

business review



march 1966

**FEDERAL RESERVE
BANK OF DALLAS**

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wheat turnaround

During the past 30 years, most of the countries in Asia, Africa, and Latin America have changed from being exporters of grain to importers. In fact, imports are presently more than double the quantity exported three decades ago. The problem of having enough food is not new, but the rapid growth of population in these areas of the world has changed the magnitude of this problem. In the developed countries, the highest population growth rate in the past 10 years was about 13 percent, while that in the underdeveloped world was 23 percent. The population rate in the developing countries is continuing to rise, and, as a result, the number of persons per 100 acres of agricultural land is over three times larger in such nations than in developed countries.

There are basically two ways of boosting the food supply in less-developed regions — expanding the area of cultivated land and increasing the yield per acre. Bringing more acreage under cultivation has been the major method employed to raise output in the past, but this option is fast diminishing in some countries. To increase the yield per acre will require more intensified cultivation of land presently in use. While the task of intensification can be accomplished, it must be supported through the greater use of fertilizers, pesticides, and machinery.

Improvements in yields are a definite possibility, as has been demonstrated in 12 countries in developing areas. In the period from 1948 to 1963, total crop output for these 12 nations increased 4 percent per year compounded. This rate was greater than that ever realized in developed countries in a comparable period of time. A multiplicity of factors influenced agricultural production potentials in the 12 countries, but their success in increasing output definitely enhances the possibility for improve-

ment in per capita production of food in other underdeveloped countries.

Many regions of the underdeveloped world traditionally have been rice consumers, but, through necessity, the gradual substitution of wheat is taking place. The developed countries of Europe, North America, Australia, and New Zealand have plentiful supplies of food, although only a small proportion is composed of rice. Much of the wheat exported originates in the breadbaskets of Canada and the United States.

In August 1961, the U.S. Department of Agriculture stated: "The public now has about \$3 billion invested in wheat. The estimated carryover is in the neighborhood of 1,400 million bushels." A supply of this size was more than sufficient to provide for domestic demands for one full year, as well as exports at about the same magnitude as in the previous year. In contrast to the large inventories in August 1961, U.S. stocks of wheat as of July 1, 1965, at about 819 million bushels, were at the lowest level in more than a decade; and all indicators point toward an even smaller carry-over by July 1, 1966 — the end of the present marketing year.

The major factors contributing to the reduction in inventories during the past few years have been larger exports and an increase in the volume of wheat used as feed in this country. Domestic consumption of wheat for food, seed, and industrial uses has been little changed. Foreign markets are especially important to American wheat farmers. Despite programs to limit production, over 15 percent of the world's annual supply of wheat is produced in the United States; yet, the Nation consumes less than one-half of its yearly output.

world wheat

supply conditions

World wheat production during the past decade increased from 7.8 billion bushels to slightly over 9.0 billion bushels, or 15 percent. However, world population grew from 2.7 billion to over 3.2 billion, or about 20 percent. Thus, the quantity of the grain per capita has slowly fallen. While wheat production in the Western Hemisphere and in Western Europe rose faster than population, the reverse was true in most of the rest of the world. Increases in the production of other food items have also failed to match world population growth; as a result, added pressure has been placed upon bread grain supplies, especially wheat.

The developing countries and countries with large populations, where per capita production of food has shown little improvement, continually face the need to improve food output. In such countries, economic growth has been dampened, since disproportionately large amounts of resources are devoted to basic food production. To the extent that relatively scarce foreign exchange has to be used for food imports needed for current consumption, funds cannot be channeled into, for example, irrigation and drainage projects, roads, and fertilizers, which would provide the basis for increased output in the short run, as well as for years to come. In many instances, increased production can only be accomplished through improved yields per acre, as little additional land is available or is especially suitable for expanding existing acreage.

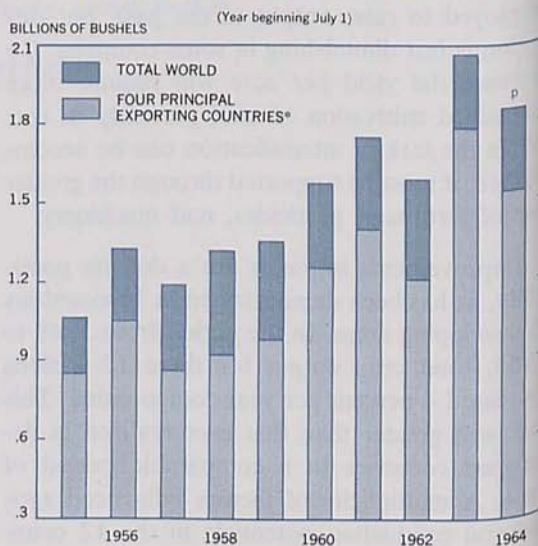
Because production has lagged behind population growth, there has been no accumulation of wheat or other food supplies except in countries where output advances have exceeded population increases. This fact has placed a majority of the world's peoples on a harvest-to-harvest basis, with little room for crop failure. During the past year, crop failures have devel-

oped in India and South Africa, and substantial reductions in wheat production have occurred in Russia and Red China. The major surplus-producing countries — the United States, Canada, Argentina, and Australia — have been able to supply the marginal needs of nations faced with crop failures; however, the total requirements have not been as great as those of the present time. The inadequacy of food grain supplies currently involves more areas of the world and considerably more of the world's population.

During the past decade, the principal exporting countries have been faced with a surplus wheat supply and have made major efforts to keep production in line with expected domestic disappearance plus anticipated exports. These efforts have taken the form of governmental programs designed to influence total production and sales prices. In the United States, such programs have been reasonably effective in slowing the rate of growth in output.

