized dairying in Texas has resulted in a lessening in the seasonality of production. When herds were smaller and the dairy enterprise was just a sideline operation, farmers maintaining a milking herd often devoted most of their time and financial resources to the farm's major enterprises. Little emphasis was placed upon pastures and other forage needs of milking stock. The large percentage of the total production of milk from herds given such casual management provided a highly erratic supply to the market.

Milk production continues to vary from month to month but is far more stable than in the past. The peak production months are usually March through May, with the lowest output coming in December and February. Climatic factors have a very decided effect upon the peak, or flush, season of milk production because of the availability of adequate forage. Pasture plants respond to the mild temperatures and high rainfall that are typical of the spring months in much of Texas. Growing conditions for pastures in the other months of the year—particularly during the winter—are not as favorable as during the spring; and, as a result, milk output tends to decline.

Efforts have been made to moderate the swings in milk production during the year through the use of the improved management

techniques that specialization in the dairy enterprise has fostered. Less fluctuation in output from season to season has been achieved through improvements in forage management. The planting of adapted varieties of summer grasses and forage crops and the provision of green winter crops have afforded a better feed ration. Rotational grazing and the use of fencing to boost forage utilization are widely used by today's dairymen. Better-quality hays and silage, together with more liberal feeding of concentrates, have also helped to maintain production.

Wide variations in the production of milk result in problems for the entire industry. Demand for fluid milk by consumers is relatively constant. A deficit poses more problems than does a surplus because of the necessity of obtaining milk supplies outside the usual milkshed. Unless adequate milk supplies are available, processors are unable to operate at the desired plant capacity. Long transport hauls of milk from distant sources may raise the procurement cost of milk for processors. However, the rapid improvement in the Interstate Highway System and its interconnecting road network, together with the development of large-scale trucking equipment for transporting milk in bulk, has greatly expanded the area from which milk supplies can be drawn.

In the case of surplus milk supplies, milk not needed for fluid milk may be diverted into manufactured dairy products. However, a continual surplus of any sizable magnitude leads to a need for adjustment in production. A dairy farmer could not continue producing grade A milk for a prolonged period if a substantial proportion of this production were sold at the lower prices paid for milk used for manufacturing purposes.

The consumer's consumption pattern has some minor day-to-day variability, especially as related to weekends and holidays. Therefore, this fluctuation in the quantity demanded re-

quires that a small volume of milk be maintained in excess of normal expected use.

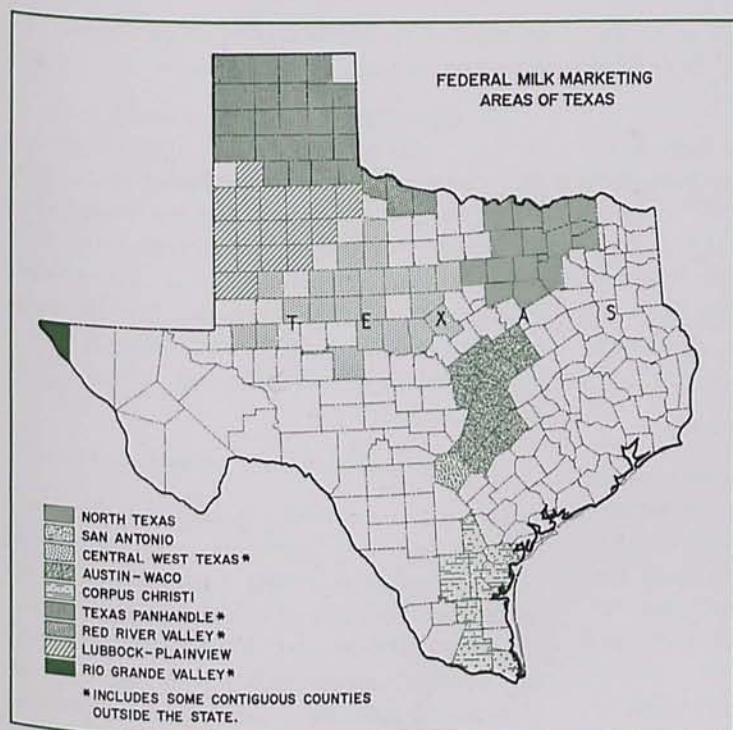
Another development that has encouraged efforts to reduce the seasonal variation in the production of milk has been various pricing arrangements. These price plans have been devised in a way that gives incentives to produce as much milk as possible during the normally low output season. Under these pricing plans, dairymen selling a larger volume of milk during the normally low period, relative to other producers, are permitted to sell a greater proportion of their milk at the higher grade A fluid price during periods when milk supplies are normally in excess of fluid milk needs.

