

# *business review*



*july 1965*

**FEDERAL RESERVE  
BANK OF DALLAS**

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## *recent trends in cattle prices*

Since late March, cattle prices have risen significantly and, by June, were well above a year earlier. The price rise has been rather general among all classes of cattle, although prices for highly finished slaughter cattle have risen by a relatively greater amount than those for feeders and slaughter animals with less finish. Choice-grade slaughter steers on the Chicago market sold for about \$28 per hundredweight in June, or \$7 per hundredweight over the low point reached in May 1964. In the case of feeder steers, June prices for Choice feeders on the Kansas City market averaged about \$3 per hundredweight above prices during the first quarter of 1965 and were moderately higher than those a year earlier. The increase in cattle prices this spring occurred even though both total marketings and output of beef remained high.

Beef production rose sharply in 1964, but the first quarter of 1965 saw a slackening in output, especially from highly finished cattle. This letup in the rate of production — coupled with the consumer's continued strong preference for beef, significant increases in disposable personal income, and relatively favorable range and pasture conditions — has contributed to price strength. It is estimated that disposable personal income in the Nation during the first half of this year was at an annual rate which was about 7 percent above a year ago. Consumers boosted their consumption of beef last year by 6 pounds per person to a level of around 100 pounds, and a further increase in per capita consumption is indicated this year. The gain in per capita beef consumption in 1964 was the largest year-to-year advance in over a decade.

### *fat cattle*

After advancing in each quarter of 1964, total beef output during the first quarter of the current year dipped about 6 percent under the level of the fourth quarter of 1964. Available data suggest that total beef production through midyear continued at about the same rate as in January-March 1965.

The decline in supplies of highly finished beef was particularly noticeable in the first 3 months of this year, and the price spread between the higher grades of slaughter cattle and feeder replacements widened. As the uptrend in fat cattle prices continued, the market for less-finished animals showed improvement — an improvement which was bolstered by generally favorable forage conditions during the late winter and the spring months. The 12 percent smaller supply of other red meat in the first quarter of 1965 than in the fourth quarter of 1964 has, no doubt, contributed further to the recent strength in cattle prices.

The potential for a sharp increase in beef supplies has been developing for several years. The number of cattle and calves, including milk cattle, on the Nation's farms and ranches rose to a record 107.2 million head on January 1, 1965, marking the seventh annual consecutive increase. During the expansion phase of the cattle cycle, which began in 1958, cattle numbers in the Nation have increased an average of 4.5 percent annually. All of the gain has been accounted for by beef cattle, since milk cattle numbers have continued to decline. The beef cattle inventory in the United States rose 36 percent during the past 7 years to slightly over 80 million head. The five south-



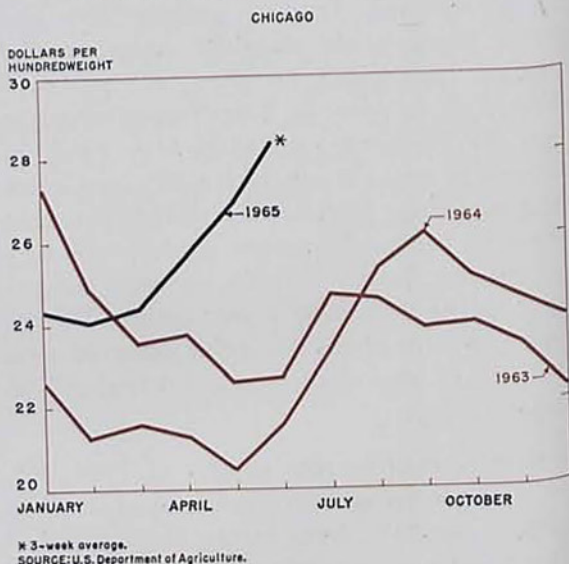
western states — Arizona, Louisiana, New Mexico, Oklahoma, and Texas — experienced an even larger rate of growth, as beef cattle numbers increased 40 percent. The year-to-year gain in numbers of cows on the Nation's farms and ranches formed the basis for a continuous increase in the size of the calf crop and heavier marketings.

The growth in cattle numbers during this cyclical expansion has exceeded the increase in population, and marketings of cattle from the larger basic breeding herds began to increase sharply by 1963 and rose again in 1964. The significantly advanced tonnage of beef during 1964 was sold at prices below those in the previous year. The step-up in the feeding of cattle has been a factor contributing to the sharp increase in beef output. The number of cattle placed on feed last year was 3 percent above a year earlier; also, the average weights of cattle marketed from feedlots were heavier. As a result, not only was there an increase in total tonnage, but the price premiums for highly finished cattle began to decline as supplies of these grades of cattle rose.

Data on weights of animals slaughtered during the first quarter of 1965 and reports of cattle on feed as of April 1 suggest that the numbers marketed in the first half of this year were probably about the same as a year ago. However, average weights of the animals remained below those of 1964; as a result, the volume of meat from highly finished cattle was lower. The number of heavy animals on feed on April 1 was down substantially. Steers weighing over 1,100 pounds and heifers weighing over 900 pounds were 33 percent below the year-earlier level and 12 percent below the number on hand on January 1, 1965. Hence, the quantity of beef available from these animals declined considerably. Reduced emphasis on feeding to heavier weights reflected the lack of profitability in marketing animals of such weights.

Because of the smaller production of fed beef, the price spread among the various grades of fat cattle gradually widened as prices improved this year. During the second quarter of 1965, the price margin was above \$2 per hundredweight between Prime and Choice grades and was about \$2 per hundredweight between Choice and Good grades. These margins compare with spreads of less than \$1 a year ago, when increased supplies of heavier and highly finished cattle were available.

### CHOICE SLAUGHTER STEER PRICES



A continuation of the high proportion of cow slaughter was another factor moderating further gains in total beef production in the first half of this year. The proportion of total slaughter accounted for by cows began to increase during August 1964 and has continued thus far in 1965.

