

# *business review*



*july 1966*

**FEDERAL RESERVE  
BANK OF DALLAS**

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## carbon black

The carbon black industry in the United States had a record year in 1965, as production and sales of the industrial intermediate material advanced strongly. Domestic deliveries of carbon black posted a particularly sharp increase, while shipments abroad declined noticeably. The major trends which had characterized the industry for over a decade remained in evidence during 1965. The rubber industry continued to purchase the bulk of the Nation's output of the carbon product, although consumption by a number of other users also rose. Carbon black production remains highly concentrated in Texas and Louisiana, with the latter State progressively increasing its proportion of total domestic output.

Within the industry itself, the number of plants producing carbon black in the United States decreased further in 1965, but capacity expanded. The additions to the capacity of plants which consume fuel oil as a raw material outweighed capacity losses caused by the closing of several installations which burned natural gas.

Carbon black consists of extremely small particles of almost pure carbon and is unique in its properties of fineness, lightness of weight, ease of mixing with oil, intensity of color, and freedom from grit. These properties make the material especially desirable for inclusion in a variety of consumer goods. It is used as a reinforcing agent in many rubber products, particularly tires, to increase resistance to wear from abrasion. A typical formula for compounding rubber for tire treads calls for slightly more than one-fourth carbon black by weight.

The material's remarkable covering power and jet-black color encourage its use in inks and paints. One pound of black suitably mixed with quick-drying oils and other chemicals pro-

duces enough ink to print approximately 1,000 copies of a 36-page newspaper. Carbon black is also used in the manufacture of such diverse items as shoe polish, phonograph records, black leather, carbon paper, typewriter ribbons, ceramic colors, and plastic products.

Domestic sales of carbon black last year totaled 2.1 billion pounds, or 8.4 percent higher than a year earlier. The rubber industry accounted for about 94 percent of U.S. consumption, while the ink industry, the second largest taker, purchased slightly less than 3 percent. These proportions constitute a reversal of historic roles by the rubber and ink producers. When the carbon black industry was first launched in 1864, the ink trade was the sole market for the material. After 1915, when carbon black was first compounded with rubber as a reinforcing agent, manufacturers of rubber products became progressively more important in the sales picture. Since the early twenties, the rubber industry has consumed one-half or more of the volume sold domestically.

Use by the rubber industry has been a major determinant of the strong growth of carbon

### CARBON BLACK CONSUMPTION, 1965

United States  
(In thousands of pounds)

Product group	Quantity used	Percent of total
Rubber .....	1,945,459	93.9
Ink .....	54,333	2.6
Plastics .....	20,183	1.0
Paint .....	10,896	.5
Miscellaneous .....	41,629	2.0
Total .....	2,072,500	100.0

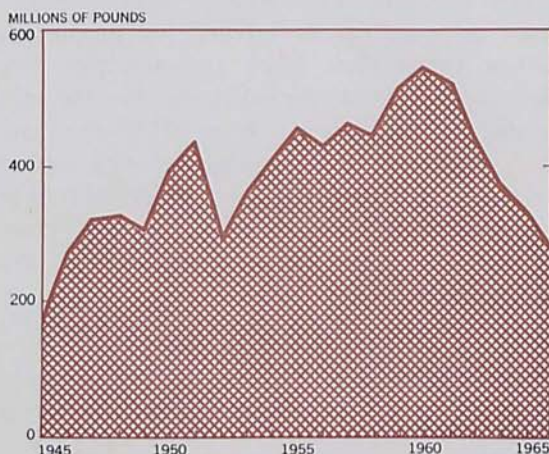
SOURCE: U.S. Bureau of Mines.



black demand in the postwar years. Since the end of World War II, domestic demand for the carbon material has advanced at the average annual rate of 4.6 percent. Not surprisingly, the pronounced expansion of automobile production and sales over the past 4 years has had a buoyant impact upon tire producers, who, in turn, have purchased significantly larger amounts of reinforcing blacks. Since 1960, however, the fastest growing market for carbon black has been the plastics industry. Purchases by the makers of plastic products spurted 64 percent last year to a record 20.2 million pounds.

### EXPORTS OF CARBON BLACK

UNITED STATES



SOURCE: U.S. Bureau of Mines.

Unlike the situation domestically, sales of carbon black to foreigners have exhibited a marked downtrend since 1960. Last year, exports totaled 274.6 million pounds, or one-half the level recorded for the peak year of 1960. Shipments to all major areas of the free world have declined, primarily reflecting the increasing self-sufficiency of the more-developed nations, which are the most important consumers of carbon black. Since 1960, capacity expansion has been notable in such countries as Italy, France, West Germany, and Japan.

American firms, however, have participated as investors in many of these foreign projects.

Since carbon black is a product manufactured from raw materials which are in abundant supply, the growth of production since World War II has generally kept pace with increases in demand, both foreign and domestic. The value of production last year, f.o.b. plants, was \$166.1 million. While there have been no actual shortages of the carbonaceous material, supplies became rather tight during the early months of the Korean War, and inventories decreased to quite modest levels. At one point, there was only a 10-day supply of some grades of black in the hands of producers. A stepped-up pace of operations by the industry and subsequent plant expansions quickly relieved the pressure on producers' stocks.

Production, in the aggregate, has kept in step with demand expansion. Nevertheless, the carbon black industry has undergone some rather significant changes since World War II, changes which relate to raw materials usage, methods of production, plant locations, and product quality.

Basically, there are three processes that can be used in the manufacture of carbon black — the channel, furnace, and thermal methods. All of the processes depend upon the thermal decomposition of hydrocarbons to produce the black, although they differ in techniques for effecting the decomposition and in the types of hydrocarbons used as inputs. These differences are important in determining the character and quality of the outputs.

In a channel plant, thousands of fan-shaped smoky flames, which are produced by the incomplete burning of natural gas, impinge upon moving steel channels. Part of the carbon thus formed adheres to the channels, from which it is scraped. It is then collected, pelletized, and shipped to users. A typical channel plant covers many acres and may have a large number of



burner houses. Such plants are generally well removed from urban areas, because a considerable volume of soot, or black, escapes past the channels into the atmosphere. The sizable amount of soot that escapes makes the channel process a relatively inefficient method of producing carbon black, although, as late as 1945, channel plants turned out over one-half of total U.S. production.

A more efficient technique for making carbon black is the furnace process, which may use either natural gas or oil as a raw material (or a combination of the two). The hydrocarbon material is partially burned in a circular, refractory-lined furnace. Partial burning provides the heat needed to crack the remaining hydrocarbons into carbon black and various gases. The smoke-filled gases formed in the furnace are then passed, successively, through an electrostatic precipitator, cyclone chambers, and bag filters. All of the black is recovered. Since undesirable air pollution is largely absent, furnace plants may be, and frequently are, located near urban areas. The furnace process permits greater control in manufacturing blacks than the channel method. With the growth of

furnace black production, there has been a proliferation of types and grades of carbon black, many of which are preferred, as reinforcing agents for synthetic rubber, over blacks produced by other methods.