If the 1965-66 requirements for wheat are met, the world supply will be reduced substan-

TOTAL WHEAT AND FLOUR EXPORTS



* Argentina, Australia, Canada, and United States.
p—Preliminary.
SOURCE: U.S. Department of Agriculture.

tially, and the larger exporting countries are likely to end the marketing year with the lowest inventory of wheat in more than a decade. Practically all of the surplus wheat is located in free world countries. These countries will probably account for about 85 percent of the world trade in wheat and flour equivalent in 1965-66. The wheat crops just harvested in Australia and Argentina were smaller than in the previous year, but output in Canada and the United States was a near-record. The carry-over of these four countries is sizable — about 1.8 billion bushels — but agreements and commitments will reduce available supplies considerably before new crops are ready for harvest. For example, Canada has already sold 600 million bushels of wheat subject to delivery during the current marketing year, or 45 million bushels more than that country's carry-over on July 1, 1965.

exports

World trade in wheat and flour during the past 10 years has doubled, and current increases in population may make further growth a necessity. Total world trade in wheat a decade ago was about 1 billion bushels, and expectations are for over 2 billion bushels during the current season. The volume of free world trade will rise some during the 1965-66 marketing year, largely on the basis of the greater use of wheat in Japan and an urgent need for food grains in India. Because of their somewhat improved food situation, most of the other free world countries are not expected to increase their wheat imports.

Much of the increased vigor in exports will be derived from import demand by Communist countries. In the past, Russia has been a wheat exporter; yet, in the last few years, she has become a net importer of wheat. Red China has also experienced a decline in food grain production and will be a heavy wheat importer. Thus, among Communist countries, the trade patterns of 2 years ago are apparently being

repeated. Large-scale purchases by the Soviet Union and China, as well as some Eastern European countries, are again major influences in world wheat trade.

Imports by Communist countries reached 700 million bushels (19 million tons) in 1963-64. Improved harvests in these countries reduced their need for a high level of imports during 1964. The grain crops of 1965 were considerably reduced, however, and a large volume of grain imports is again needed. The previous record of 700 million bushels of wheat imported by Communist countries seems likely to be exceeded during this marketing season, since 600 million bushels of wheat had already been purchased by Soviet Russia and Red China by December 1, 1965.

u.s. wheat

The annual output of wheat in the United States was about 1 billion bushels in all but 1 of the past 10 years. Throughout this period, acreage controls were in effect in order to limit the size of the crop. In addition, special inducements, such as the Soil Bank program (initiated in 1956) and the present Cropland Adjustment Program, have been offered to encourage producers to reduce acreages of wheat below the minimum of 55 million acres provided in basic legislation. During the past decade, acreage harvested varied from a low of 43 million acres to a high of 53 million acres; in 1965, about 50 million acres of wheat were harvested in the United States. Although yields per acre have been erratic from year to year, their generally upward trend has offset some of the effects of acreage restrictions.

In the six marketing seasons prior to the year ended July 1, 1962, wheat production in the United States exceeded domestic use and exports. A large proportion of the mounting stocks of wheat during this period was acquired by the Commodity Credit Corporation in carrying out price-support programs. The carry-over of

wheat was 1 billion bushels or more during 6 of the past 10 marketing years. However, in 1962, stocks began to decline from their record level of 1.4 billion bushels; and by July 1, 1965, the carry-over of wheat had decreased to 819 million bushels — the smallest since 1953.

The changed wheat situation has been reflected in the ownership of wheat stocks. The free (privately owned) supply of wheat in the 1965-66 season is substantially larger than that of other recent years, totaling nearly 1,468 million bushels. This sharply larger amount of "free" wheat is due largely to changes in the price-support program. Effective July 1, 1964, the average national loan rate at which wheat prices were supported was lowered to \$1.30 per bushel for the 1964 crop and to \$1.25 for 1965. These levels compare with \$1.82 per bushel in 1963. The farmer received additional direct payments which brought the total support level to about \$2 per bushel in 1965, minimizing the impact of the lower support price on the income of wheat farmers. The lower price support has made wheat more competitive in world markets, as well as with other feed grains domestically. As a consequence of these changes and a tightening world supply, an increasing proportion of the wheat is being held in private marketing channels.

domestic disappearance

Domestic utilization of wheat for all purposes in the current season is likely to increase slightly and be the highest in over a decade. The U.S. Department of Agriculture places disappearance at an estimated 675 million bushels, up 28 million bushels from the 1964-65 season. A major part of the gain is expected to stem from a further advance in the volume of wheat fed to livestock. If the current rate of wheat feeding continues, as much as 100 million bushels would be used, or about 40 percent more than a year earlier. The use of wheat for animal feed is not new, but the magnitude of the step-up in the quantity fed is a rather recent develop-

ment. Until the 1964-65 season, the price differential between wheat and the traditional feed grains was too wide for wheat to be especially competitive with lower-priced alternative grains. Prices of wheat and feed grains have remained within the competitive range thus far this season.

The total volume of wheat to be used for human consumption in the United States during the current marketing year is placed at 510 million bushels—little different from a year earlier. A rather continuous decline in the per capita consumption of wheat has been largely offset by the increase in population. Consequently, total consumption of wheat for food has been relatively steady for many years. Wheat used for seed and for industrial purposes is a small part of all wheat utilized. Further, these uses for wheat do not change more than fractionally from year to year.