Since the first of this year, cows have led all other classes of cattle in the number slaughtered, with a gain of about 30 percent. Despite the rise in marketings, slaughter cow prices have strengthened somewhat; but prices of calves and feeders have a greater bearing on the number of cows marketed than do prices



of cows. An increase in cow slaughter is the prelude to a moderation in the buildup of cattle numbers, and, if cow marketings become large enough, the expansion phase of the cattle cycle will be brought to an end. The basic breeding herd usually is reduced when prices for calves decline or pasture conditions become unfavorable. Calf prices averaged much lower in 1964 and the first part of 1965 than in earlier stages of the buildup in the cow herd.

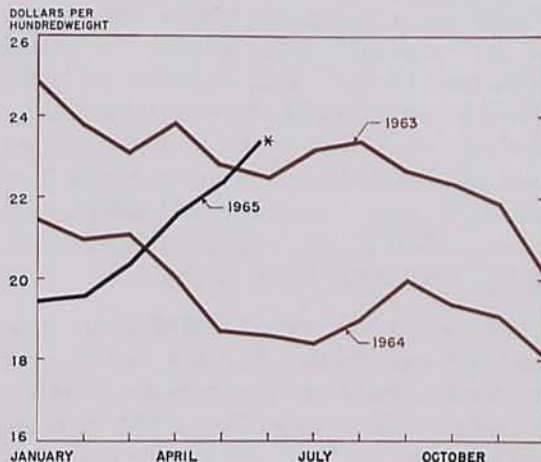
In view of the heavy supplies of domestically produced beef, the reduced level of beef imports is considered a favorable factor by cattlemen. Imports of red meat declined in 1964 to a total of 1.5 billion pounds, or 26 percent less than in 1963. The decrease in beef imports in the past year was the first since 1960. Higher prices in the years before 1964 had encouraged imports, and lower prices discouraged imports last year. Thus far this year, imports have been below those in 1964. Since much of the imported beef is of lower quality, the reduction in imports would be of most benefit to lower grades of cattle. This fact is particularly important in view of the step-up that has occurred in cow slaughter in the United States. The amount of carcass beef imported in 1965 will be restricted by congressional action to a maximum of 933 million pounds. Some well-informed livestock growers expect, however, that imports will be well below this maximum level.

### *feeder cattle*

Feeder cattle prices during most of the first quarter of 1965 continued at the low levels of last year but started rising in late March and made substantial gains through June. Prices for Choice 500- to 800-pound feeders at Kansas City continued their late-March uptrend and, by mid-June, averaged over \$25 per hundredweight, or more than \$3 per hundredweight above the first quarter of this year. The mid-June price was the highest monthly price since the fall of 1962. The increase in feeder cattle

## FEEDER STEER PRICES

SELECTED MARKETS



\* 3-week average.  
SOURCE: U.S. Department of Agriculture.

prices is registered on the strength of fed cattle prices, strong demand, seasonally smaller supplies, and improved range prospects.

Purchases of feeder cattle from foreign sources also have remained low. Imports of feeder cattle from Mexico and Canada totaled slightly over half a million head in 1964, or down almost one-third from 1963. Imports thus far this year have been below 1964 levels.

### *outlook*

The recent strength in cattle prices has been heartening, but alert cattle growers are aware of the dangers of overoptimism. Cattle numbers are at an all-time high, and the supply of cattle and calves available for feedlots totals more than 36 million head, or slightly above a year ago; Mexico and Canada also have large supplies of feeders. Although running below the record rate in the latter part of 1964, total beef output thus far in 1965 is little different from the pace of total production during the first quarter of last year. The current livestock inventory and ample feed grain stocks provide the basis for further sharp additions to the present high output of beef.



Price premiums currently being paid for fat cattle may encourage feedlot operators to delay marketings in anticipation of increased returns. If any measurable delay occurs, the overall price level, as well as the premiums on highly finished cattle, could increase temporarily. However, the limited market for highly finished beef and the greater poundage resulting from feeding to heavier weights would subsequently place pressure on cattle prices, especially those of high-Choice and Prime grades.

On June 1 the revised USDA grade standards became effective. The new standards are intended to make grading more nearly reflect consumer preferences for beef. Under these revisions, some fed cattle will be able to reach a given grade with less feeding than previously. Consequently, marketings of extremely fat animals — especially from commercial feedlots — may not be as large as those under the old grade standards.

Average to good range conditions this spring and summer will enable cow-calf operators to hold more of the 1964 calf crop on grass through the summer; therefore, placements and/or marketings may be prolonged. If widespread drought occurs in the major range areas of the Nation, the movement of cattle from ranges would likely increase feedlot numbers, as well as marketings for slaughter.

Assuming that general economic conditions continue favorable, consumer demand for beef is expected to remain strong. Further, other red meat supplies during 1965 likely will remain somewhat below year-earlier levels. Although they may not retain all the strength gained in recent months, prices during the latter part of 1965 could continue above those of a year ago — barring unfavorable weather or overly exuberant expansion in feeding operations.

J. C. GRADY, JR.  
Agricultural Economist

## *trust banking in the southwest*

The year 1964 was a profitable one for member bank trust departments in the Eleventh Federal Reserve District. Total revenue from trust operations rose about 12 percent during the year to a level of \$16.3 million. This advance outpaced the gain in total District bank revenue last year and was notably above the rate of increase in trust department revenue at all member banks in the Nation.

Each year since 1957, the Federal Reserve Bank of Dallas, in cooperation with the Trust

Section of the Texas Bankers Association, has surveyed the trust operations of selected member banks in the District. This survey yields information which enables each participating bank to compare the operating performance of its trust department with that of trust departments of corresponding size. The survey covering trust operations for 1964 has recently been completed, with data being obtained from 51 banks; these banks account for approximately 90 percent of total trust department earnings of all member banks in the District.