major production areas

Dairy farms are located in all areas of Texas, but, according to the 1959 Census of Agriculture, six major regions account for almost 70 percent of the dollar value of milk sold. Some shifting of milk production is taking place to adjust for changes in crop production. Cotton production has been discontinued in many areas of east Texas and reduced severely in the Blacklands area. The Blacklands area and adjacent counties are also located close to some of the larger metropolitan centers.

The heaviest concentration of dairy farms, as well as the largest volume of milk sales, is in the northeastern section of Texas. The dairying enterprise in this section of the State has achieved particular importance in the last two decades. Hopkins County, the leading milk-producing county in Texas, is in the northeastern area. Other major milk-producing regions include areas in the north-central, upper coastal, and south-central parts of the State. The largest dairy farms in Texas are found in the Panhandle and western sections.

The climatic factors of the western part of the State are considerably different from those of the eastern areas. The requirements for providing pastures and forage crops are largely



\$3.55 per hundredweight in 1945 to \$5.10 per hundredweight in 1964.

Since raw milk is one of the more perishable agricultural commodities, pricing becomes highly important. For this reason, a method was needed to give some measure of stability to prices in order to assure that adequate supplies of milk would be available and that the movement of milk to the consumer would be more orderly.

Federal milk marketing orders comprise one method of arriving at monthly prices to be paid producers for their milk. An order covers a specified area, and only those producers who produce milk in

met through irrigation, and the highly specialized equipment needed to make effective use of land resources under irrigation limits diversified farming operations. The housing needs are also greater in western sections of the State because of the more extreme temperature ranges. For maximum usage of the resources, a larger herd is needed. Moreover, the fact that the population over much of the area is sparse encourages the concentration of production near the larger cities.

prices and cash receipts

The average monthly price of milk received by Texas dairy farmers shows an inverse relationship to production. This pattern is to be expected, since the supply of fluid milk varies considerably more than aggregate demand at the consumer level. The low point in milk prices paid to farmers tends to be in June, with highest prices in January. The yearly average price of all milk sold by farmers ranged from

the area are subject to the provisions of the particular order. The order is entered into by producers only after being voted into effect by a majority. An administrator appointed by the Secretary of Agriculture is responsible to the Secretary for fulfilling the provisions of the specific order. The price so derived is determined by a formula. The factors considered in arriving at a minimum monthly price vary among orders but are based upon economic data. Thus, milk is priced on a monthly, rather than a day-to-day, basis, as is the case with most other farm commodities.

The Federal milk marketing orders in Texas are relatively new, with the first order being initiated in north Texas in 1951. Since that time, the number of orders in force has grown to nine. The total number of Texas producers selling milk under Federal orders in 1964 was 3,581. These producers marketed nearly three-fourths of the grade A milk sold, and the value of the milk delivered to plants and dealers was

over \$100 million, or about 70 percent of the value of all milk marketed in the State last year.

Cash receipts from dairy marketings have been somewhat erratic from year to year, but total cash receipts increased from \$88 million in 1945 to almost \$147 million in 1964. The percentage contribution of dairy cash receipts to total receipts from farm marketings is about 6 percent, and this proportion has decreased only 1 percentage point in 20 years.

processing and distribution

The adjustments taking place on dairy farms in Texas have also resulted in some revolutionary changes in processing and distribution. These changes have been made to keep the various enterprises in adjustment with the demands placed on the industry. The past two decades have brought significant shifts in the number of plants processing and distributing milk products. There are fewer but larger plants today, and each plant has become more diversified. While the production of milk has become a more specialized endeavor, the plants that process, manufacture, and distribute milk products have tended toward the handling of multiple products.

The larger milk processing and distributing firms appear to have gained substantial advantages in plant operations. The combining of resources, labor, and capital into more efficient operations in fewer plants has proceeded at a rapid rate.

The numbers of plants manufacturing dairy products in Texas have all declined, with the exception of the numbers of firms producing ice milk and nonfat dry milk. Plants manufacturing ice cream declined more than 50 percent in the past two decades, but those producing ice milk products increased materially. The present methods of assembling the raw products for ice cream and the advances in storage and transportation of the finished product lend

themselves to centralization of production and widening of the distribution area.