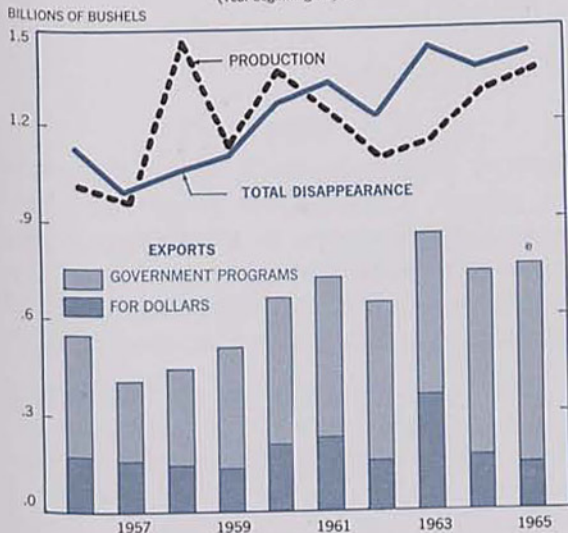
u.s. exports

As indicated earlier, improved export markets have contributed markedly to the changed wheat picture. U.S. exports of wheat and flour equivalent have shown an almost continuous increase during the past decade. During the current marketing season, exports are estimated to be as much as 46 percent larger than 10 years ago. A significant part of this increase in volume has resulted from Food for Peace shipments under Public Law 480. Since the passage of Public Law 480 in 1954, a total of about 4.5 billion bushels of wheat and flour (grain equivalent) has been shipped under various provisions of the legislation. A majority of the shipments have been made under the Title I program, in which commodities are sold for foreign currencies. The second largest volume has been exported under Title III as donations and barter; India has been, and continues to be, a major recipient of such shipments.

It remains to be seen, in the light of the reduction in carry-over stocks and the world food

U.S. WHEAT DISAPPEARANCE

(Year beginning July 1)



^e—Partly estimated.
 SOURCES: U.S. Department of Agriculture,
 Federal Reserve Bank of Dallas.

situation, whether there will be any change in existing programs with respect to the output of wheat in surplus-producing countries. For example, in the United States, stocks at the end of the current season may be close to the minimum level regarded by some individuals as being prudent. If adjustments in wheat programs are made, the earliest possibility for an improvement in supply would be during the 1966-67 marketing year. Despite the efforts they may make, the free-world exporting coun-

tries alone cannot fulfill the requirements indefinitely. In view of the projected world population gains, the increased food production needed for acceptable diets in India, Latin America, Africa, and other Asian countries may be met only through improvements in agricultural production in these countries, as well as others.

Greater emphasis must be placed upon increasing the efficiency of agricultural production in the developing countries. The supporting industries — such as those engaged in processing and distribution — and port facilities must receive attention. Any barriers to the movement of food must be seriously evaluated, since part of the problem of food shortages originates from the inability to distribute food among, and within, nations.

The continual growth in world population is destined to be a major concern of all countries if even the present generally low-calorie diet levels are to be maintained. There seems to be little doubt that, for the most populous nations, the near future will show a narrow margin between minimum food supplies and population. In the current marketing year, however, the supply of wheat appears to be adequate to meet world demand.

J. C. GRADY, JR.
 Agricultural Economist

recent refinery construction

The Nation's refiners budgeted significantly higher outlays for new plants and equipment in 1965 than in any of the previous 6 years, and the prospects are favorable for an additional gain in 1966. A number of forces have converged upon the processors of liquid hydrocarbons to encourage increased capital spending. On the demand side, excess crude oil throughput capacity, which was a bane to the refining industry during the late fifties and early sixties, has been reduced by the strong growth of petroleum product consumption during recent years. In addition, the demand for petroleum products has continued to change in favor of the lighter hydrocarbons which are sold in transportation markets and are inputs to the manufacture of petrochemicals. On the supply side, refiners are under strong pressure to reduce unit costs through modernization, a modernization achieved by investing in larger, more flexible processing units that embody the latest technological advances.

The last spate of refinery construction occurred in the 1955-58 period, when crude oil distillation capacity was increased one-sixth to 9.8 million barrels per day and gasoline output potential from cracking and reforming units was boosted 39 percent to 3.5 million barrels daily.¹ This rash of refinery expansions left the

¹ The principal refining processes are of two main types. One type is fractional distillation, in which hydrocarbon molecules (that is, molecules composed of carbon and hydrogen atoms) are separated into groups according to boiling points. As a rule, no attempt is made in the distillation process to change the molecular structure of the hydrocarbons in the feedstock. The second type of process, however, involves chemical reactions in which the hydrocarbon molecules are rearranged to form other hydrocarbons. Catalytic cracking, hydrocracking, and catalytic reforming are processes of the second type.

industry seriously overbuilt. The strong growth of product demand which refiners had been experiencing and were anticipating when they made their investment decisions did not materialize after 1956. The peak investment based upon these expectations was reached in 1957.

The pace of refinery construction tapered rather noticeably after 1958, while the petroleum industry waited for the volume of oil consumption to climb upward to levels anticipated earlier. This matching of volumes (expected and realized) did not begin to develop until 1963, when the rate of crude oil processing in the Nation averaged 87 percent of refinery capacity — a major improvement over the plant utilization rate of 82 percent experienced in 1961. In this latter year, crude oil distillation capacity declined fractionally, and only a relatively small increment was added to gasoline capacity.

By 1963, the Nation's refiners had weathered the worst of the excesses generated by over-expansion in the 1955-58 period. Thus, refiners were in a position to consider the future growth trends of product consumption and the adjustments needed in plant and equipment to meet the emerging pattern of market demands.