One of the principal features of trust banking in the Southwest, as well as in the Nation, is the heavy concentration of activity at the larger banks in the financial centers. Almost one-half of trust department revenue at the surveyed banks in 1964 was earned by 4 large banks; the 10 banks having commissions and fees from trust operations in excess of \$300,000 accounted for about three-fourths of total revenue.

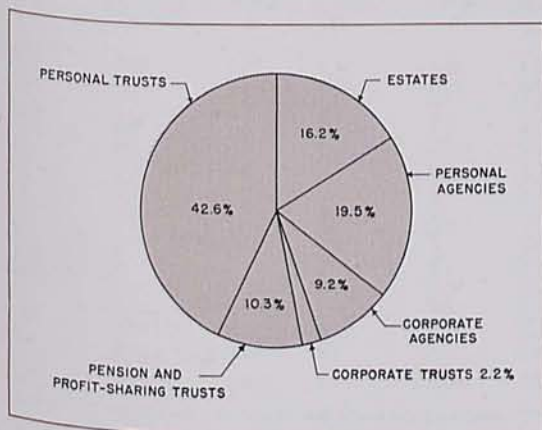
### revenue

As in past years, earnings from personal accounts (which include testamentary and living trusts, estates, guardianships, and pension and profit-sharing trusts) constituted the most important source of trust department revenue at District banks in 1964. About 85 percent of total trust department revenue at the 51 surveyed banks represented earnings from these accounts. Corporate accounts — bond and debenture trusteeships, depositaryships, stock-transfer and dividend-disbursing activities, and coupon- and principal-paying agencies — provided the remaining 15 percent of trust department revenue.

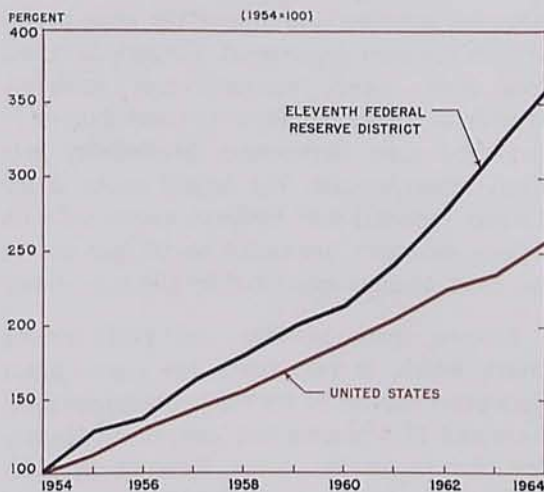
Reports submitted by 49 banks which responded in both the 1963 and the 1964 surveys

### TRUST DEPARTMENT INCOME, BY TYPE OF ACCOUNT, AT 49 COMMERCIAL BANKS, 1964

ELEVENTH FEDERAL RESERVE DISTRICT



### TRUST DEPARTMENT REVENUE AT MEMBER BANKS



SOURCE: Federal Reserve Bulletin.

indicate that these banks had a 27.9-percent increase in revenue from fiduciary operations in 1964. Revenue from all types of trust accounts, except corporate trusts, advanced, with the greatest percentage gains being shown by the largest banks. Revenue at banks with commissions and fees of \$10,000 to \$50,000 declined about 9 percent.

The primacy of personal accounts is reflected in the fact that, at the 49 banks, these accounts contributed almost 60 percent of the rise in total trust department revenue in 1964. The largest banks — those having commissions and fees of over \$300,000 — accounted for most of the dollar rise in personal account revenue, although banks with commissions and fees of \$50,000 to \$100,000 or \$100,000 to \$300,000 showed substantial percentage gains. The smallest trust departments recorded a reduction in revenue from personal accounts, due principally to a sharp decline in commissions and fees from estates.

Increased earnings on every type of account contributed to the advance in personal account revenue at the 49 banks. The dollar gain, how-



ever, was centered in personal trusts. These trusts, which represent about one-half of total personal accounts, are among the most profitable in the trust department. Commissions and fees from agency accounts rose relatively sharply in 1964, but their net contribution to increased trust department profitability was likely rather modest. The largest banks in the District reported that expenses associated with agency accounts amounted to 98 percent of the total revenue generated by these accounts.

Income from pension and profit-sharing trusts, which, in past years, has grown faster than other sources of trust department revenue, increased 17.6 percent last year, or moderately less than in previous years. Revenue from estates rose only 7 percent in 1964, compared with about 18 percent in 1963. Income from this source tends to fluctuate erratically, however, since fees are generally collected only upon the closing of an estate, which may or may not occur in the year in which expenses associated with administration of the estate are incurred.

Corporate agency accounts provided about 80 percent of total corporate account income at the 49 banks, and income from this source rose almost 21 percent. Although these accounts are heavily concentrated at the large banks in the financial centers, the data indicate that the smaller banks — especially those having commissions and fees of \$100,000 to \$300,000 — have realized a measure of success in attracting this type of business. Revenue from corporate trusts, which accounts for only one-fifth of total corporate account income, declined about 13 percent during the year.

### expenses

The problems inherent in the proper allocation of expenses represent a major difficulty in developing trust operating data which are both reliable and comparable. Many trust departments are staffed, in part at least, by personnel who also have duties in other departments of the bank. Careful allocation of the salary expenses of such personnel is essential in obtaining the actual cost of operating the

## DISTRIBUTION OF EXPENSES FOR COMMERCIAL BANK TRUST DEPARTMENTS, 1964

Eleventh Federal Reserve District

(Percentage of total expenses)