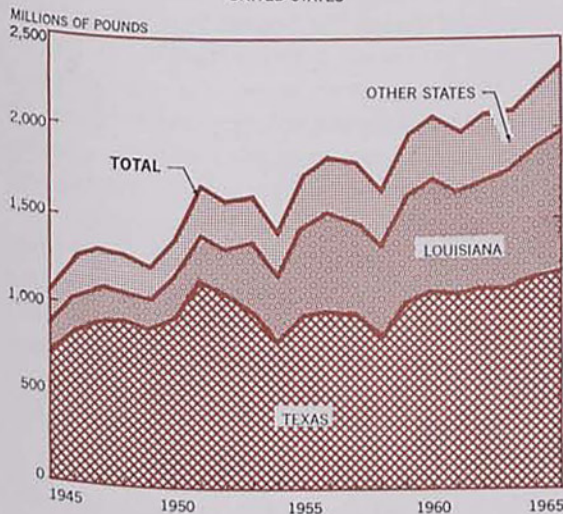
The thermal process is a variant of the furnace method, but the operation is cyclical rather than continuous. The furnace is heated to an elevated temperature, and natural gas is then brought into contact with the hot refractory surfaces in the furnace. The gas decomposes into carbon, hydrogen, and cracked gases. After the carbon black is removed, another production cycle is started. Thermal blacks characteristically have rather large particle sizes and are not as effective in reinforcing rubber as other blacks. They mix freely with both natural and synthetic rubbers, however, and are frequently used in the manufacture of tire carcasses, mainly in the rubber coatings of tire cords.

Since World War II, there has been a dramatic shift in the relative proportions of channel and furnace blacks produced in the United States. In 1945, slightly over half of the annual output of carbon black came from channel plants. In 1965, almost 94 percent of the Nation's output came from furnace plants. Moreover, during the period, there was a shift from natural gas as virtually the only raw material used in the production of black, whether channel or furnace, to fuel oil as the source of about three-fourths of total U.S. production. These changes were occasioned by a number of factors at work over the period.

On the demand side, the increasing utilization of synthetic rubbers (or elastomers) for many purposes formerly served by natural rubber called for new grades of carbon black having larger particle sizes than those manufactured in channel plants. In addition, it was found that an oil input gives the best results in producing some of the reinforcing grades of black. Thus, the increasing preference of rubber pro-

## CARBON BLACK PRODUCTION

UNITED STATES



SOURCE: U.S. Bureau of Mines.



ducers in the postwar years for synthetic elastomers encouraged the development of furnace plants which consume liquid hydrocarbons.

On the supply side, the forces directing a shift toward oil furnace production were even more compelling, as they hit at producers' costs. Prior to World War II, when channel plants were the more common source of carbon black, natural gas could be contracted for at approximately 1 cent per thousand cubic feet in the Southwest (mainly Texas), where there was a surfeit of the fuel. In the case of some gas fields in the Panhandle of Texas, carbon black plants in the 1930's were about the only market for the mineral resource, since the gas was sour—that is, it contained highly toxic hydrogen sulfide.

With the development of the giant interstate gas transmission systems in the Nation during the early postwar years, gas prices advanced appreciably from the nominal levels of the 1930's, and it became economically feasible to sweeten the sour gases for shipment to space heating markets. Furthermore, the conservation authorities in the major gas-producing states became more reluctant to grant permits for the operation of channel plants in the face of progressively more attractive alternative uses for the gas.

Although the average price paid for natural gas by carbon black producers had increased from prewar levels, the cost in 1945 was still only a little over 2 cents per thousand cubic feet. In 1965, however, the equivalent value was almost 15 cents. By way of contrast, the cost per gallon of the heavy, aromatic-type oils used in the furnace process declined in the early fifties and has not shown any sustained tendency to rise since then. Thus, the uptrend in gas prices has provided a strong impetus for a shift from the channel to the furnace method of production, because of the latter's greater efficiency. Additionally, the widening spread between gas and oil prices has encouraged the

use of refinery residuals as a raw material in the furnaces. In 1945, there were 43 plants in the Nation which used the channel or similar contact process and 16 furnace plants, all of which burned natural gas. In 1965, there were 5 channel plants and 29 furnace installations, and most of the latter consumed oil.

Of course, the same forces which have affected the method of carbon black production also have influenced the location of plants. Since the early twenties, Texas and Louisiana have been the major producing areas of the Nation. Last year, plants in Texas manufactured close to 50 percent of the Nation's supply of the material, and Louisiana provided 35 percent. The remainder came from facilities in Arkansas, California, Kansas, New Mexico, and Oklahoma. These states have only one or two plants each.

The pronounced movement of plant locations in the postwar period has occurred in Texas, largely because, at the end of World War II, the State contained most of the channel black plants. Of the 43 contact plants in operation in the Nation during 1945, 35 were located in Texas, and a majority of these were positioned in the Panhandle region of the State. This heavy concentration had developed in the 1930's and during the Second World War, when the area possessed a major surplus of natural gas. In the postwar years, the carbon black industry has adapted to changing demands for blacks of different properties and the growing spread between oil and gas prices, and the concentration of plants in the Panhandle has lessened as new facilities have been constructed near the refinery complexes in the Permian Basin region of west Texas and along the Gulf Coast of Texas. It is clear that the carbon black industry is resource-oriented, in that production facilities are located near the sources of raw materials.

The basic trends which have unfolded in the carbon black industry in the postwar period are

still operative. The average price paid by producers for natural gas is continuing upward as long-term contracts for low-priced fuel expire. Costs of the heavy oils used by carbon black producers (and these oils are residual products of refinery operations) are not likely to rise significantly in the near future. It is doubtful, however, that channel black production is headed for extinction since channel blacks, even at higher prices, are still preferred for some uses, especially in the printing trade.

Since the primary market for carbon black is the rubber industry, it is apparent that the

carbon black industry is assured of further growth and expansion. Also, demand from plastics producers may be expected to show further significant gains. Exports, however, probably will continue to meet with stiff competition in view of the growing number of foreign plants. At all events, the tremendous reserves of crude oil and natural gas in Texas and Louisiana place these southwestern states in a strong position to maintain their lead as producers of carbon black in the United States.

WELDON C. NEILL  
General Economist

**new  
member  
bank**

The Bank of Galveston, National Association, Galveston, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business June 27, 1966, as a member of the Federal Reserve System. The new member bank has capital of \$200,000, surplus of \$100,000, and undivided profits of \$50,000. The officers are: William J. Campbell, President; James D. Atchley, Executive Vice President; Edward J. Walsh, Jr., Vice President; and Lillie Belle LaBounty, Cashier.

**new  
par  
bank**

The Community Bank, New Caney, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, June 25, 1966. The officers are: Claude B. Keeland, Jr., Chairman of the Board; T. W. Keeland, President; and L. A. Gentry, Jr., Executive Vice President and Cashier.