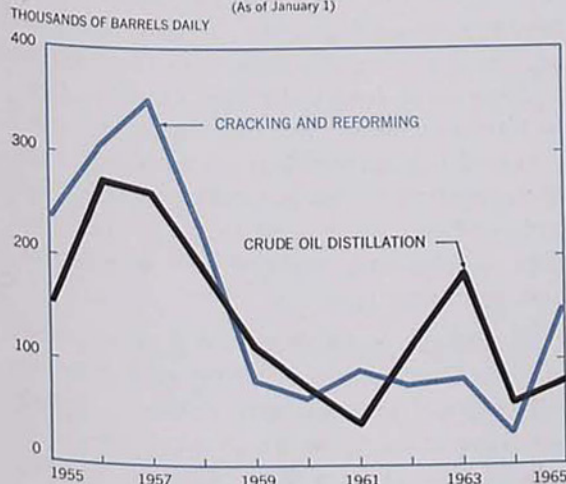
The pattern of petroleum product usage evident from developments subsequent to 1958 indicated to refiners that the higher-valued products, consisting mainly of the lighter hydrocarbons, were the ones with the greatest growth potential, as the heavier hydrocarbons in the form of commercial and industrial fuel oils continued to meet with stiff competition from natural gas in space heating markets. Although the challenge to the heating oils by natural gas

dates from the late forties, when a web of interstate gas pipelines was extended from the major producing states of the Southwest to much of the rest of the Nation, the effects of this competition were most keenly felt by the refining industry after 1956.

In the 1946-56 period, both crude petroleum and natural gas consumption advanced quite rapidly. The pronounced growth exhibited by these two mineral energy sources reflected the strong expansion of the Nation's economy in the postwar decade and a concomitant rise in the primary energy requirements of the increasingly complex, interdependently industrialized and urbanized society. Moreover, natural gas and crude petroleum moved into markets previously dominated by coal, with the result that coal consumption declined both relatively and absolutely.

CAPACITY OF REFINERY FACILITIES UNDER CONSTRUCTION

UNITED STATES
(As of January 1)



SOURCE: U.S. Bureau of Mines.

As long as the demands for both crude petroleum and natural gas were growing at strong annual rates, the competitive accommodation of the two major energy sources was relatively painless. From the standpoint of the processors

of crude oil, the inroads made during the postwar decade by natural gas in space heating markets were largely experienced in the form of a restrained rate of expansion in fuel oil demand, which was more than compensated for by a marked uptrend in gasoline and light distillate usage in transportation markets.

Refiners were under almost continual pressure to expand production facilities during the 1946-56 period to meet the rapidly growing overall demand for petroleum. In consequence, they readily adapted to the varying rates of growth between the major oil products by installing catalytic cracking and reforming units to shift the yield pattern from a barrel of crude oil toward the lighter hydrocarbons (such as gasoline) and away from the comparatively heavy hydrocarbons (such as residual fuel oil) which competed directly with natural gas in commercial and industrial energy markets.

When the rate of growth of liquid hydrocarbon consumption in the Nation declined markedly after 1956 from the 5.7-percent annual pace experienced in the postwar decade, the oil industry, in general, and the petroleum refiners, in particular, became more concerned with the interfuel conflict in the important commercial space heating market and the industrial fuel oil market. This concern was heightened by volumetric losses for some liquid fuels and pricing problems for most petroleum products. The favorable spread between crude oil costs and sales prices of refined products narrowed, and refiners' profits were squeezed.

The producers of refined products responded to the new set of challenges in various ways, not the least of which was an increased trend toward vertical integration. Since profit margins at refineries became rather modest at times, the possibility of taking profits at more stages in the overall process of moving petroleum from underground reservoirs into consumers' tanks became more attractive. Diversification into petrochemical and fertilizer manufacturing was

also undertaken. In addition, some refiners expanded their marketing territories. New refined products were introduced, including new grades of gasoline, such as subregulars and superpremiums.

Another feature of the adjustment process on the part of refiners after 1958 was the reduction of outlays for new refinery facilities. Capital spending in the 1959-64 period averaged slightly less than half the \$877 million level experienced in 1957, the peak year for investment by domestic refiners. Furthermore, spending for new refining facilities was directed primarily toward upgrading products and reducing unit costs, particularly labor costs, rather than increasing total throughput capacity.

To improve the quality of the hydrocarbon inputs to catalytic cracking units, refiners significantly increased their capacity for treating feedstocks with hydrogen to remove such impurities as sulfur, nitrogen, and oxygen. New catalysts were developed and utilized to improve efficiency at gasoline cracking and re-

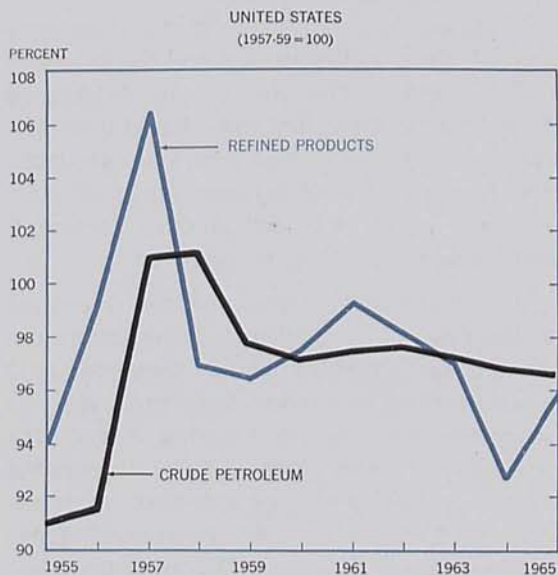
forming plants. Coking units were added to reduce heavy fuel oil production and increase the share of gasoline obtained from a barrel of crude oil. Refiners experimented with computers to achieve more efficient control of the complex flow of liquids and gases within and among the various processing units.

When the growth of demand for petroleum products perked up after 1962, the stage was set for an increase in the pace of refinery investment. Whereas the demand for all oils in the United States, including exports, advanced at the average annual rate of 5.7 percent in the immediate postwar decade, the growth of demand averaged only 2.0 percent in the 1957-62 period. In 1963, however, liquid hydrocarbon consumption in the Nation rose 3.5 percent, followed by gains of 3.0 percent and 4.1 percent, respectively, in 1964 and 1965.