The changing structure of cream production on farms and the reduced use of whole milk in the production of creamery butter have led to a decline in the number of plants manufacturing butter. More than two-thirds of the firms manufacturing creamery butter discontinued this operation in the last two decades. The numbers of condensed and nonfat dry milk plants have fluctuated somewhat but show a high degree of stability.

consumption patterns

The pattern of dairy product consumption has changed very noticeably in the past 20 years. When more people performed tasks requiring manual labor, a high-energy diet was necessary. Present-day employment requires less physical energy and less fat in the diet. Consumers have made shifts in consumption patterns, and fat content appears to be a guideline.

On a national basis, there have been significant decreases in per capita consumption of all high-fat dairy products except ice cream. Since 1945, per capita consumption of fluid whole milk has decreased about 17 percent, while that of cream and butter has declined almost one-third. The shift in preferences during the same period has increased the per capita consumption of cottage cheese approximately 50 percent and aided other low-fat items, such as skim milk, to maintain their position or gain slightly. The changing demand for different dairy products reflects a diet-conscious consuming public, rising incomes, and increased competition from lower-priced vegetable oils.

Mellorine production originated in Texas in 1950, when sales were authorized by the Texas Health Department. Since that time, other states have authorized its production. The number of plants producing mellorine has continued to grow, and Texas still leads the Na-

tion in output. The increased use of milk in the bottle trade and competition from oleomargarine and mellorine account for part of the decrease in the volume of whole milk used in manufactured dairy products. A high level of utilization in the grade A market generally does not leave a large volume for manufacturing purposes. The number of producers of milk for manufacturing purposes declined rapidly as the grade A market was made available.

outlook

The changes in the Texas dairy industry during the past two decades have been quite dramatic, and further changes are likely. A growing population and rising incomes suggest that the downtrend in total milk production may be at an end and a gradual rise in output may be in prospect. The most promising avenue for increasing production appears to lie in a continuation of the rising output per cow, since the Texas average is considerably below the average being attained in many other states. In

view of the heavy investment needed to operate an efficient dairy enterprise, further expansion in average herd size is likely, and the volume of milk produced per dairy farm is expected to continue upward. Improvements in highways and refrigerated bulk milk transport may, however, increase competition from out-of-state milk sources.

The processing and distributing of milk and other dairy products also are likely to be subject to further adaptation. Efforts are under way to produce an acceptable and economical whole milk and other products that will have a long shelf life without refrigeration. New packaging materials and different sizes of containers are being market-tested. The marketing area continues to become increasingly concentrated in and around metropolitan centers, while, at the same time, the sources of supply can be drawn from greater distances.

J. C. GRADY, JR.
Agricultural Economist

new par banks

The Fritch State Bank, Fritch, Texas, a 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, April 10, 1965. The officers are: Delmar D. Hartley, Chairman of the Board; Wallace Barnett, President; W. T. Battin, Vice President (Inactive); and J. H. Hodges, Cashier.

The Jacinto City Bank, Jacinto City, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, April 10, 1965. The officers are: Ray McBride, Chairman of the Board; Ralph B. Lee, President; H. T. Edwards, Executive Vice President; and E. A. Noret, Cashier.

The Security Bank, Spring, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, April 10, 1965. The officers are: Willie H. Whitehead, President; Chester C. Strack, Vice President and Cashier; and John P. Moody, Assistant Cashier.

The Mercantile Bank of Houston, Houston, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, April 19, 1965. The officers are: Robert W. Baker, Chairman of the Board; Burney Parker, Jr., President; and James B. Park, Vice President and Cashier.

district highlights

Member banks in the Eleventh Federal Reserve District have recorded an exceptionally strong loan demand thus far in 1965. Loans at the weekly reporting member banks in the District showed an increase of \$153.4 million from December 30, 1964, to April 28, 1965, in contrast to a decline of \$92.1 million in the comparable period a year earlier. The strength in the recent period principally mirrored a \$125.3 million gain in commercial and industrial loans, but all major loan categories, with the exception of consumer-type loans, have advanced more vigorously this year than last.