## 1965 trust department operations in the eleventh district

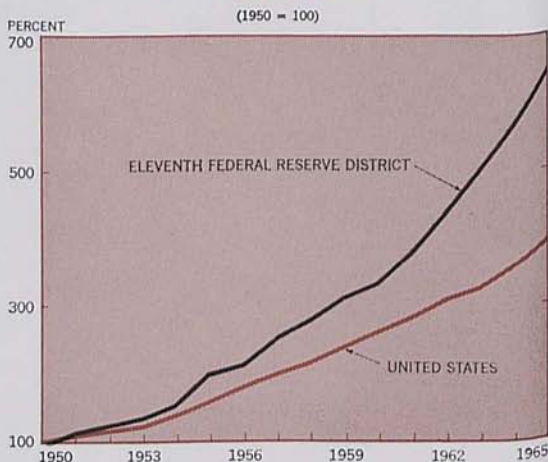
The rapid expansion in Eleventh District member bank trust department operations which began soon after World War II continued in 1965. Total revenue from trust operations rose 14.4 percent during the year to a level of \$18.6 million. This advance outpaced the 10.2-percent gain in total District member bank revenue last year and once again exceeded the rate of increase in trust department revenue at all member banks in the Nation. The importance of trust departments to the overall operations of commercial banks is not limited, however, solely to the revenue derived from these departments. The trust department's contributions also include the enhancement of existing depositor relationships and the establishment of new accounts resulting from the provision of fiduciary services.

Trust departments provide services for both individuals and corporations. The principal services provided individuals include settling estates for decedents, administering personal trusts or agencies, acting as guardian or conservator of estates, and handling pension and profit-sharing trusts. Trust departments also serve corporations as trustees under a corporate mortgage or other debt arrangement and perform a variety of corporate agency functions, such as acting as fiscal agent, transfer agent, or registrar.

The diverse activities of modern-day trust departments necessitate the employment of highly skilled staffs performing many specialized functions. However, such specialization is usually profitable only when trust departments handle a large dollar volume of trusts. As a

result of these so-called labor indivisibilities, larger trust departments normally report more profitable activities than smaller departments, although exceptions are frequently noted.

TRUST DEPARTMENT REVENUE AT MEMBER BANKS



SOURCE: Federal Reserve Bulletin.

A rather detailed picture of member bank trust developments in the Eleventh District may be obtained from the annual survey of trust department income and expenses conducted by the Federal Reserve Bank of Dallas in cooperation with the Trust Section of the Texas Bankers Association. These surveys have been made each year since 1957. The survey yields information which enables trust departments to compare their performance with that of surveyed departments of corresponding size. In the 1965 survey, trust department data were obtained from 63 member banks, and the trust revenue of these banks accounted for approxi-



mately 91 percent of the total trust department revenue of all member banks in the District.

One outstanding feature of trust banking in the Eleventh District, as well as in the Nation, is the concentration of activity in the larger trust departments. In 1965, 50.5 percent of total trust income reported by the survey banks was earned by the 5 trust departments receiving the highest income, and the 11 banks having commissions and fees from trust operations in excess of \$300,000 accounted for 74.0 percent of the total revenue.

### revenue

In 1965, as in all the other years since the survey began in 1957, personal accounts constituted the most important source of trust department revenue. Almost 85 percent of total trust revenue of the 63 survey banks originated

from personal accounts, with the remaining 15 percent coming from corporate accounts. Departments having revenue of \$300,000 or more showed the lowest percentage of income coming from personal accounts — 81.4 percent; but the next largest grouping, with revenue between \$200,000 and \$300,000, reported the highest percentage of 96.4 percent. The latter figure is substantially above the 88.4 percent reported by banks with trust revenues between \$50,000 and \$100,000.

Over one-half of the earnings from personal accounts and nearly 44 percent of total trust department revenue were derived from personal trusts, which include testamentary and living trusts, guardianships, and committeeships. Nearly 20 percent of the total revenue received from personal accounts was derived from the handling of estates, and the remaining portion

## DISTRIBUTION OF REVENUE AND RELATED ITEMS FOR MEMBER BANK TRUST DEPARTMENTS, 1965

Eleventh Federal Reserve District

(Percentage of trust revenue)

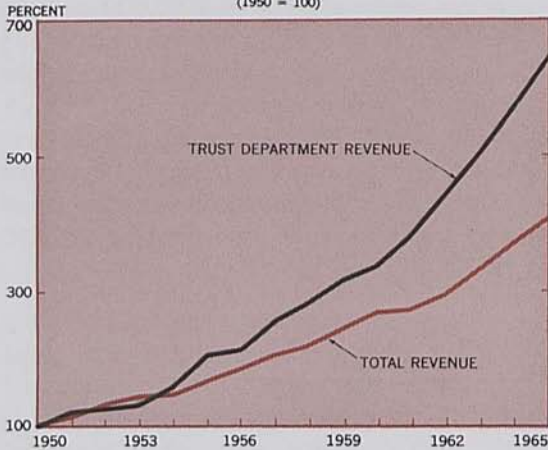
Item	63 banks with trust revenue of:										
	\$10,000- \$50,000		\$50,000- \$100,000		\$100,000- \$200,000		\$200,000- \$300,000		Over \$300,000		Total
	Net profits	Net losses	Net profits	Net losses	Net profits	Net losses	Net profits	Net losses	Net profits	Net losses	
Number of banks	10	15	4	5	7	7	4	8	3	63	
Revenue from:											
Estates	39.3	27.1	29.6	32.8	25.8	7.6	20.1	14.8	13.8	16.5	
Trusts	52.9	51.1	42.3	53.3	52.7	53.6	60.6	43.3	41.9	45.8	
Pension and profit-sharing trusts	3.3	3.5	3.1	3.4	6.8	11.9	5.2	13.7	7.1	10.9	
Agencies	3.0	10.7	23.9	8.4	12.0	23.4	12.2	27.1	35.8	25.2	
Intrabank credits	1.5	7.6	1.1	2.1	2.7	3.5	1.9	1.1	1.4	1.6	
Total revenue <sup>1</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Total expenses	62.7	143.2	72.0	120.1	73.7	117.2	70.1	87.5	106.3	91.8	
Trust department net earnings (+) or losses (-) before income taxes	+37.3	-43.2	+28.0	-20.1	+26.3	-17.2	+29.9	+12.5	-6.3	+8.2	
Average credit allowed for deposits	3.6	20.2	10.4	4.1	19.4	22.5	2.0	20.3	3.0	16.0	
Trust department net earnings (+) or losses (-), adjusted for deposit credits	+40.9	-23.0	+38.4	-16.0	+45.7	+5.3	+31.9	+32.8	-3.3	+24.2	
Memorandum figures											
Average rate allowed as deposit credit (Percent) <sup>2</sup>	3.7		2.8			2.6		2.5		2.8	
Number of banks allowing deposit credits	5		4			12		1		9	
Amount of total revenue (In thousands)	\$671		\$667			\$2,141		\$948		\$17,024	

<sup>1</sup> Before adjustment for deposit credits.

<sup>2</sup> Based on reported rates only; excludes banks which do not allow a credit for deposits.

## MEMBER BANK REVENUE

ELEVENTH FEDERAL RESERVE DISTRICT  
(1950 = 100)



of personal account income was about equally shared between personal agencies and pension and profit-sharing trusts. In general, the data reveal that, as total trust revenue increases, the percentage of revenue derived from personal estates tends to fall, but the percentage of revenue from personal agencies and pension and profit-sharing trusts tends to rise. While the behavior of the contribution of personal trusts to total trust revenue is rather variable, the trust departments with more than \$300,000 of revenue show the lowest proportion of revenue coming from such trusts.