Importantly, the petroleum products which, through their increased usage, accounted for much of the improvement in oil demand were the ones sold in transportation markets. These products included gasoline, jet fuel, and diesel oil. Sizable advances were also recorded for petrochemical feedstocks (for example, liquefied refinery gases and naphtha). The products sold in transportation markets and to petrochemical plants are generally classed as light hydrocarbons, in contrast to the heavier fractions—lubricants, residual fuel oil, asphalt, and petroleum coke.

In response to the improved demand picture and the clear pattern of strong growth for the lighter liquid hydrocarbons, refiners—including those in the Eleventh District states—increased their investment commitments in 1965. That such an advance was in prospect became evident in 1964, when consulting firms which specialize in refinery design and construction sharply accelerated their hiring of engineers and technicians to meet a growing backlog of orders. A survey of refinery construction plans in early 1965 by *The Oil and Gas Journal* re-

WHOLESALE PETROLEUM PRICES



SOURCE: U.S. Department of Labor.

vealed a number of major refinery construction programs which were scheduled to be started last year and completed either in the current year or in 1967.

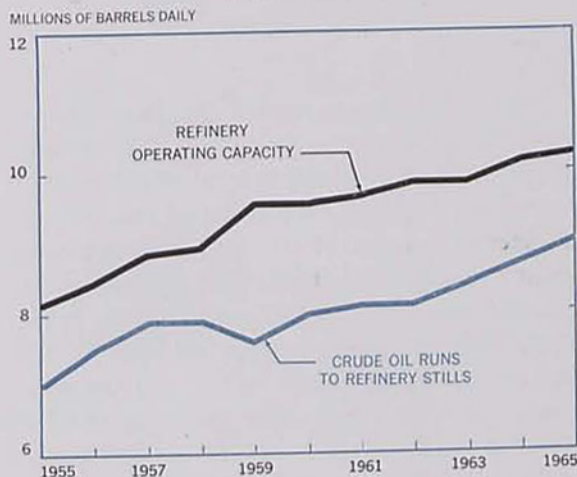
The enlargement of capital spending by refiners on new plants and equipment is continuing to emphasize modernization and cost reduction, instead of increased throughput capacity. The modernization, however, is progressively taking the form of replacing a number of relatively small processing units, mainly those which had been installed piecemeal after World War II, with single large plants that are highly automated and require less maintenance.

Moreover, most major refinery expansions currently in progress involve the addition of hydrocracking capacity to be used, in conjunction with catalytic crackers and reformers, to achieve a better matching of product output and consumption. This better matching lessens storage costs and reduces the production of the lower-priced hydrocarbon fractions, among which are gas oil and residual fuel oil. Hydrocracking is an effective tool for maximizing the output of the light hydrocarbons, the products experiencing the strongest demand growth.

Although a new wave of refinery construction is apparently in progress, the threat of overbuilding, such as occurred in the 1955-58 period, seems largely absent. Refiners are respond-

REFINERY OPERATIONS

UNITED STATES



SOURCE: U.S. Bureau of Mines.

ing to the challenges of the marketplace by reducing costs, improving their products, and increasing the yield per barrel of crude oil of the more desired liquid hydrocarbons. It is modernization which continues to be the goal of the refiner, rather than larger overall throughput capacity. If petroleum product usage continues to climb at recent rates of growth, however, the need for larger throughput capacity at refineries may also become a spur to capital spending.

WELDON C. NEILL
General Economist

**new
member
bank**

The Lumbermen's National Bank of Houston, Houston, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business February 22, 1966, as a member of the Federal Reserve System. The new member bank has capital of \$350,000, surplus of \$250,000, and undivided profits of \$150,000. The officers are: Arthur Temple, Jr., Chairman of the Board; L. H. Goodman, Jr., President; James H. Greer, Vice President; Robert McCown, Assistant Vice President; Ruth Benner, Cashier; and Norma C. Bidwell, Assistant Cashier.

district highlights

After seasonal adjustment, the Texas industrial production index advanced 0.6 percent during January to reach a level of 142.0 percent of the 1957-59 base. Most of the strength of this advance originated in the mining category of the index, with crude oil production increasing over 2 percent during the month. In the manufacturing sector, output declines in the primary metal, fabricated metal, and transportation equipment industries held the durable goods segment of the index about unchanged. In the nondurable goods segment, a strong rise in chemical production was offset by a decline in petroleum refining.

The Texas industrial production index registered a year-to-year gain of 9.7 percent in January. This advance reflected broadly based gains in both manufacturing and mining.

Nonagricultural wage and salary employment in the five southwestern states, as usual, registered a January downturn. The 1.4-percent downturn in employment reflects a particularly strong seasonal decline in the trade category. Seasonal employment weaknesses were also evidenced in all of the other nonmanufacturing categories except finance and government. However, manufacturing employment, which normally moves downward in January, rose fractionally.

Nonagricultural payroll employment in the region showed a 4.9-percent advance over January 1965 — one of the most impressive year-to-year gains experienced by employment during the current business expansion. The manufacturing sector posted an increase of 6.9 percent, while the nonmanufacturing industries registered a gain of 4.5 percent.

New passenger car registrations in four major Texas markets in January dipped 16 percent below the all-time December high but were little

different from January last year. Registrations in January 1965 were exceptionally high because of the poststrike sales of a major automobile producer. Compared with a year earlier, Houston and San Antonio registrations showed gains of 9 percent and 4 percent, respectively; however, registrations declined 10 percent in Dallas and 2 percent in Fort Worth.