The strength in commercial and industrial loans this year reflects increased borrowing by all classes of business firms. The rise in loans to service-type businesses, however, has been especially notable. Thus far this year, these firms have increased their indebtedness to District member banks by \$51.5 million, contrasted with repayments of \$14.5 million in the comparable period a year ago. Loans to manufacturers of nondurable goods, especially to petroleum processors and chemical and rubber firms, have also advanced sharply. Loans to trade concerns rose contraseasonally, as retail firms and wholesalers increased their borrowing, probably to finance growing inventories.

The seasonally adjusted index of industrial production in Texas declined fractionally in March, as a 3.8-percent decrease in crude oil production offset a slight gain in durable goods fabrication and a 1.3-percent advance in the output of nondurable goods. Among the durable goods industries, gains in machinery, transportation equipment, and lumber and wood production were almost offset by declines in the output of primary and fabricated metal products. In the nondurable goods sector, output gains in the petroleum refining, chemical,

and printing and publishing industries more than outweighed production weaknesses in the food and kindred products, apparel, textiles, and paper and allied products industries.

Compared with a year earlier, industrial production in Texas in March was 5 percent higher. This gain reflected broadly based advances in both the durable and the nondurable manufacturing industries, as well as an increase in mining output. Mining production in the State posted a 1.4-percent gain over March last year, primarily because of an advance in crude oil production.

Daily average crude oil production is estimated to have declined fractionally in the District during April to a level that was 1.7 percent above the year-earlier rate. All of the decrease from March occurred in Texas, as output from fields in northern Louisiana was unchanged and production in southeastern New Mexico showed a slight rise. Markets for crude oil of southwestern origin continued relatively weak during April, with a number of buyers reporting troublesome surpluses stored above-ground. Pipeline prorating was restricted, however, to a few fields in northern Texas and northern Louisiana. In late April, the conservation authorities of both Texas and Louisiana announced reduced allowables in their respective states for the month of May.

March nonagricultural employment in the five southwestern states advanced 0.8 percent to reach a total of 5,018,000 persons, with more than normal strength in the month-to-month gains developing in both the manufacturing and the nonmanufacturing sectors. The strongest percentage increases came from the construction and the transportation and public utilities industries, where employment rose 3.2

percent and 2.0 percent, respectively. The important retail and wholesale trade industries, like total employment, posted an advance of 0.8 percent during March.

Southwestern nonagricultural wage and salary employment in March was 4.5 percent more than in the same month last year, and there were broadly based gains in both the manufacturing and the nonmanufacturing sectors. However, the construction industry registered the most impressive showing, with a 12.7-percent gain over a year earlier.

Registrations of new passenger automobiles for March established a new high in four major market areas in Texas, totaling 16 percent above February and 19 percent higher than in March 1964. During the first quarter of the year, combined registrations in the Dallas, Fort Worth, Houston, and San Antonio areas were 15 percent above the same period in 1964; Houston paced the gain with a 17-percent rise.

The seasonally adjusted index of Eleventh District department store sales in March, at 119 percent of the 1957-59 average, declined almost 5 percent from the February record. Cumulative sales during the first 3 months of 1965 — also adjusted for the change in Easter

dates — were 1 percent lower than in the same months of 1964. Stimulated by heavy buying for Easter this year, sales in the 4 weeks ended April 24 were up 11 percent from the comparable period in 1964. It is likely that the adjusted index of April sales will be at an all-time high for the month.

Soil moisture in the District is generally improved over a year ago. The planting of spring crops was delayed because of cold weather and wet fields, but increased field activity and more open weather have about placed seeding on a normal schedule. Range and pasture grasses have responded to the warmer weather and are now providing grazing. The calf and lamb crops are improved over last year, and livestock are generally in good condition.

The indicated production of winter wheat in the five southwestern states is placed, as of April 1, at 15 percent above the 1964 output. The prospects are varied, as shown by the 21-percent increase in Oklahoma and the 22-percent decrease in Arizona. Texas and New Mexico have prospective increases of 8 percent and 9 percent, respectively, but Louisiana prospects are indicated to be 7 percent lower than last year.