Included in the 1965 survey were 52 banks that also reported in 1964. These banks experienced a 13.5-percent increase in total trust revenue between 1964 and 1965. With revenue from both personal trusts and personal agencies rising 15.6 percent, total revenue from personal accounts rose 13.2 percent. The 14.3-percent advance in revenue from corporate agencies was partially offset by reductions in revenue from corporate trusts and corporate intrabank credits; nevertheless, total revenue from corporate accounts rose 11.0 percent.

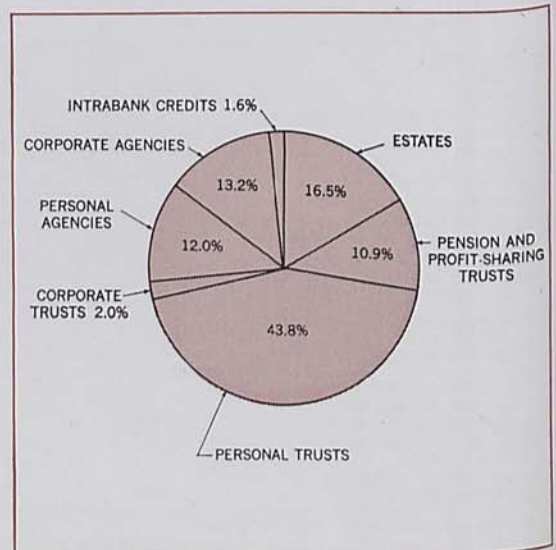
Despite the rapid gain in revenue from personal agencies, their net contribution to trust

department profitability was rather modest. This result stems from the fact that the seven large Texas banks which were able to allocate their total expenses among the various accounts reported that expenses associated with personal agencies amounted to 97.4 percent of the revenue generated by these accounts. However, personal trusts, which grew as quickly as personal agencies and provided nearly four times as much revenue, were the least costly of all personal accounts. Expenses of administering personal trusts absorbed only 90.4 percent of the revenue they provided; thus, these accounts were probably very profitable for most trust departments.

On the other hand, estates proved to be the most costly of all personal accounts by absorbing 98.1 percent of the revenue they generated at the seven banks. However, with the exception of personal intrabank credits, revenue from personal estates rose less rapidly than that from any other type of personal account in 1965, so that its impact on total bank profits was probably modest. It is interesting to note that the

## SOURCES OF TRUST DEPARTMENT REVENUE AT 63 MEMBER BANKS, 1965

ELEVENTH FEDERAL RESERVE DISTRICT

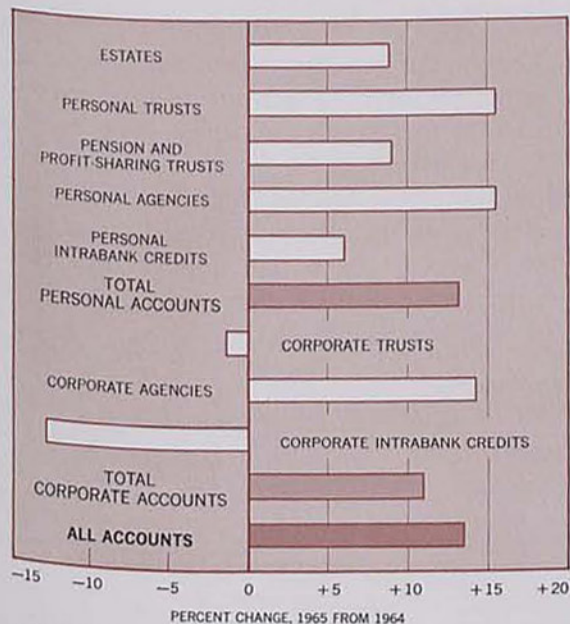




smallest trust departments in the District — i.e., those with income between \$10,000 and \$50,000 — experienced a 131-percent increase in their income from personal estates, which exceeds the growth rate of any other personal account, regardless of bank size.

### TRUST DEPARTMENT REVENUE AT 52 MEMBER BANKS\*

ELEVENTH FEDERAL RESERVE DISTRICT



\*Banks which reported in both 1964 and 1965 surveys.

Corporate agency accounts provided about 80 percent of total corporate account income at the 52 banks and showed a revenue gain of over 14 percent. The expense of administering these accounts, as reported by the seven large Texas banks, amounted to 94.5 percent of the trust income they generated, suggesting that corporate agencies are slightly more profitable than personal agencies. Corporate trusts, the most profitable of all accounts, absorbed only 79.7 percent of their income. However, revenue from this source declined 1.3 percent between 1964 and 1965; this decline, of course, had the effect of pulling down net income before taxes as a percentage of total trust income.

Although corporate accounts are concentrated at the large banks in the financial centers, the data indicate that smaller banks — especially those with trust revenue between \$10,000 and \$100,000 — had marked success in attracting corporate accounts. For example, the smallest category of trust departments had nearly a 500-percent increase in revenue derived from corporate trusts, while the next largest category experienced a 190-percent increase in income from corporate agencies.

### expenses

Total trust department expenses in 1965 at the 52 banks reporting in both 1964 and 1965 rose 11.5 percent to a level of \$15.3 million. This growth rate is comparable to rates reported in previous surveys. It should be noted at the outset, however, that various procedural problems are inherent in allocating expenses to the trust departments. For example, many trust departments have staff members who are active in departments other than just the trust department. As a result, there may be deviations from "actual" expenses unless careful allocation of the salary expenses of such personnel is made. In addition, other departments may perform services on behalf of the trust department, e.g., making investments, performing accounting duties, and disbursing funds. Unless the expenses involved are attributed to the trust department, the trust expense figure may be understated.

As in previous years, wage and salary expenditures dominated the expense category. In 1965, wages and salaries accounted for 55 percent of total reported trust expenses at the 63 survey banks. If pension and retirement contributions, personnel insurance, and other employee-related expenses are included, employment costs account for nearly two-thirds of all trust department expenses.

In general, wage-related expenses tend to comprise a relatively larger proportion of ex-



A more detailed report of the results of the survey of 1965 income and expenses of member 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

penses for intermediate-sized trust departments — e.g., those departments reporting revenues between \$50,000 and \$300,000 — than for either the extremely small or the very large trust departments. In addition, officers' salaries represented the most important expense item for small banks, while employee wages and salaries

are the most important item for the larger banks. The officer-employee cost differentials relate primarily to the fact that the largest trust departments in the Eleventh District have four times as many employees as officers, whereas the smallest departments utilize an equal number of each. This relationship probably reflects the impact of volume operations. Once accounts are established, the servicing of the accounts can be handled by clerks and/or mechanical processes.