Item	51 banks with total commissions and fees of:								Total
	\$10,000-\$50,000		\$50,000-\$100,000		\$100,000-\$300,000		Over \$300,000 <sup>1</sup>		
	Net profits	Net losses	Net profits	Net losses	Net profits	Net losses			
Number of banks	6	9	4	6	10	6	10	51	
Salaries and wages									
Officers	43.2	37.6	47.5	38.4	34.7	25.5	25.8	27.8	29.3
Employees	14.5	20.7	19.9	23.3	30.6	29.4	30.0	30.0	5.1
Pensions and retirements	5.2	4.6	5.1	5.0	3.9	3.7	5.5	5.5	.8
Personnel insurance	.8	1.1	.9	1.0	1.0	.8	.7	.7	2.3
Other expenses related to salaries	1.4	1.7	1.5	2.4	1.7	2.3	2.4	2.4	6.1
Occupancy of quarters	9.1	7.8	4.4	5.6	5.7	8.3	5.8	5.8	2.1
Furniture and equipment	1.2	1.2	1.6	2.8	2.0	2.8	2.1	2.1	3.5
Stationery, supplies, and postage	3.3	2.4	1.5	3.3	2.9	3.1	3.7	3.7	1.0
Telephone and telegraph	1.1	1.5	.7	.8	.9	1.2	1.0	1.0	1.4
Advertising	2.7	1.8	2.1	2.9	1.5	1.9	1.2	1.2	.4
Directors' and trust committee fees	1.5	.5	.6	.9	1.2	1.2	.2	.2	.8
Legal and professional fees	.2	1.8	.2	.3	.8	.7	.9	.9	.8
Periodicals and investment services	.6	1.5	1.5	1.6	.9	1.1	.6	.6	.5
Examinations	2.5	1.3	2.6	.9	.9	.5	.3	.3	7.4
Other direct expenses	.3	3.4	1.8	1.8	2.9	2.0	9.3	9.3	89.3
Total direct expenses	87.6	88.9	91.9	91.0	91.6	84.5	89.5	89.5	10.7
Overhead	12.4	11.1	8.1	9.0	8.4	15.5	10.5	10.5	100.0
Total expenses	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

<sup>1</sup> To avoid disclosing figures for individual trust departments, profit and loss data are not shown separately for this group. Of the 10 departments in the group, 2 reported net losses.



trust department. Moreover, certain functions normally assigned to the trust department frequently are performed by other departments of the bank — e.g., the investment, mortgage, real estate, and accounting departments. A proper share of the total expenses of such departments should be allocated to the trust department.

Salaries, wages, and other employment costs represent the principal expense items for trust departments. At the 51 banks in the survey, these costs ranged from 64 percent to 72 percent of total costs. The percentage distribution of salaries and wages was about equally divided between officers and nonadministrative employees.

There are, however, significant differences among the several size categories of banks, with officers' salaries absorbing a greater proportion of total expenses at the small banks than at the larger ones. At the smallest banks in the survey, 1.1 officers and 1.4 employees were required to operate the trust department — a ratio of officers to nonadministrative personnel of 0.79. The largest banks employed 20.8 officers and 63.9 nonofficers in the trust department, or about 1 officer for 3.1 employees. This relationship is partially associated with the greater importance of corporate accounts at the large banks. Once these accounts are established, their administration can be handled mainly by clerical personnel.

A further examination of employment-related costs reveals that a greater proportion of the total expenses of the small banks in 1964 was allocated to pensions and retirement benefits, insurance, and other fringe benefits. Moreover, the 1964 survey results suggest that, with respect to the relative importance of these outlays, the wide differences which prior surveys indicated among the various sizes of banks diminished during the year.

Total expenses at the 49 trust departments rose about 11 percent in 1964 to a level of

A detailed report of the results of the survey of 1964 earnings and expenses of commercial bank trust departments in the Eleventh Federal Reserve District may be obtained upon request to:

RESEARCH DEPARTMENT  
FEDERAL RESERVE BANK OF DALLAS  
STATION K  
DALLAS, TEXAS 75222

\$12.0 million, as all expense items advanced except advertising outlays and directors' and trust committee fees. Direct costs were up almost 12 percent, while overhead rose approximately 4 percent. The increase in total expenses was slightly greater than that recorded for 1963 but was little different from the 1962 advance.

Increases in salaries and wages and related costs contributed about 63 percent of the rise in total costs at the trust departments in 1964. However, for the second consecutive year, the sharpest percentage gain in expenses was recorded in legal and professional fees. These costs rose 54 percent during 1964, principally because of an 85-percent rise at the largest banks. This increase likely reflects the growing importance of pension and profit-sharing accounts, the establishment of which requires the extensive use of professional services.

### *profits*

Net earnings before taxes at the 51 surveyed banks approximated 6.4 percent of total revenue in 1964, compared with 7.4 percent in the previous year. Net earnings failed to advance more strongly because the substantial rise in revenue was partially absorbed by increased expenses.

A number of banks allow deposit credit in recognition of the fact that the increased deposits for the commercial department as a



**NET EARNINGS AND RELATED ITEMS FOR COMMERCIAL  
BANK TRUST DEPARTMENTS, 1964**

Eleventh Federal Reserve District

(Percentage of total commissions and fees)

Item	51 banks with total commissions and fees of:				Total 51
	\$10,000- \$50,000	\$50,000- \$100,000	\$100,000- \$300,000	Over \$300,000	
Number of banks	15	10	16	10	
Commissions and fees from:					
Estates	19.2	29.5	22.9	15.0	17.2
Trusts	64.2	56.5	52.3	43.3	46.0
Pension and profit-sharing trusts	4.7	6.7	7.0	13.3	11.7
Agencies	11.9	7.3	17.8	28.4	25.1
Total commissions and fees	100.0	100.0	100.0	100.0	100.0
Total expenses	124.4	105.6	92.5	92.3	93.6
Trust department net earnings (+) or losses (-) before income taxes	-24.4	-5.6	+7.5	+7.7	+6.4
Average credit allowed for deposits	4.5	10.1	14.4	14.8	14.2
Trust department net earnings (+) or losses (-), adjusted for deposit credits	-19.9	+4.5	+21.9	+22.5	+20.6
Memorandum figures					
Average rate allowed as deposit credit (Percent) <sup>1</sup>	3.7	2.1	2.6	3.0	2.7
Number of banks allowing deposit credits	3	4	11	7	25
Amount of total commissions and fees (In thousands)	\$327	\$691	\$2,684	\$10,876	\$14,578

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

result of trust operations can be employed to expand overall bank earnings. About one-half of the surveyed banks allowed deposit credits, at rates ranging from 2.1 percent to 3.7 percent; the average credit was 2.7 percent. After allowance for these credits, earnings amounted to 20.6 percent of total revenue. This percentage is little different from that recorded for 1963.