**new
member
bank**

The Texas 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 April 16, 1965, as a member of the Federal Reserve System. The new member bank has capital of \$300,000, surplus of \$300,000, and undivided profits of \$165,000. The officers are: Martin C. Lovvorn, Chairman of the Board and President; F. Patrick Whelan, Executive Vice President; Thomas J. Hayman, Vice President; and Wm. T. Buckner, Vice President and Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

May 1965



FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Apr. 28, 1965	Mar. 31, 1965	Apr. 29, 1964
ASSETS			
Net loans.....	4,712,225	4,648,285	4,203,534
Valuation reserves.....	82,938	82,887	75,309
Gross loans.....	4,795,163	4,731,172	4,278,843
Commercial and industrial loans.....	2,200,848	2,188,413	2,031,786
Agricultural loans.....	60,392	58,537	46,289
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	13,494	4,274	274
Other securities.....	40,412	46,165	59,595
Other loans for purchasing or carrying:			
U. S. Government securities.....	2,380	2,413	3,457
Other securities.....	291,812	291,126	245,927
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	122,917	129,357	98,318
Other.....	268,993	276,736	264,495
Loans to domestic commercial banks.....	182,624	134,923	97,727
Loans to foreign banks.....	8,267	9,173	2,225
Real estate loans.....	393,792	387,604	353,601
Other loans.....	1,209,232	1,202,451	1,075,149
Total investments.....	2,089,523	2,107,658	2,094,540
Total U. S. Government securities.....	1,302,202	1,337,390	1,354,890
Treasury bills.....	118,999	143,975	108,242
Treasury certificates of indebtedness.....	0	0	6,642
Treasury notes and bonds maturing:			
Within 1 year.....	178,446	176,777	104,567
1 to 5 years.....	618,534	625,124	773,747
After 5 years.....	386,223	391,514	361,692
Other securities.....	787,321	770,268	739,650
Cash items in process of collection.....	723,891	771,084	645,645
Balances with banks in the United States.....	457,059	514,640	456,034
Balances with banks in foreign countries.....	3,719	3,104	3,611
Currency and coin.....	69,613	63,623	66,209
Reserves with Federal Reserve Bank.....	487,281	544,510	500,193
Other assets.....	304,361	288,883	247,534
TOTAL ASSETS.....	8,847,672	8,941,789	8,217,300
LIABILITIES AND CAPITAL ACCOUNTS			
Total deposits.....	7,723,047	7,840,900	7,176,085
Total demand deposits.....	4,789,696	4,928,115	4,550,425
Individuals, partnerships, and corporations.....	3,211,539	3,209,371	3,087,720
Foreign governments and official institutions, central banks, and international institutions.....	2,465	5,661	2,294
U. S. Government.....	183,485	176,322	160,743
States and political subdivisions.....	327,796	328,490	269,738
Banks in the United States, including mutual savings banks.....	979,742	1,108,075	943,272
Banks in foreign countries.....	16,120	18,131	16,272
Certified and officers' checks, etc.....	68,549	82,065	70,386
Total time and savings deposits.....	2,933,351	2,912,785	2,625,660
Individuals, partnerships, and corporations.....	1,284,586	1,283,212	1,134,279
Savings deposits.....	1,249,951	1,224,814	1,122,078
Other time deposits.....	500	500	500
Foreign governments and official institutions, central banks, and international institutions.....	3,594	3,594	3,899
U. S. Government.....	381,767	389,357	357,375
States and political subdivisions.....	10,513	8,868	5,629
Banks in the United States, including mutual savings banks.....	2,440	2,440	1,900
Banks in foreign countries.....	202,856	214,701	174,543
Bills payable, rediscounts, etc.....	174,184	155,403	161,031
All other liabilities.....	747,585	730,785	705,641
Capital accounts.....			
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	8,847,672	8,941,789	8,217,300

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Apr. 28, 1965	Mar. 31, 1965	Apr. 29, 1964
Total gold certificate reserves.....	327,471	374,857	548,593
Discounts for member banks.....	2,210	1,770	54,572
Other discounts and advances.....	870	870	285
U. S. Government securities.....	1,617,212	1,627,078	1,290,768
Total earning assets.....	1,620,292	1,629,718	1,345,625
Member bank reserve deposits.....	853,322	908,883	847,234
Federal Reserve notes in actual circulation.....	1,079,324	1,070,710	963,494