Despite the fact that wages and salaries accounted for over 50 percent of the trust expenses at the 63 survey banks, data for the 52 banks reporting for both 1964 and 1965 show that these outlays contributed only 36 percent of the increase in total trust department costs. Moreover, employees' wages and salaries, which represent more than one-fourth of all

### DISTRIBUTION OF EXPENSES AND RELATED ITEMS FOR MEMBER BANK TRUST DEPARTMENTS, 1965

Eleventh Federal Reserve District

(Percentage of total expenses)

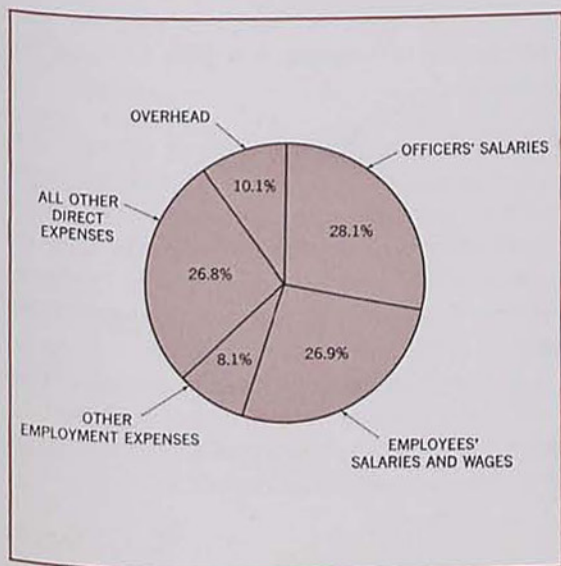
Item	63 banks with trust revenue <sup>1</sup> of:										Total
	\$10,000- \$50,000		\$50,000- \$100,000		\$100,000- \$200,000		\$200,000- \$300,000		Over \$300,000		
	Net profits	Net losses	Net profits	Net losses	Net profits	Net losses	Net profits	Net losses	Net profits	Net losses	
Number of banks	10	15	4	5	7	7	4	8	3		63
Salaries and wages											
Officers	42.3	39.0	38.9	51.6	33.7	26.9	32.5	26.7	22.9	22.9	28.1
Employees	15.7	20.2	21.1	15.8	26.8	28.6	28.5	27.1	29.2	29.2	26.9
Pensions and retirements	5.3	5.0	5.0	3.2	4.7	4.1	5.4	6.8	2.2	5.4	5.4
Personnel insurance	1.0	1.1	1.2	.9	.7	.9	1.6	.7	.8	.8	.8
Other expenses related to salaries	.8	1.3	1.5	1.1	1.6	2.4	1.6	1.8	2.8	1.9	1.9
Occupancy of quarters	7.8	6.5	3.3	2.4	6.2	8.1	5.7	8.0	6.6	7.3	7.3
Furniture and equipment	2.0	1.3	2.6	.8	1.9	2.4	2.3	1.0	2.1	1.4	1.4
Stationery, supplies, and postage	3.0	2.1	2.7	2.9	2.5	2.5	5.0	2.9	3.2	2.9	2.9
Telephone and telegraph	1.2	1.3	.9	.9	1.0	1.1	.8	1.0	.7	1.0	1.0
Advertising	3.4	3.0	1.3	4.4	1.3	1.5	1.6	1.6	2.1	1.8	1.8
Directors' and trust committee fees	.9	.9	.7	.2	1.7	.8	1.1	.3	.1	.5	.5
Legal and professional fees	.8	1.7	.8	.9	1.2	.5	.8	1.0	1.4	1.0	1.0
Periodicals and investment services	.7	2.6	2.5	.9	1.1	1.4	.8	.6	.5	.8	.8
Examinations	2.0	1.1	1.4	.9	1.5	.8	1.1	.3	.6	.6	.6
Data processing	—	—	4.2	.1	2.1	—	—	6.5	8.5	5.3	5.3
Other direct expenses	1.5	1.9	.2	5.9	2.1	3.3	1.5	3.7	8.1	4.2	4.2
Total direct expenses	88.4	89.0	88.3	92.9	90.1	85.3	90.3	90.0	91.8	89.9	89.9
Overhead	11.6	11.0	11.7	7.1	9.9	14.7	9.7	10.0	8.2	10.1	10.1
Total expenses	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Related items											
Average number of officers	1.0	1.6	2.4	3.7	3.2	5.0	5.3	23.4	15.6	5.9	5.9
Average number of employees	1.0	2.1	2.9	3.6	6.2	13.0	14.1	62.8	63.6	15.1	15.1

<sup>1</sup> Before adjustment for deposit credits.



## TRUST DEPARTMENT EXPENSES AT 63 MEMBER BANKS, 1965

ELEVENTH FEDERAL RESERVE DISTRICT



trust expenses, rose only 3.2 percent, while the 11.3-percent increase in officers' salaries was slightly less than the gain in total trust expenses. The most rapidly expanding expense item was advertising costs, followed in close order by occupancy and examination expenses and legal and professional fees. However, for the first time in several years, some expense categories experienced absolute declines.

Direct expenses of trust departments are clearly the most important expenses. For all the survey banks combined, these expenses comprised 90 percent of total trust department expenses in 1965, while overhead expenses accounted for only 10 percent. Several banks still experience difficulty in allocating trust expenses, but improved accounting practices are gradually alleviating this problem. In addition, comparison with past surveys shows that the overhead item is steadily becoming less important.

### *net income*

Net income before taxes at the 63 survey banks amounted to 8.2 percent (or \$1.4 million)

of total trust department revenue in 1965, compared with 6.4 percent and 7.4 percent in the two preceding years. Of the 63 banks, only 52 percent reported net profits on their trust activities.

As in previous years, most of the banks showing net losses were banks with small trust departments; however, a significant number of the larger banks also experienced losses. Three-fifths of the banks receiving between \$10,000 and \$50,000 of trust revenue suffered losses, while slightly more than 50 percent of the next two largest categories showed losses. Somewhat surprisingly, none of the 4 banks with trust revenue between \$200,000 and \$300,000 reported losses, but 3 of the 11 banks with more than \$300,000 of trust revenue suffered deficits. As noted earlier, the relatively more profitable trust operations of the seven large Texas banks are explained, in part, by the fact that they handle a greater share of corporate accounts, which are less costly to service per dollar of revenue. However, corporate accounts were less profitable at many of the smaller banks.

A number of the 63 banks allowed deposit credit in recognition of the fact that trust departments maintain deposits which can be used to expand overall bank earnings. Almost half of the survey banks granted deposit credits, ranging from 3.7 percent for the smallest banks to 2.5 percent for banks with trust revenue between \$200,000 and \$300,000; the average allowable credit was 2.8 percent, up from 2.7 percent in 1964. After allowance for these credits, earnings of the 63 trust departments amounted to 24.2 percent of total revenue. This percentage is up slightly from other recent years, when such earnings amounted to about 20 percent.

It is interesting to note that corporate accounts appear to have greater deposit-generating characteristics than personal accounts. The latest survey obtained information from 27 trust departments which were able to classify their sources of income between corporate ac-



counts and personal accounts. Before allowance was made for deposit credits, a net profit of 10.1 percent was recorded for revenue from personal accounts, and a loss of 3.5 percent was registered for corporate accounts. After deposit credits were taken into account, however, earnings on corporate accounts amounted to 34.5 percent of revenue, compared with 24.2 percent for personal accounts.