Of the 51 banks participating in the survey, 55 percent showed profits in 1964. Only 40 percent of the trust departments having fees and commissions of less than \$100,000 were profitable, whereas about 70 percent of the departments having commissions of over \$100,000 showed profits. The tendency for net earnings to rise as the size of the trust department increases mainly reflects the concentration of corporate accounts at the larger banks.

The profitability of corporate accounts is indicated by reports submitted by the 24 large trust departments which were able to distribute

income and expenses among types of accounts. After allowance for deposit credits, net profits on corporate accounts as a proportion of total income were 25.6 percent, compared with 20.6 percent for personal accounts. Within the corporate account classification, data for six large Texas banks indicate that trust accounts were significantly more profitable than agency accounts. Including deposit credits, net earnings from trust accounts amounted to 120 percent of commissions and fees from these accounts, compared with 31 percent for agency accounts.

Commercial banks in the Southwest apparently are continuing the aggressive development of their trust departments. That these efforts have yielded results is reflected in the rising revenue from fiduciary operations reported by larger member banks in the Eleventh Federal Reserve District. The growing popularity of trust arrangements, particularly pension and profit-sharing plans, and an expected rise in corporate trust activity argue for the continued strong growth of District trust departments.



## *district highlights*

The seasonally adjusted index of Texas industrial production advanced 1.4 percent during May to reach 134.0 percent of the 1957-59 base. This advance primarily reflected strength in the mining sector, which showed a production gain of 3.0 percent over the previous month. The gain in Texas mining activity mirrored a 3.8-percent increase in seasonally adjusted crude oil production.

The manufacturing sector of the Texas production index registered only a fractional gain from April to May. The gain was accounted for by durable goods producers, with the 1.6-percent increase in output of durables being distributed among transportation equipment, furniture and fixtures, and machinery. A particularly strong advance was recorded in the machinery industry during May. In aggregate, the nondurable goods producers registered a fractional output downturn from April. Within this industry group, however, advances were shown by textiles, chemicals, and "other nondurable goods."

Compared with a year ago, the Texas index of industrial production showed a 4.7-percent gain in May. This gain reflected a 9.8-percent advance in durable goods production, along with a 5.8-percent advance in nondurable goods output. May production in the mining sector declined fractionally from the same month last year.

Nonagricultural wage and salary employment in the five southwestern states rose to a May level of almost 5.1 million, reflecting a 0.3-percent gain over the April total. Percentage-wise, the manufacturing employment sector posted a larger advance than nonmanufacturing employment. In the nonmanufacturing sector, the important government, trade, and service

industries all registered increases in employment. However, the construction industry showed the greatest relative month-to-month advance by recording a 1.1-percent gain.

Nonagricultural wage and salary employment in May this year was 3.8 percent above a year ago. In the year-to-year comparison, the nonmanufacturing sector showed a larger increase than the manufacturing sector. Among all types of employment, the strongest relative growth was registered in the number of construction workers, which was more than 6 percent over May 1964.

The seasonally adjusted index of Eleventh District department store sales for May, at 126 percent of the 1957-59 base, established a new high for the month. Although sales in May were 2 percent below April, the dollar volume of sales during the first 5 months of 1965 reflected an increase of 3 percent over the same period in 1964.

After easing slightly in April, new passenger car registrations in four major market areas in Texas declined 14 percent in May from the April level but were up 4 percent over May 1964. Despite the month-to-month declines, cumulative figures for 1965 show that, through May, registrations for the four areas combined were 12 percent higher than in the same period last year. Pacing the gain was an increase of 16 percent in Houston — followed by 9 percent in Dallas, 6 percent in Fort Worth, and 4 percent in San Antonio.

Daily average crude oil production in the District advanced nearly 1 percent in June to a level that was 1.6 percent above a year earlier. All of the gain over May occurred in Texas, as the pace of crude oil production in

Louisiana was unchanged and southeastern New Mexico reported a slight decline. Crude oil output from District wells during July is likely to remain close to the June rate, since the allowables for Texas, Louisiana, and New Mexico have been left unchanged by the respective state conservation agencies.

The soil moisture situation in most areas of the District in the latter part of June was favorable. Most of the cotton and grain sorghum acreage has been planted, and early harvest of both crops is under way in the southern areas of the District. Prospects for these crops are generally favorable, as moisture is available for good growth and the maturing of early plantings.

Pasture and range grasses continue to make good progress and provide ample grazing in practically all areas. Livestock are in good condition and are gaining weight from the improved forage supplies.

Hog prices have reached their highest levels since July 1958. The numbers on farms in the five southwestern states as of January 1 of the current year were one-fifth below those in 1964 and the lowest of record. Hog slaughter thus far this year has been 9 percent under a year earlier. The 1964 fall pig crop and the 1965 spring crop were somewhat smaller than a year ago. Thus, the number of hogs available for slaughter in 1965 likely will be significantly lower than in the previous year.

***new  
member  
bank***

The Richardson Heights National Bank, Richardson, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business June 18, 1965, as a member of the Federal Reserve System. The new member bank has capital of \$250,000, surplus of \$250,000, and undivided profits of \$100,000. The officers are: George M. Underwood, Jr., Chairman of the Board; James C. Schmidt, President; Morris James, Vice President; and D. H. Holland, Assistant Vice President and Cashier.