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Apr. 7, 1965	4 weeks ended Mar. 3, 1965	4 weeks ended Apr. 1, 1964
RESERVE CITY BANKS			
Total reserves held.....	611,656	603,244	585,321
With Federal Reserve Bank.....	570,083	561,957	545,496
Currency and coin.....	41,573	41,287	39,825
Required reserves.....	606,786	598,901	580,686
Excess reserves.....	4,870	4,343	4,635
Borrowings.....	31,430	31,072	22,715
Free reserves.....	-26,560	-26,729	-18,080
COUNTRY BANKS			
Total reserves held.....	581,961	589,755	560,243
With Federal Reserve Bank.....	448,835	454,404	436,874
Currency and coin.....	133,126	135,351	123,369
Required reserves.....	546,670	551,283	524,209
Excess reserves.....	35,291	38,472	36,034
Borrowings.....	1,317	973	1,201
Free reserves.....	33,974	37,499	34,833
ALL MEMBER BANKS			
Total reserves held.....	1,193,617	1,192,999	1,145,564
With Federal Reserve Bank.....	1,018,918	1,016,361	982,370
Currency and coin.....	174,699	176,638	163,194
Required reserves.....	1,153,456	1,150,184	1,104,895
Excess reserves.....	40,161	42,815	40,669
Borrowings.....	32,747	32,045	23,916
Free reserves.....	7,414	10,770	16,753

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
1963: March.....	8,317	4,051	4,266	3,783	1,854	1,929
1964: March.....	8,359	3,944	4,415	4,470	2,220	2,250
October.....	8,582	4,098	4,484	4,627	2,274	2,353
November.....	8,683	4,120	4,563	4,655	2,269	2,386
December.....	8,852	4,213	4,639	4,713	2,288	2,425
1965: January.....	9,042	4,271	4,771	4,881	2,399	2,482
February.....	8,582	4,006	4,576	4,984	2,438	2,546
March.....	8,278	4,049	4,229	4,894	2,462	2,432

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Mar. 31, 1965	Feb. 24, 1965	Mar. 25, 1964
ASSETS			
Loans and discounts.....	7,827	7,773	7,017
U. S. Government obligations.....	2,583	2,592	2,678
Other securities.....	1,604	1,606	1,477
Reserves with Federal Reserve Bank.....	910	933	906
Cash in vault.....	194	198	181
Balances with banks in the United States.....	1,109	1,029	1,087
Balances with banks in foreign countries.....	5	5	4
Cash items in process of collection.....	843	671	674
Other assets.....	452	344	414
TOTAL ASSETS.....	15,527	15,151	14,438
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,333	1,199	1,243
Other demand deposits.....	7,407	7,290	7,180
Time deposits.....	5,088	5,019	4,472
Total deposits.....	13,828	13,508	12,895
Borrowings.....	216	171	122
Other liabilities.....	195	188	201
Total capital accounts.....	1,288	1,284	1,220
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	15,527	15,151	14,438

e — Estimated.

BANK DEBITS, END-OF-MONTH DEPOSITS, AND DEPOSIT TURNOVER

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS ¹				DEMAND DEPOSITS ¹			
	March 1965 (Annual-rate basis)	Percent change			March 31, 1965	Annual rate of turnover		
		March 1965 from		3 months, 1965 from 1964		March 1965	February 1965	March 1964
		February 1965	March 1964					
ARIZONA: Tucson.....	\$ 3,969,180	1	5	4	\$ 160,594	24.3	23.6	23.0
LOUISIANA: Monroe.....	1,672,920	1	21	22	67,463	23.8	23.2	20.3
Shreveport.....	4,905,372	8	14	6	197,383	24.8	22.9	20.2
NEW MEXICO: Roswell ²	609,780	2	-5	-7	31,433	19.3	18.8	17.4
TEXAS: Abilene.....	1,683,096	3	10	7	88,092	18.8	17.9	16.9
Amarillo.....	3,999,588	5	14	13	136,016	29.4	28.0	25.6
Austin.....	4,198,452	11	16	9	175,578	24.9	22.4	20.9
Beaumont-Port Arthur.....	4,446,288	2	15	10	206,302	22.0	21.8	19.7
Brownsville-Harlingen-San Benito.....	1,266,624	-2	4	5	53,054	24.1	25.0	23.6
Corpus Christi.....	3,237,780	11	11	6	174,414	20.8	21.2	22.4
Corsicana ²	299,700	-3	22	18	26,206	11.5	11.6	10.3
Dallas.....	58,791,948	0	30	24	1,560,879	37.8	38.2	29.6
El Paso.....	4,704,396	-5	10	7	196,167	24.1	25.0	23.1
Fort Worth.....	12,673,128	5	13	8	476,858	26.4	25.2	23.4
Galveston-Texas City.....	1,897,620	5	4	1	92,800	21.6	21.3	21.2
Houston.....	51,228,924	1	9	12	1,785,206	29.2	29.4	29.0
Laredo.....	463,104	-3	9	10	27,840	16.7	17.3	15.7
Lubbock.....	3,275,784	7	6	-1	144,629	23.2	22.1	22.3
Midland.....	1,817,892	5	11	8	116,437	15.4	14.4	16.2
Odessa.....	1,121,484	2	17	7	57,401	18.6	18.4	16.6
San Angelo.....	825,300	9	7	5	51,352	16.1	14.8	15.6
San Antonio.....	10,373,436	3	12	11	467,990	22.0	21.2	20.7
Texarkana (Texas-Arkansas).....	858,828	-12	-10	-5	50,740	17.3	19.6	20.1
Tyler.....	1,512,792	-1	14	13	80,728	19.0	18.9	18.0
Waco.....	1,783,128	-5	12	11	102,039	17.6	18.7	17.7
Wichita Falls.....	2,009,784	3	7	8	113,030	18.0	17.2	15.9
Total—26 centers.....	\$183,626,328	2	15	14	\$6,640,631	27.9	27.7	25.1