The January 1, 1966, inventory of all cattle and calves on farms and ranches in the District states shows increases in New Mexico, Oklahoma, and Texas but decreases in Arizona and Louisiana. The number of beef cattle was 3 percent above a year ago, but a 6-percent decline in the milk cow population continues a long-term trend. Sheep numbers advanced 7 percent in the District, with all the states except Louisiana reporting a larger inventory than a year earlier; this gain represents a reversal of a downward trend. The hog and pig population was 6 percent larger than on January 1, 1965, and numbers of chickens and turkeys increased 1 percent and 51 percent, respectively.

Daily average crude oil production in the District rose an estimated 0.8 percent during February and was 5.1 percent above a year ago. All of the increase over January occurred in Texas and southeastern New Mexico, since the flow of oil from wells in northern Louisiana was unchanged. Demand for crude oil of southwestern origin remained strong throughout February; this strength was reflected in price restorations in the range of 5 cents to 10 cents per barrel at several fields in Texas during the month. At mid-February, stocks of crude oil in the District were down 2.3 percent from a year earlier, while inventories in the Nation were 3.8 percent lower. The crude oil allowables in March for Texas and southeastern New Mexico are moderately higher than last month.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

March 1966



**FEDERAL RESERVE BANK
OF DALLAS**

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 23, 1966	Jan. 26, 1966	Feb. 24, 1965
ASSETS			
Net loans.....	4,875,410	4,802,435	4,528,818
Valuation reserves.....	89,061	89,864	82,026
Gross loans.....	4,964,471	4,892,299	4,610,844
Commercial and industrial loans.....	2,258,692	2,237,359	2,156,015
Agricultural loans.....	70,644	64,506	60,835
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	140	2	20,303
Other securities.....	50,337	50,043	39,036
Other loans for purchasing or carrying:			
U.S. Government securities.....	2,771	2,875	2,396
Other securities.....	312,384	309,084	282,280
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	146,995	130,576	119,858
Other.....	263,136	276,696	259,840
Loans to domestic commercial banks.....	186,592	151,597	106,328
Loans to foreign banks.....	5,100	3,918	6,431
Real estate loans.....	449,291	445,690	378,234
Other loans.....	1,218,389	1,219,953	1,179,288
Total investments.....	2,187,482	2,271,815	2,098,795
Total U.S. Government securities.....	1,187,833	1,289,511	1,327,570
Treasury bills.....	65,153	112,393	109,553
Treasury certificates of indebtedness.....	21,929	41,623	0
Treasury notes and bonds maturing:			
Within 1 year.....	136,712	195,003	180,323
1 to 5 years.....	605,955	581,606	608,678
After 5 years.....	358,084	358,886	429,016
Other securities.....	999,649	982,304	771,225
Cash items in process of collection.....	689,044	777,544	594,623
Balances with banks in the United States.....	448,677	442,913	451,503
Balances with banks in foreign countries.....	3,870	3,746	3,193
Currency and coin.....	69,576	70,895	65,776
Reserves with Federal Reserve Bank.....	411,295	552,144	539,345
Other assets.....	304,580	328,934	282,385
TOTAL ASSETS.....	8,989,934	9,250,426	8,564,438
LIABILITIES AND CAPITAL ACCOUNTS			
Total deposits.....	7,714,361	8,052,059	7,517,231
Total demand deposits.....	4,564,475	4,864,814	4,644,121
Individuals, partnerships, and corporations.....	3,192,990	3,376,221	3,152,292
Foreign governments and official institutions, central banks, and international institutions.....	2,343	2,815	5,747
U.S. Government.....	110,379	152,635	146,902
States and political subdivisions.....	233,640	242,802	282,104
Banks in the United States, including mutual savings banks.....	949,318	1,008,127	966,102
Banks in foreign countries.....	17,586	20,233	25,518
Certified and officers' checks, etc.....	58,219	61,981	65,456
Total time and savings deposits.....	3,149,886	3,187,245	2,873,110
Individuals, partnerships, and corporations:			
Savings deposits.....	1,310,104	1,307,987	1,256,512
Other time deposits.....	1,303,950	1,300,787	1,207,789
Foreign governments and official institutions, central banks, and international institutions.....	1,300	1,300	500
U.S. Government, including postal savings.....	3,344	3,519	3,594
States and political subdivisions.....	516,820	560,853	393,625
Banks in the United States, including mutual savings banks.....	12,828	11,259	8,790
Banks in foreign countries.....	1,540	1,540	2,300
Bills payable, rediscounts, etc.....	320,384	228,488	168,680
All other liabilities.....	151,045	165,987	150,351
Capital accounts.....	804,144	803,892	728,176
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	8,989,934	9,250,426	8,564,438

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 23, 1966	Jan. 26, 1966	Feb. 24, 1965
Total gold certificate reserves.....	423,045	418,000	546,321
Discounts for member banks.....	25,509	13,646	1,645
Other discounts and advances.....	1,160	1,160	2,610
U.S. Government securities.....	1,454,571	1,648,153	1,446,760
Total earning assets.....	1,481,240	1,662,959	1,451,015
Member bank reserve deposits.....	823,537	972,656	933,288
Federal Reserve notes in actual circulation.....	1,176,697	1,177,134	1,069,106