Despite the grant of deposit credits to trust activities, it must be concluded that the contribution of the trust department to the overall profitability of commercial banks cannot be measured precisely. The trust department is only one of the many departments which provide depositors with services that enter into the overall relationship between the bank and the depositor. In some instances, the provision of trust services may be a prerequisite of establishing an account with the bank in question.

As a result, banks must attempt to estimate the overall profitability of handling each depositor's account, including profits or losses on trust services. A bank's accounting procedures are incomplete if it fails to make this estimation.

In summary, trust department revenue continued to expand in the Eleventh District during the past year, reflecting the aggressive promotional efforts of southwestern banks and the growth of the southwestern economy. Profits on revenue from trust departments expanded further in 1965, but nearly half of the survey banks reported losses on trust operations. However, there is a continuing need to evaluate trust accounts within the context of the total relationship between banks and depositors.

R. G. SAYLOR  
Financial Economist

## *district highlights*

The seasonally adjusted index of Texas industrial production posted a strong 2.6-percent advance during May to reach a level of 148.4 percent of the 1957-59 base. Most of the push behind this month-to-month expansion came from a sharp increase in adjusted crude oil production.

The Texas manufacturing sector registered a 0.6-percent advance during May. Output of nondurable goods rose 0.8 percent, largely because of gains in chemicals, rubber and plastics, and paper and allied products. Durable goods production rose at half this rate during the month, with continued strength in transportation equipment and ordnance as a result of

Defense Department demands for military hard goods.

Industrial production in the State in May posted an 8.5-percent gain over output in the same month last year. This year-to-year advance reflected above-average gains of 11.0 percent and 8.2 percent, respectively, in the durable goods and nondurable goods manufacturing sectors. The durable goods defense industries in Texas have been registering strong rates of growth as a result of the State's increasing share of defense contracts. For the first quarter of 1966, Texas received \$431,113,000 in Defense Department prime contracts — 6.2 percent of all prime contracts awarded in the



50 states, in contrast to 5.6 percent in the same quarter last year. Compared with a year earlier, the mining sector showed a 6.7-percent gain for May, particularly reflecting strength in crude oil production.

Nonagricultural wage and salary employment in the five southwestern states advanced only 0.3 percent during May to reach a level of 5,333,300 workers. This gain is less than the seasonal advance usually achieved during the month. Employment was up 0.5 percent and 0.2 percent, respectively, in the manufacturing and the nonmanufacturing sectors. However, only the nonmanufacturing sector recorded an employment rise greater than the normal seasonal increase in May, with this rise reflecting additional workers in the government and service industries. Construction employment, which usually posts a strong upward seasonal movement during May, registered a 1.3-percent gain — less than the normal seasonal advance for the month.

Nonagricultural employment in May was 4.5 percent above a year earlier. While still a respectable gain, this is the smallest year-to-year gain since December of last year. The manufacturing sector and the government and service industries posted above-average gains over May 1965.

Voluntary quit rates — the number of persons quitting per 100 manufacturing workers — during April were well above the corresponding figures in 1965 for Arizona, Louisiana, Oklahoma, and Texas. Published quit rates for the four southwestern states (New Mexico does not publish these data) ranged from a low of 2.0 in Louisiana to a high of 2.8 in Oklahoma. Such rates tend to rise during the expansionary phase of the business cycle as better employment opportunities open up for employed workers.

Daily average crude oil production in the District declined almost 1 percent in June from

the previous month but was approximately 8 percent higher than a year earlier. All of the decrease from May occurred in Texas and southeastern New Mexico, since northern Louisiana production was unchanged. In the February-May period of this year, crude oil production in the Southwest was generally greater than demand; as a consequence, stocks of crude oil in the District trended upward. At the end of May, District crude oil inventories were slightly above a year ago, when supplies were considered overly abundant. The inventory situation in the District improved during June as a result of increased crude oil runs to stills and slightly reduced output. The flow of oil from District wells may ease further in July, reflecting reduced allowables in Texas and Louisiana.

Following a decline in April, new passenger car registrations in May in four major Texas markets were down 10 percent from April but were 1 percent over May of last year. During the first 5 months of 1966, cumulative registrations in Fort Worth were 6 percent more than in the same period in 1965, while those in Dallas, Houston, and San Antonio remained relatively unchanged. Registrations for the four centers combined were only fractionally above January-May 1965.

District department store sales for the 4 weeks ended June 18 were 10 percent above the comparable period a year ago. Cumulative sales thus far in 1966 were up 8 percent from those in 1965.

Soil moisture in the District during the latter part of June ranged from adequate to short. Virtually all of the cotton and grain sorghum has been planted, and, in southern areas, both crops are near maturity. The rice crop has been planted and is making good progress. Harvesting of wheat, oats, and barley is nearing completion despite heavy rains and high winds in some areas. Wheat production in the District states, as of June 1, is placed at 21 percent



below the 1965 output. A 6-percent decrease in acreage planted for harvest, a late freeze, and a long period without rain during the crucial development period reduced dryland yields.

Peach and plum harvest is widespread, with good yields and quality reported. In the Lower Rio Grande Valley, citrus trees are in excellent condition and have a heavy set of fruit. Pasture and range grasses continue to make progress and provide ample forage in practically all areas of the District, but additional moisture is needed in some sections to maintain growth. The condition of livestock is generally good and is improved over that of a year ago; livestock prices remain favorable.

Thus far, income of farmers and ranchers continues to run ahead of last year's experience. Cash receipts from farm marketings in the District states during the first 4 months of 1966 were 28 percent higher than for the same period last year. Livestock income was up 37 percent, and crop receipts were 18 percent above the January-April period of 1965.

The latest sample survey of negotiable certificates of deposit issued in denominations of

\$100,000 or more shows that respondent banks in the Eleventh District had \$1,115 million of such certificates outstanding on May 18. This level reflects a gain of \$125.2 million, or 12.6 percent, over the volume recorded for February 16, 1966 — the previous survey date. From the first survey, taken as of May 20, 1964, there has been a 21.7-percent advance in the amount of negotiable certificates outstanding. The expansion for the latest 3-month period represents both the greatest absolute gain and the largest percentage increase for any of the quarterly surveys. (Beginning with data for June 29, 1966, a monthly survey of the maturity distribution of these negotiable CD's will be made.)

Results of the May 18 survey show that a slight lengthening of the average maturity of the certificates of deposit occurred between the February and May survey dates. On May 18, only 44.7 percent of the deposits were due within 3 months, while comparable figures from the two previous surveys were 49.8 percent and 52.5 percent. In addition, only 74 percent of the CD's were due within 5 months, which is substantially less than the 80-percent figure recorded in the two preceding surveys.