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
² County basis.

INDEXES OF DEPARTMENT STORE SALES

Eleventh Federal Reserve District

(Daily average sales, 1957-59 = 100)

Date	Seasonally adjusted	Unadjusted
1964: March.....	122	111
October.....	117	120
November.....	124	142
December.....	129	223
1965: January.....	131	102
February.....	125	91
March.....	119	102

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	March 1965 from		
	February 1965	March 1964	3 months, 1965 from 1964
Total Eleventh District.....	26	-4	0
Corpus Christi.....	31	6	0
Dallas.....	26	-1	1
El Paso.....	20	-4	-1
Houston.....	23	0	5
San Antonio.....	35	-8	-2
Shreveport, La.....	28	-10	-3
Waco.....	26	-8	-5
Other cities.....	26	-7	-3

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	March 1965p	Feb. 1965	Jan. 1965r	March 1964r
TEXAS				
Total industrial production.....	130.4	131.0	129.5	124.3
Manufacturing.....	154.4	153.0	150.8	144.7
Durable.....	151.4	150.8	149.2	139.1
Nondurable.....	156.6	154.6	151.9	148.8
Mining.....	99.0	102.1	101.6	97.6
UNITED STATES				
Total industrial production.....	140.1	138.9	138.2	129.0
Manufacturing.....	141.8	140.5	139.8	129.9
Durable.....	144.0	142.3	141.9	130.0
Nondurable.....	139.0	138.3	137.1	129.8
Mining.....	112.4	112.4	112.1	108.8
Utilities.....	155.5	155.0	154.3	144.8

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 Mar. 1965 from	
	March 1965p	Feb. 1965	March 1964r	Feb. 1965	Mar. 1964
Total nonagricultural	5,018,000	4,978,000	4,803,300	0.8	4.5
wage and salary workers..	878,900	874,200	845,900	.5	3.9
Manufacturing.....	4,139,100	4,103,800	3,957,400	.9	4.6
Nonmanufacturing.....	234,700	233,800	229,600	.4	2.2
Construction.....	343,300	332,800	304,700	3.2	12.7
Transportation and public utilities.....	390,800	383,200	387,500	2.0	.9
Trade.....	1,186,200	1,176,300	1,143,500	.8	3.7
Finance.....	253,300	253,300	244,000	.0	3.8
Service.....	730,600	728,500	693,500	.3	5.3
Government.....	1,000,200	995,900	954,600	.4	4.8

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	March 1965	Feb. 1965	March 1964	January—March	
				1965	1964
FIVE SOUTHWESTERN STATES¹					
Residential building.....	449	387	434	1,285	1,239
Nonresidential building.....	192	149	213	505	579
Nonbuilding construction....	136	97	114	420	361
	121	141	106	361	299
UNITED STATES	4,209	3,223	4,215	10,531	10,725
Residential building.....	1,877	1,299	1,991	4,443	4,784
Nonresidential building.....	1,379	1,060	1,252	3,588	3,475
Nonbuilding construction....	953	863	972	2,501	2,466