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Feb. 2, 1966	5 weeks ended Jan. 5, 1966	4 weeks ended Feb. 3, 1965
RESERVE CITY BANKS			
Total reserves held.....	623,980	623,833	614,626
With Federal Reserve Bank.....	576,720	575,451	571,122
Currency and coin.....	47,260	48,382	43,504
Required reserves.....	620,217	618,325	609,822
Excess reserves.....	3,763	5,508	4,804
Borrowings.....	357	11,170	7,929
Free reserves.....	3,406	-5,662	-3,125
COUNTRY BANKS			
Total reserves held.....	634,723	617,597	600,778
With Federal Reserve Bank.....	481,507	470,403	460,320
Currency and coin.....	153,216	147,194	140,458
Required reserves.....	596,353	585,116	556,674
Excess reserves.....	38,370	32,481	44,104
Borrowings.....	2,040	2,667	266
Free reserves.....	36,330	29,814	43,838
ALL MEMBER BANKS			
Total reserves held.....	1,258,703	1,241,430	1,215,404
With Federal Reserve Bank.....	1,058,227	1,045,854	1,031,442
Currency and coin.....	200,476	195,576	183,962
Required reserves.....	1,216,570	1,203,441	1,166,496
Excess reserves.....	42,133	37,989	48,908
Borrowings.....	2,397	13,837	8,195
Free reserves.....	39,736	24,152	40,713

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
1964: January.....	8,744	4,120	4,624	4,321	2,141	2,180
1965: January.....	9,042	4,271	4,771	4,881	2,399	2,482
August.....	8,538	4,030	4,508	5,319	2,615	2,704
September.....	8,705	4,119	4,586	5,347	2,616	2,731
October.....	8,814	4,145	4,669	5,402	2,636	2,766
November.....	8,867	4,120	4,747	5,463	2,647	2,816
December.....	9,077	4,241	4,836	5,451	2,610	2,841
1966: January.....	9,147	4,235	4,912	5,577	2,700	2,877

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 26, 1966	Dec. 29, 1965	Jan. 27, 1965
ASSETS			
Loans and discounts.....	8,336	8,445	7,654
U.S. Government obligations.....	2,557	2,461	2,651
Other securities.....	1,946	1,964	1,566
Reserves with Federal Reserve Bank.....	973	983	976
Cash in vault.....	216	229	199
Balances with banks in the United States.....	1,078	1,147	1,064
Balances with banks in foreign countries.....	6	6	6
Cash items in process of collection.....	868	947	725
Other assets.....	515	484	464
TOTAL ASSETS.....	16,495	16,666	15,305
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,281	1,394	1,276
Other demand deposits.....	7,747	7,783	7,421
Time deposits.....	5,612	5,487	4,927
Total deposits.....	14,640	14,664	13,624
Borrowings.....	229	342	197
Other liabilities.....	237	262	207
Total capital accounts.....	1,389	1,398	1,277
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	16,495	16,666	15,305

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			
	January 1966 (Annual-rate basis)	Percent change from		Annual rate of turnover			
		Dec. 1965	Jan. 1965	Jan. 31, 1966	Jan. 1966	Dec. 1965	Jan. 1965r
ARIZONA							
Tucson.....	\$ 3,669,840	1	-4	\$ 157,503	23.7	23.6	24.0
LOUISIANA							
Monroe.....	1,852,356	-4	8	81,290	23.4	25.1	24.1
Shreveport.....	4,804,308	-9	6	212,500	23.0	26.0	22.8
NEW MEXICO							
Roswell ²	690,492	5	13	35,420	19.7	19.2	18.4
TEXAS							
Abilene.....	1,867,872	-1	4	92,782	20.3	20.4	19.6
Amarillo.....	4,209,372	-5	6	137,745	30.7	31.7	29.1
Austin.....	4,229,568	6	18	190,202	23.2	23.4	20.2
Beaumont-Port Arthur..	5,003,028	0	12	205,243	24.4	24.5	22.8
Brownsville-Harlingen- San Benito.....	1,550,256	-3	17	60,141	25.2	26.6	25.0
Corpus Christi ³	3,572,976	-2	12	175,010	20.2	20.3r	21.3
Corsicana ²	325,020	1	11	28,735	11.6	11.8	10.5
Dallas.....	58,766,928	6	17	1,617,136	36.5	34.7	32.7
El Paso.....	4,491,324	-10	-3	203,635	23.0	24.9	23.3
Fort Worth.....	13,220,400	-2	12	505,471	26.4	26.9	24.8
Galveston-Texas City..	1,900,296	0	5	88,458	21.2	21.1	20.2
Houston ⁴	59,376,348	5	11	1,927,021	30.9	29.5r	30.3
Laredo.....	545,544	5	15	29,173	18.6	18.0	16.6
Lubbock.....	4,185,420	21	8	148,003	28.9	24.2	27.0
Midland.....	1,635,816	3	-9	115,907	14.4	14.4	15.2
Odessa.....	1,213,500	3	21	63,354	19.3	18.4	17.5
San Angelo.....	922,944	-2	18	55,867	16.5	16.9	15.4
San Antonio.....	11,412,708	-1	14	498,954	23.3	24.0	21.2
Texarkana (Texas- Arkansas).....	1,066,200	4	13	54,816	19.8	19.9	19.2
Tyler.....	1,579,776	-2	6	84,784	19.4	20.4	18.7
Waco.....	2,057,772	2	12	100,954	20.2	19.3	18.9
Wichita Falls.....	2,259,588	7	22	115,798	19.2	17.8	15.7
Total—26 centers.....	\$196,409,652	3	12	\$6,985,902	28.3	27.7	26.6

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
² County basis.
³ Revised (1965) SMSA boundaries.
⁴ Revised.
r — Revised.