**STATISTICAL SUPPLEMENT**

**to the**

***BUSINESS REVIEW***

July 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	June 29, 1966	May 25, 1966	June 30, 1965
<b>ASSETS</b>			
Net loans.....	4,969,251	4,944,152	4,807,480
Valuation reserves.....	88,459	88,345	83,283
Gross loans.....	5,057,710	5,032,497	4,890,763
Commercial and industrial loans.....	2,340,697	2,302,659	2,236,613
Agricultural loans.....	57,411	55,454	62,120
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	204	9,002	274
Other securities.....	45,302	47,309	42,463
Other loans for purchasing or carrying:			
U.S. Government securities.....	2,523	2,711	2,439
Other securities.....	310,991	312,148	300,761
Loans to nonbank financial institutions:			
Sales finance, personal finance, etc.....	186,357	152,119	152,753
Other.....	274,435	271,030	285,713
Loans to domestic commercial banks.....	201,652	151,129	116,411
Loans to foreign banks.....	6,175	7,259	7,600
Real estate loans.....	464,874	467,258	412,259
Other loans.....	11,167,089	1,254,419	1,271,357
Total investments.....	2,177,867	2,194,470	2,154,578
Total U.S. Government securities.....	1,118,903	1,142,457	1,289,698
Treasury bills.....	44,822	59,033	112,460
Treasury certificates of indebtedness.....	7,164	19,032	0
Treasury notes and bonds maturing:			
Within 1 year.....	130,279	133,182	238,298
1 to 5 years.....	575,987	576,003	553,851
After 5 years.....	360,651	355,207	385,089
Other securities.....	1,058,964	1,052,013	864,880
Cash items in process of collection.....	781,938	737,733	772,261
Balances with banks in the United States.....	442,242	439,474	488,069
Balances with banks in foreign countries.....	4,226	3,853	3,042
Currency and coin.....	69,361	70,195	64,984
Reserves with Federal Reserve Bank.....	496,565	439,017	552,988
Other assets.....	317,613	324,147	300,392
<b>TOTAL ASSETS.....</b>	<b>9,259,063</b>	<b>9,153,041</b>	<b>9,143,794</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Total deposits.....	7,936,569	7,920,682	7,974,916
Total demand deposits.....	4,794,947	4,657,408	4,990,121
Individuals, partnerships, and corporations....	3,155,250	3,185,528	3,201,656
Foreign governments and official institutions, central banks, and international institutions..	3,035	2,716	4,806
U.S. Government.....	240,768	164,750	283,934
States and political subdivisions.....	325,008	287,578	318,635
Banks in the United States, including mutual savings banks.....	977,069	941,007	1,090,131
Banks in foreign countries.....	19,553	16,608	17,588
Certified and officers' checks, etc.....	74,264	59,221	73,371
Total time and savings deposits.....	3,141,622	3,263,274	2,984,795
Individuals, partnerships, and corporations			
Savings deposits.....	1,309,670	1,293,841	1,321,882
Other time deposits.....	11,292,141	1,446,314	1,274,625
Foreign governments and official institutions, central banks, and international institutions..	1,300	1,300	500
U.S. Government, including postal savings....	3,359	3,344	3,519
States and political subdivisions.....	517,486	501,208	371,874
Banks in the United States, including mutual savings banks.....	16,226	15,827	9,955
Banks in foreign countries.....	1,440	1,440	2,440
Bills payable, rediscounts, etc.....	338,699	237,145	246,191
All other liabilities.....	162,054	176,869	170,767
Capital accounts.....	821,741	818,345	751,920
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</b>	<b>9,259,063</b>	<b>9,153,041</b>	<b>9,143,794</b>

<sup>1</sup> As a result of a change in Federal Reserve regulations, effective June 9, 1966, deposits accumulated for payment of personal loans have been deducted from "Other loans" and from "Other time deposits" of individuals, partnerships, and corporations.

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

(In thousands of dollars)

Item	June 29, 1966	May 25, 1966	June 30, 1965
Total gold certificate reserves.....	426,775	377,239	384,093
Discounts for member banks.....	52,173	19,802	21,401
Other discounts and advances.....	290	1,160	638
U.S. Government securities.....	1,616,509	1,580,957	1,626,290
Total earning assets.....	1,668,972	1,601,919	1,648,329
Member bank reserve deposits.....	902,467	829,067	908,990
Federal Reserve notes in actual circulation....	1,226,975	1,204,318	1,107,793

**RESERVE POSITIONS OF MEMBER BANKS**

**Eleventh Federal Reserve District**

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended June 1, 1966	4 weeks ended May 4, 1966	4 weeks ended June 2, 1965
<b>RESERVE CITY BANKS</b>			
Total reserves held.....	601,093	604,175	606,063
With Federal Reserve Bank.....	556,859	558,566	562,714
Currency and coin.....	44,234	45,609	43,349
Required reserves.....	597,387	599,111	602,168
Excess reserves.....	3,706	5,064	3,895
Borrowings.....	24,124	17,530	34,735
Free reserves.....	-20,418	-12,466	-30,840
<b>COUNTRY BANKS</b>			
Total reserves held.....	617,702	622,170	578,400
With Federal Reserve Bank.....	472,047	475,087	441,947
Currency and coin.....	145,655	147,083	136,453
Required reserves.....	584,064	589,819	543,401
Excess reserves.....	33,638	32,351	34,999
Borrowings.....	8,664	6,166	3,348
Free reserves.....	24,974	26,185	31,651
<b>ALL MEMBER BANKS</b>			
Total reserves held.....	1,218,795	1,226,345	1,184,463
With Federal Reserve Bank.....	1,028,906	1,033,653	1,004,661
Currency and coin.....	189,889	192,692	179,802
Required reserves.....	1,181,451	1,188,930	1,145,569
Excess reserves.....	37,344	37,415	38,894
Borrowings.....	32,788	23,696	38,083
Free reserves.....	4,556	13,719	811

**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: May.....	8,249	3,938	4,311	4,524	2,235	2,289
1965: May.....	8,484	4,055	4,429	5,091	2,455	2,636
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
February... ..	8,827	4,027	4,800	5,612	2,675	2,937
March.....	8,788	4,047	4,741	5,674	2,688	2,986
April.....	8,934	4,151	4,783	5,797	2,781	3,016
May.....	8,669	4,019	4,650	5,795	2,743	3,052

**CONDITION STATISTICS OF ALL MEMBER BANKS**

**Eleventh Federal Reserve District**

(In millions of dollars)

Item	May 25, 1966	April 27, 1966	May 26, 1965
<b>ASSETS</b>			
Loans and discounts.....	8,574	8,584	7,937
U.S. Government obligations.....	2,339	2,389	2,473
Other securities.....	2,100	2,072	1,651
Reserves with Federal Reserve Bank.....	829	912	890
Cash in vault.....	211	220	202
Balances with banks in the United States....	984	1,023	1,018
Balances with banks in foreign countries <sup>a</sup> ...	6	6	5
Cash items in process of collection.....	821	943	747
Other assets <sup>a</sup> .....	444	460	450
<b>TOTAL ASSETS<sup>a</sup>.....</b>	<b>16,308</b>	<b>16,609</b>	<b>15,373</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,164	1,202	1,158
Other demand deposits.....	7,422	7,558	7,353
Time deposits.....	5,820	5,820	5,076
Total deposits.....	14,406	14,580	13,587
Borrowings <sup>a</sup> .....	249	387	243
Other liabilities <sup>a</sup> .....	239	228	219
Total capital accounts <sup>a</sup> .....	1,414	1,414	1,324
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS<sup>a</sup>.....</b>	<b>16,308</b>	<b>16,609</b>	<b>15,373</b>