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
NOTE: — Details may not add to totals because of rounding.
SOURCE: F. W. Dodge Corporation.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	March 1965p	Feb. 1965p	March 1964	Percent change from	
				Feb. 1965	March 1964
ELEVENTH DISTRICT	3,266.3	3,303.8	3,203.9	-1.1	1.9
Texas.....	2,774.9	2,804.4	2,758.6	-1.1	.6
Gulf Coast.....	528.5	536.9	535.2	-1.6	-1.3
West Texas.....	1,230.8	1,245.8	1,235.9	-1.2	-.4
East Texas (proper).....	113.1	113.2	124.1	-1.1	-8.7
Panhandle.....	103.2	103.5	107.6	-2.1	-4.1
Rest of State.....	799.3	805.1	755.8	-7.7	5.8
Southeastern New Mexico..	309.8	309.6	285.4	1.1	8.5
Northern Louisiana.....	181.7	189.8	159.9	-4.3	13.6
OUTSIDE ELEVENTH DISTRICT	4,606.5	4,553.1	4,557.5	1.2	1.1
UNITED STATES	7,872.8	7,856.9	7,761.4	.2	1.4

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

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	March 1965p	Feb. 1965p	March 1964
CRUDE OIL RUNS TO REFINERY			
STILLS (Daily average).....	114	111	112
DEMAND (Daily average)			
Gasoline.....	114	117	113
Kerosene.....	176	141	138
Distillate fuel oil.....	122	119	108
Residual fuel oil.....	103	101	89
Four refined products.....	116	115	108
STOCKS (End of month)			
Gasoline.....	116	114	108
Kerosene.....	159	148	154
Distillate fuel oil.....	110	113	124
Residual fuel oil.....	72	68	80
Four refined products.....	111	110	113

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

WINTER WHEAT PRODUCTION

(In thousands of bushels)

Area	1965, indicated April 1	1964	Average 1959-63
Arizona.....	1,260	1,617	1,611
Louisiana.....	1,540	1,650	952
New Mexico.....	3,020	2,772	4,907
Oklahoma.....	117,062	96,623	93,838
Texas.....	66,592	61,848	61,041
Total	189,474	164,510	162,349

SOURCE: U. S. Department of Agriculture.

MARKETED PRODUCTION OF NATURAL GAS

In millions of cubic feet
Seasonally adjusted index (1957-59 = 100)

Area	Fourth quarter			Fourth quarter		
	1964	1964	1963	1964	1964	1963
Louisiana.....	1,114,400	966,200	1,039,800	203	193	190
New Mexico.....	241,300	212,900	216,700	128	126	115
Oklahoma.....	299,600	297,000	247,100	187	199	154
Texas.....	1,650,000	1,574,400	1,584,100	119	121	114
Total	3,305,300	3,050,500	3,087,700	144	145	135

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

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percent change		
	March 1965	3 mos. 1965	March 1965	3 mos. 1965	March 1965 from	Feb. 1965	3 months 1965 from 1964
ARIZONA							
Tucson.....	785	1,820	\$ 4,030	\$ 6,180	273	44	-25
LOUISIANA							
Shreveport....	304	901	1,499	4,818	30	-28	17
TEXAS							
Abilene.....	98	233	927	3,335	-45	-29	-2
Amarillo.....	140	440	1,746	9,237	-51	-55	-22
Austin.....	339	890	5,177	12,360	51	-12	-35
Beaumont.....	280	737	1,308	6,368	-38	-4	41
Corpus Christi..	419	1,113	2,827	7,637	4	53	8
Dallas.....	2,039	5,249	15,554	41,161	5	-15	-18
El Paso.....	494	1,260	3,906	15,500	-8	-26	34
Fort Worth.....	574	1,679	3,433	12,327	-21	-14	-4
Galveston.....	10	197	463	1,103	59	-32	-37
Houston.....	2,319	5,661	28,264	73,704	7	-11	-16
Lubbock.....	260	627	4,747	11,790	14	12	-17
Midland.....	104	264	1,010	4,243	42	58	5
Odessa.....	167	381	1,615	2,856	136	132	63
Port Arthur.....	149	352	353	1,057	-8	-6	-49
San Antonio....	1,329	3,182	5,525	13,597	28	-25	-27
Waco.....	246	626	2,310	6,241	14	68	44
Wichita Falls..	197	400	946	3,177	74	24	26
Total—19 cities..	10,253	26,012	\$85,640	\$236,691	9	-9	-12