**STATISTICAL SUPPLEMENT**

**to the**

***BUSINESS REVIEW***

July 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	June 30, 1965	May 26, 1965	July 1, 1964
<b>ASSETS</b>			
Net loans.....	4,787,251	4,679,366	4,300,414
Valuation reserves.....	83,197	82,792	76,317
Gross loans.....	4,870,448	4,762,158	4,376,731
Commercial and industrial loans.....	2,223,275	2,161,329	2,025,483
Agricultural loans.....	62,120	61,291	57,689
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	274	274	274
Other securities.....	42,463	44,821	49,303
Other loans for purchasing or carrying:			
U. S. Government securities.....	2,439	2,418	1,972
Other securities.....	300,761	298,447	271,045
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	152,753	128,345	137,645
Other.....	285,713	272,264	293,118
Loans to domestic commercial banks.....	116,411	180,391	55,139
Loans to foreign banks.....	7,600	8,522	2,432
Real estate loans.....	409,739	395,691	371,418
Other loans.....	1,266,900	1,208,365	1,111,213
Total investments.....	2,136,449	2,062,348	2,088,722
Total U. S. Government securities.....	1,273,269	1,265,538	1,372,666
Treasury bills.....	112,460	84,473	100,901
Treasury certificates of indebtedness.....	0	0	52
Treasury notes and bonds maturing:			
Within 1 year.....	236,944	240,184	117,119
1 to 5 years.....	543,809	556,860	797,396
After 5 years.....	380,056	384,021	357,198
Other securities.....	863,180	796,810	716,056
Cash items in process of collection.....	771,170	673,415	721,131
Balances with banks in the United States.....	482,592	462,982	492,297
Balances with banks in foreign countries.....	3,042	3,441	3,364
Currency and coin.....	64,719	69,195	60,435
Reserves with Federal Reserve Bank.....	552,988	519,622	579,768
Other assets.....	299,828	316,525	261,769
<b>TOTAL ASSETS.....</b>	<b>9,098,039</b>	<b>8,786,894</b>	<b>8,507,900</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Total deposits.....	7,934,988	7,623,367	7,480,468
Total demand deposits.....	4,954,309	4,757,442	4,819,199
Individuals, partnerships, and corporations.....	3,174,938	3,147,177	3,122,084
Foreign governments and official institutions, central banks, and international institutions..	4,806	4,039	4,505
U. S. Government.....	283,129	231,480	244,638
States and political subdivisions.....	316,210	352,010	268,502
Banks in the United States, including mutual savings banks.....	1,084,537	944,514	1,085,113
Banks in foreign countries.....	17,588	18,965	15,280
Certified and officers' checks, etc.....	73,101	59,257	79,077
Total time and savings deposits.....	2,980,679	2,865,925	2,661,269
Individuals, partnerships, and corporations			
Savings deposits.....	1,319,595	1,291,394	1,163,686
Other time deposits.....	1,273,796	1,221,655	1,131,231
Foreign governments and official institutions, central banks, and international institutions..	500	500	500
U. S. Government, including postal savings... States and political subdivisions.....	3,519	3,544	3,899
Banks in the United States, including mutual savings banks.....	370,874	335,238	352,920
Banks in foreign countries.....	9,955	10,154	7,133
Bills payable, rediscounts, etc.....	2,440	3,440	1,900
All other liabilities.....	246,191	237,685	174,365
Capital accounts.....	170,398	175,405	144,520
Other assets.....	746,462	750,437	708,547
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</b>	<b>9,098,039</b>	<b>8,786,894</b>	<b>8,507,900</b>

**CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS**

(In thousands of dollars)

Item	June 30, 1965	May 26, 1965	July 1, 1964
Total gold certificate reserves.....	384,093	337,580	512,291
Discounts for member banks.....	21,401	5,135	32,044
Other discounts and advances.....	638	812	0
U. S. Government securities.....	1,626,290	1,630,821	1,388,253
Total earning assets.....	1,648,329	1,636,768	1,420,297
Member bank reserve deposits.....	908,990	890,108	930,560
Federal Reserve notes in actual circulation.....	1,107,793	1,083,753	993,470

**RESERVE POSITIONS OF MEMBER BANKS**

**Eleventh Federal Reserve District**

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended June 2, 1965	4 weeks ended May 5, 1965	4 weeks ended June 3, 1964
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	606,063	614,774	584,211
With Federal Reserve Bank.....	562,714	570,825	544,115
Currency and coin.....	43,349	43,949	40,096
Required reserves.....	602,168	609,191	580,195
Excess reserves.....	3,895	5,583	4,016
Borrowings.....	34,735	21,691	14,004
Free reserves.....	-30,840	-16,108	-9,988
<b>COUNTRY BANKS</b>			
Total reserves held.....	578,400	583,540	554,681
With Federal Reserve Bank.....	441,947	445,969	429,811
Currency and coin.....	136,453	137,571	124,870
Required reserves.....	543,401	549,215	518,375
Excess reserves.....	34,999	34,325	36,306
Borrowings.....	3,348	1,385	7,900
Free reserves.....	31,651	32,940	28,406
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	1,184,463	1,198,314	1,138,892
With Federal Reserve Bank.....	1,004,661	1,016,794	973,926
Currency and coin.....	179,802	181,520	164,966
Required reserves.....	1,145,569	1,158,406	1,098,570
Excess reserves.....	38,894	39,908	40,322
Borrowings.....	38,083	23,076	21,904
Free reserves.....	811	16,832	18,418

**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: May.....	8,126	3,979	4,147	3,907	1,935	1,972
1964: May.....	8,249	3,938	4,311	4,524	2,235	2,289
December.....	8,852	4,213	4,639	4,713	2,288	2,425
1965: January... February... March... April... May.....	9,042 8,582 8,278 8,697 8,484	4,271 4,006 4,049 4,158 4,055	4,771 4,576 4,229 4,539 4,429	4,881 4,984 4,894 5,097 5,091	2,399 2,438 2,462 2,479 2,455	2,482 2,546 2,432 2,618 2,636