INDEXES OF DEPARTMENT STORE SALES

Eleventh Federal Reserve District

(Daily average sales, 1957-59 = 100)

Date	Seasonally adjusted	Unadjusted
1965: January.....	131	102
August.....	128	129
September.....	134	128
October.....	123	126
November.....	127	146
December.....	135	234
1966: January.....	137	107

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	January 1966 from	
	December 1965	January 1965
Total Eleventh District.....	-56	5
Corpus Christi.....	-59	11
Dallas.....	-57	9
El Paso.....	-60	6
Houston.....	-55	9
San Antonio.....	-52	5
Shreveport, La.....	-53	-4
Waco.....	-59	-11
Other cities.....	-58	1

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	January 1966p	December 1965	November 1965r	January 1965r
TEXAS				
Total industrial production.....	142.0	141.2	137.8	129.4
Manufacturing.....	167.9	167.7	161.9	150.8
Durable.....	170.7	171.0	158.8	149.2
Nondurable.....	165.8	165.4	164.1	151.9
Mining.....	108.1	106.4	106.1	101.3
UNITED STATES				
Total industrial production.....	149.9	148.5	146.4	138.6
Manufacturing.....	152.0	150.5	148.3	140.2
Durable.....	157.1	154.9	151.5	142.0
Nondurable.....	145.7	145.1	144.2	137.9
Mining.....	117.7	116.9	115.5	111.8
Utilities.....	165.0	165.0	165.1	154.9

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 Jan. 1966 from	
	January 1966p	December 1965	January 1965r	Dec. 1965	Jan. 1965
Total nonagricultural					
wage and salary workers..	5,221,200	5,297,400	4,976,900	-1.4	4.9
Manufacturing.....	940,200	939,600	879,600	.1	6.9
Nonmanufacturing.....	4,281,000	4,357,800	4,097,300	-1.8	4.5
Mining.....	233,500	234,300	231,700	-4	.8
Construction.....	345,100	348,600	332,000	-1.0	3.9
Transportation and public utilities.....	409,900	414,100	375,100	-1.0	9.3
Trade.....	1,229,100	1,297,200	1,188,700	-5.3	3.4
Finance.....	262,200	261,500	252,200	.3	4.0
Service.....	736,900	760,200	722,800	-4	4.7
Government.....	1,044,300	1,041,900	994,800	.2	5.0

¹ 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 January 1966 from			
	January 1966	January 1966	December 1965	January 1965
ARIZONA				
Tucson.....	508	\$ 1,497	48	40
LOUISIANA				
Shreveport.....	259	1,223	-13	-31
TEXAS				
Abilene.....	47	460	-20	-36
Amarillo.....	113	985	-55	-75
Austin.....	308	6,582	35	75
Beaumont.....	148	617	-56	-79
Corpus Christi.....	297	2,343	-36	13
Dallas.....	1,609	16,848	15	56
El Paso.....	353	5,439	5	-26
Fort Worth.....	485	3,124	-14	-32
Galveston.....	55	415	-43	19
Houston.....	1,703	28,567	-34	50
Lubbock.....	178	3,937	-39	37
Midland.....	103	3,937	606	56
Odessa.....	92	723	47	30
Port Arthur.....	57	204	5	-36
San Antonio.....	961	4,815	-9	28
Waco.....	191	1,687	-59	-11
Wichita Falls.....	84	399	-25	-76
Total—19 cities.....	7,551	\$83,802	-16	16

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	January 1966	December 1965	January 1965
FIVE SOUTHWESTERN STATES¹	352	444	453
Residential building.....	158	150	164
Nonresidential building.....	90	192	187
Nonbuilding construction.....	105	102	102
UNITED STATES	3,374	3,698	3,131r
Residential building.....	1,290	1,446	1,275r
Nonresidential building.....	1,177	1,433	1,156r
Nonbuilding construction.....	906	819	700

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
r — Revised.

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

SOURCE: F. W. Dodge Corporation.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

(In thousands)

Species	Texas		Five southwestern states ¹		United States	
	1966	1965	1966	1965	1966	1965
Cattle.....	10,546	10,239	18,925	18,565	106,557	107,184
Milk cattle..	723	781	1,529	1,632	25,161	26,701
Beef cattle..	9,823	9,458	17,396	16,933	81,396	80,483
Sheep.....	5,154	4,790	7,040	6,601	26,452	26,590
Stock sheep.	5,035	4,662	6,696	6,311	23,117	23,299
Feeders....	119	128	344	290	3,335	3,291
Hogs.....	752	702	1,293	1,215	51,230	53,132
Chickens ²	15,610	15,459	24,325	24,188	371,439	375,424
Turkeys.....	652	392	749	496	6,986	6,421

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

² Does not include commercial broilers.

SOURCE: U.S. Department of Agriculture.

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	1965	1964	Percent increase
Arizona.....	\$ 460,500	\$ 446,243	3
Louisiana.....	477,390	468,662	2
New Mexico.....	265,089	244,025	9
Oklahoma.....	716,710	624,075	15
Texas.....	2,552,938	2,304,411	11
Total.....	\$ 4,472,627	\$ 4,087,416	9
United States.....	\$38,929,601	\$36,898,562	6

SOURCE: U.S. Department of Agriculture.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	January 1966p	December 1965p	January 1965	Percent change from	
				December 1965	January 1965
ELEVENTH DISTRICT	3,445.0	3,356.9	3,219.2	2.6	7.0
Texas.....	2,959.3	2,886.5	2,761.3	2.5	7.2
Gulf Coast.....	540.5	533.5	515.8	1.3	4.8
West Texas.....	1,366.1	1,326.8	1,265.8	3.0	7.9
East Texas (proper)....	123.1	120.8	112.2	1.9	9.7
Panhandle.....	99.3	98.1	99.9	1.2	-6
Rest of State.....	830.3	807.3	767.6	2.8	8.2
Southeastern New Mexico..	306.6	289.9	301.7	5.8	1.6
Northern Louisiana.....	179.1	180.5	156.2	-8	14.7
OUTSIDE ELEVENTH DISTRICT	4,791.7	4,752.2	4,553.3	.8	5.2
UNITED STATES	8,236.7	8,109.1	7,772.5	1.6	6.0

p — Preliminary.

SOURCES: American Petroleum Institute.

U.S. Bureau of Mines.

Federal Reserve Bank of Dallas.