**CONDITION STATISTICS OF ALL MEMBER BANKS**

**Eleventh Federal Reserve District**

(In millions of dollars)

Item	May 26, 1965	Apr. 28, 1965	May 27, 1964
<b>ASSETS</b>			
Loans and discounts.....	7,937	7,940	7,192
U. S. Government obligations.....	2,473	2,541	2,564
Other securities.....	1,651	1,639	1,483
Reserves with Federal Reserve Bank.....	890	853	821
Cash in vault.....	202	207	183
Balances with banks in the United States.....	1,018	1,007	1,012
Balances with banks in foreign countries.....	5	6	4
Cash items in process of collection.....	747	804	677
Other assets.....	450	466	417
<b>TOTAL ASSETS<sup>a</sup>.....</b>	<b>15,373</b>	<b>15,463</b>	<b>14,353</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,158	1,207	1,152
Other demand deposits.....	7,353	7,393	7,065
Time deposits.....	5,076	5,123	4,553
Total deposits.....	13,587	13,723	12,770
Borrowings.....	243	204	224
Other liabilities.....	219	218	224
Total capital accounts.....	1,324	1,318	1,237
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS<sup>a</sup>.....</b>	<b>15,373</b>	<b>15,463</b>	<b>14,353</b>

<sup>a</sup> — 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 <sup>1</sup>					DEMAND DEPOSITS <sup>1</sup>		
	May 1965 (Annual-rate basis)	Percent change			May 31, 1965	Annual rate of turnover		
		April 1965	May 1964	5 months, 1965 from 1964		May 1965	April 1965	May 1964
ARIZONA: Tucson.....	\$ 3,635,712	-12	-8	1	\$ 159,751	22.8	25.8	24.1
LOUISIANA: Monroe.....	1,741,392	-3	24	24	75,148	23.6	25.8	21.0
Shreveport.....	4,744,104	2	6	6	196,417	24.2	23.6	22.9
NEW MEXICO: Roswell <sup>2</sup> .....	608,316	9	-6	-7	32,305	18.6	17.3	17.7
TEXAS: Abilene.....	1,674,708	-3	9	9	84,855	19.3	19.5	18.5
Amarillo.....	3,832,260	1	-4	7	135,265	28.0	27.7	29.1
Austin.....	3,683,772	-1	-1	5	182,783	20.8	21.5	21.2
Beaumont-Port Arthur.....	4,453,632	-6	11	10	200,573	22.5	23.6	20.4
Brownsville-Harlingen-San Benito.....	1,272,456	1	9	6	50,977	24.2	23.4	23.4
Corpus Christi.....	3,078,216	-10	13	9	137,542	22.0	21.6	21.6
Corsicana <sup>2</sup> .....	283,416	-6	2	13	25,827	11.0	11.6	10.6
Dallas.....	58,564,308	-1	18	23	1,545,805	37.9	38.2	32.8
El Paso.....	4,997,748	7	-3	4	194,815	25.6	23.9	23.2
Fort Worth.....	12,532,404	2	12	8	481,049	26.1	25.6	23.7
Galveston-Texas City.....	1,881,420	-5	1	3	87,901	22.2	22.8	20.9
Houston.....	52,102,572	0	1	10	1,732,991	29.5	29.2	31.8
Laredo.....	497,616	0	18	12	29,113	17.5	17.9	16.1
Lubbock.....	3,529,116	1	4	1	144,162	24.4	24.1	23.8
Midland.....	1,824,900	4	24	11	114,502	16.0	15.2	14.2
Odessa.....	1,108,560	5	10	7	57,241	18.8	17.9	16.9
San Angelo.....	797,736	1	10	5	51,794	15.3	15.2	14.7
San Antonio.....	10,285,356	2	12	11	484,086	21.8	21.6	20.5
Texarkana (Texas-Arkansas).....	894,444	3	0	-4	46,730	19.0	17.6	18.7
Tyler.....	1,424,448	2	10	11	80,454	17.7	17.3	17.1
Waco.....	1,831,056	-3	5	9	99,340	18.2	18.6	19.0
Wichita Falls.....	1,861,740	3	-2	4	112,313	16.5	16.0	16.6
Total—26 centers.....	\$183,141,408	-1	8	12	\$6,543,739	27.9	27.9	26.7

<sup>1</sup> Deposits of individuals, partnerships, and corporations and of states and political subdivisions.  
<sup>2</sup> County basis.

### INDEXES OF DEPARTMENT STORE SALES

Eleventh Federal Reserve District  
(Daily average sales, 1957-59 = 100)

Date	Seasonally adjusted	Unadjusted
1964: May.....	126	121
December.....	129	223
1965: January.....	131	102
February.....	125	91
March.....	119	102
April.....	129	127
May.....	126	121

### DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	May 1965 from		5 months, 1965 from 1964
	April 1965	May 1964	
Total Eleventh District.....	-5	0	3
Corpus Christi.....	-1	4	4
Dallas.....	-6	0	4
El Paso.....	-6	-2	2
Houston.....	-6	7	8
San Antonio.....	0	-1	2
Shreveport, La.....	-5	-5	0
Waco.....	-7	-5	-2
Other cities.....	-4	-2	0

### DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Percent change from				
	May 1965p	April 1965p	May 1964	April 1965	May 1964
ELEVENTH DISTRICT.....	3,171.5	3,254.6	3,163.5	-2.6	0.3
Texas.....	2,688.8	2,763.1	2,727.0	-2.7	-1.4
Gulf Coast.....	511.7	524.3	529.0	-2.4	-3.3
West Texas.....	1,199.5	1,228.3	1,221.7	-2.4	-1.8
East Texas (proper).....	108.3	111.2	122.7	-2.6	-11.7
Panhandle.....	100.9	103.2	106.4	-2.2	-5.2
Rest of State.....	768.4	796.0	747.2	-3.5	2.8
Southeastern New Mexico.....	306.6	309.9	279.9	-1.1	9.5
Northern Louisiana.....	176.1	181.7	156.6	-3.1	12.5
OUTSIDE ELEVENTH DISTRICT.....	4,557.1	4,598.0	4,444.1	-9	2.5
OUTSIDE STATES.....	7,728.6	7,852.6	7,607.6	-1.6	1.6

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	May 1965p	April 1965p	May 1964
CRUDE OIL RUNS TO REFINERY			
STILLS (Daily average).....	114	115	112
DEMAND (Daily average)			
Gasoline.....	119	118	121
Kerosene.....	315	253	217
Distillate fuel oil.....	117	124	115
Residual fuel oil.....	102	106	94
Four refined products.....	123	122	118
STOCKS (End of month)			
Gasoline.....	112	123	111
Kerosene.....	138	150	130
Distillate fuel oil.....	102	104	120
Residual fuel oil.....	74	70	80
Four refined products.....	105	111	111

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

### WINTER WHEAT

Area	ACREAGE (In thousands of acres)			PRODUCTION (In thousands of bushels)		
	For harvest	Harvested				
	Crop of 1965	Crop of 1964	Crops of 1959-63	Crop of 1965 <sup>1</sup>	Crop of 1964	Crops of 1959-63
Arizona.....	27	33	39	1,296	1,617	1,611
Louisiana.....	53	66	40	1,272	1,650	952
New Mexico.....	165	132	234	3,960	2,772	4,907
Oklahoma.....	4,831	4,201	4,229	135,268	96,623	93,838
Texas.....	3,138	3,017	3,111	69,036	61,848	61,041
Total.....	8,214	7,449	7,653	210,832	164,510	162,349

<sup>1</sup> Indicated June 1.

SOURCE: U. S. Department of Agriculture.

### VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	May 1965	April 1965	May 1964	January—May	
				1965	1964
<b>FIVE SOUTHWESTERN STATES<sup>1</sup></b>					
Residential building.....	504	477	468	2,254	2,105
Nonresidential building....	170	194	190	863	966
Nonbuilding construction...	250	148	101	814	579
	84	136	177	577	559
<b>UNITED STATES.....</b>					
Residential building.....	4,864	4,770	4,642	20,096	19,675
Nonresidential building....	2,074	2,139	2,051	8,643	8,828
Nonbuilding construction...	1,775	1,546	1,364	6,888	6,236
	1,015	1,086	1,227	4,565	4,611

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

NOTE: — Details may not add to totals because of rounding.  
SOURCE: F. W. Dodge Corporation.

### INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	May 1965p	April 1965	March 1965r	May 1964r
<b>TEXAS</b>				
Total industrial production.....	134.0	132.2	130.2	128.0
Manufacturing.....	155.4	154.6	154.2	144.7
Durable.....	152.6	150.2	151.1	139.0
Nondurable.....	157.5	157.7	156.4	148.8
Mining.....	106.0	102.9	98.7	106.1
<b>UNITED STATES</b>				
Total industrial production.....	141.3	140.8	140.5	131.3
Manufacturing.....	142.8	142.3	142.1	132.2
Durable.....	145.8	145.1	144.7	132.6
Nondurable.....	139.1	138.8	138.8	131.7
Mining.....	114.4	112.4	112.3	111.3
Utilities.....	160.0	160.0	159.7	148.3

p — Preliminary.

r — Revised.

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

### NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change May 1965 from	
	May 1965p	April 1965	May 1964r	April 1965	May 1964
Total nonagricultural wage and salary workers..	5,086,600	5,069,800	4,901,900	0.3	3.8
Manufacturing.....	891,900	887,500	861,400	.5	3.5
Nonmanufacturing.....	4,194,700	4,182,300	4,040,500	.3	3.8
Mining.....	235,800	235,400	232,100	.2	1.6
Construction.....	350,700	346,900	330,300	1.1	6.2
Transportation and public utilities.....	391,000	391,300	388,400	-.1	.7
Trade.....	1,210,100	1,208,300	1,162,300	.1	4.1
Finance.....	256,500	255,800	249,000	.3	3.0
Service.....	745,700	742,400	713,800	.4	4.5
Government.....	1,004,900	1,002,200	964,600	.3	4.2

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

### BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percent change from		
	May 1965	5 mos. 1965	May 1965	5 mos. 1965	May 1965		5 months, 1965 from 1964
					April 1965	May 1964	
<b>ARIZONA</b>							
Tucson.....	780	3,399	\$ 1,510	\$ 9,348	-9	-57	-37
<b>LOUISIANA</b>							
Shreveport....	324	1,555	1,777	7,463	40	-3	-13
<b>TEXAS</b>							
Abilene.....	77	401	906	5,825	-43	10	5
Amarillo.....	196	839	2,746	14,945	-7	-34	-28
Austin.....	319	1,552	4,759	21,183	17	-6	-32
Beaumont.....	316	1,356	1,438	9,409	-10	-32	25
Corpus Christi..	385	1,887	1,649	12,457	-48	-3	9
Dallas.....	2,433	10,088	17,745	80,009	-16	-3	-18
El Paso.....	453	2,147	5,050	26,746	-18	36	36
Fort Worth.....	642	3,129	3,838	20,516	-12	-48	-16
Galveston.....	137	487	532	2,089	17	48	-38
Houston.....	1,990	10,015	21,025	120,628	-19	4	-13
Lubbock.....	192	1,067	2,505	19,640	-53	42	-9
Midland.....	119	520	2,144	7,524	89	103	22
Odessa.....	194	768	921	4,864	-15	90	72
Port Arthur....	128	605	342	3,189	-81	27	20
San Antonio....	1,123	5,570	3,779	23,925	-42	-11	-14
Waco.....	259	1,112	2,459	9,933	99	187	31
Wichita Falls..	121	653	670	5,377	-56	22	21
Total—19 cities..	10,188	47,150	\$75,795	\$405,070	-18	-6	-11