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 <sup>1</sup>					DEMAND DEPOSITS <sup>1</sup>		
	May 1966 (Annual-rate basis)	Percent change			May 31, 1966	Annual rate of turnover		
		May 1966 from		5 months, 1966 from 1965		May 1966	April 1966	May 1965r
		April 1966	May 1965					
ARIZONA: Tucson.....	\$ 3,808,404	-10	5	1	\$ 157,999	24.0	26.5r	24.0
LOUISIANA: Monroe.....	1,888,404	3	13	11	70,239	26.9	24.6	22.9
Shreveport.....	5,316,348	4	12	10	204,297	26.1	25.4	24.2
NEW MEXICO: Roswell <sup>2</sup> .....	627,936	4	3	8	33,299	18.5	17.8	17.5
TEXAS: Abilene.....	1,802,628	-4	8	9	91,176	19.3	20.1	19.3
Amarillo.....	4,394,652	0	15	14	137,588	32.0	31.7	28.0
Austin.....	4,112,568	-5	12	9	191,692	22.0	23.5r	20.8
Beaumont-Port Arthur.....	5,006,844	-6	13	13	209,157	24.3	26.4	23.1
Brownsville-Harlingen-San Benito.....	1,378,164	-5	8	15	54,857	24.8	25.4	24.2
Corpus Christi <sup>2</sup> .....	3,574,512	-5	9	9	165,202	21.5	21.9	20.7
Corpus Christi <sup>2</sup> .....	353,148	5	25	13	27,660	12.9	12.3	11.0
Dallas.....	62,257,920	-2	18	17	1,637,204	38.6	39.6r	34.0
El Paso.....	5,008,080	4	0	0	199,971	25.3	24.5	25.6
Fort Worth.....	14,396,484	4	14	12	495,796	29.6	28.6	26.4
Galveston-Texas City.....	1,931,136	-1	3	3	93,077	21.6	22.7	21.9
Houston <sup>2</sup> .....	59,124,768	-8	10	13	1,961,442	30.4	33.1	29.0
Laredo.....	538,032	3	8	13	30,626	18.2	17.8	17.5
Lubbock.....	3,660,744	2	4	8	148,571	24.9	23.9	24.4
Midland.....	1,529,016	-5	-16	-11	116,517	13.3	14.2	16.0
Odessa.....	1,202,328	1	8	16	62,146	19.1	19.0	18.8
San Angelo.....	871,524	-6	9	15	54,003	15.9	16.8	15.3
San Antonio.....	11,913,456	4	15	15	511,928	23.9	23.3	21.9
Texarkana (Texas-Arkansas).....	1,070,700	-2	20	18	51,615	19.9	19.5	19.0
Tyler.....	1,538,652	-4	8	8	84,445	18.2	19.6	17.7
Waco.....	1,966,836	-12	8	13	102,555	19.2	21.4	18.1
Wichita Falls.....	2,173,140	5	17	15	110,069	19.5	18.2	16.5
Total—26 centers.....	\$201,446,424	-3	13	13	\$7,003,131	29.1	30.1	26.9

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

<sup>2</sup> County basis.

<sup>3</sup> Revised (1965) SMSA boundaries.

r — Revised.

## VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	May 1966	April 1966	May 1965	January—May	
				1966	1965
<b>FIVE SOUTHWESTERN STATES<sup>1</sup></b>					
Residential building.....	533	400	504	2,180	2,254
Nonresidential building....	210	172	170	918	863
Nonbuilding construction...	150	147	250	675	814
	173	81	84	586	577
<b>UNITED STATES</b>					
Residential building.....	5,131	5,097	4,864	21,903	20,096
Nonresidential building....	1,970	2,081	2,074	8,768	8,643
Nonbuilding construction...	1,826	1,883	1,775	7,965	6,888
	1,335	1,134	1,015	5,171	4,565

<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.

## BUILDING PERMITS

VALUATION  
(Dollar amounts in thousands)

Area	NUMBER		VALUATION		Percent change		
	May 1966	5 mos. 1966	May 1966	5 mos. 1966	May 1966 from		
					April 1966	May 1965	5 months, 1966 from 1965
ARIZONA: Tucson.....	638	3,113	\$ 1,018	\$ 8,017	-29	-33	-14
LOUISIANA: Shreveport....	392	1,743	3,349	10,585	98	88	42
TEXAS: Abilene.....	88	362	2,090	7,606	-28	131	31
Amarillo.....	157	828	2,228	13,864	-69	-19	-7
Austin.....	335	1,620	7,628	35,696	54	60	69
Beaumont.....	147	1,003	2,677	7,199	150	86	-23
Corpus Christi.....	339	1,831	3,629	15,825	84	120	27
Dallas.....	1,912	9,914	16,404	88,787	42	-8	11
El Paso.....	452	2,184	4,940	25,947	31	-2	-3
Fort Worth.....	640	3,064	4,678	22,297	-40	22	9
Galveston.....	83	394	386	3,241	-69	-27	55
Houston.....	2,325	10,539	38,785	153,223	65	84	27
Lubbock.....	172	1,020	5,497	27,886	60	119	42
Midland.....	106	544	1,710	9,953	116	-20	32
Odessa.....	131	599	932	6,289	-44	1	29
Port Arthur.....	104	550	539	2,780	-51	58	-13
San Antonio.....	1,401	6,528	5,453	45,442	-39	44	90
Waco.....	213	1,001	595	5,272	-49	-76	-47
Wichita Falls....	58	400	533	6,978	-86	-20	30
Total—19 cities...	9,693	47,237	\$103,071	\$496,887	15	36	23

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	May 1966p	April 1966	March 1966r	May 1965r
<b>TEXAS</b>				
Total industrial production.....	148.4	144.6	141.8	136.8
Manufacturing.....	173.0	171.9	170.1	157.5
Durable.....	176.6	175.9	163.4	159.1
Nondurable.....	170.4	169.0	168.7	157.5
Mining.....	116.1	108.8	104.6	108.8
<b>UNITED STATES</b>				
Total industrial production.....	154.8	153.6	153.3	141.6
Manufacturing.....	157.1	156.3	155.6	143.1
Durable.....	163.7	162.8	161.6	146.4
Nondurable.....	148.9	148.2	148.0	138.8
Mining.....	120.4	115.0	120.0	114.0
Utilities.....	170.5	170.0	168.8	159.7

p — Preliminary.

r — Revised.

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

### WINTER WHEAT

Area	ACREAGE (In thousands of acres)			PRODUCTION (In thousands of bushels)		
	For harvest	Harvested		Crops of 1966 <sup>1</sup>	Crops of 1965	Crops of 1960-64
	Crop of 1966	Crop of 1965	Crops of 1960-64			
Arizona.....	24	26	26	1,104	1,196	1,145
Louisiana....	55	50	46	1,430	1,050	1,128
New Mexico..	179	201	216	3,759	4,924	4,703
Oklahoma....	4,605	4,747	4,163	101,310	132,916	95,047
Texas.....	2,905	3,228	3,068	61,005	72,630	62,436
<b>Total.....</b>	<b>7,768</b>	<b>8,252</b>	<b>7,519</b>	<b>168,608</b>	<b>212,716</b>	<b>164,459</b>

<sup>1</sup> Indicated June 1.  
SOURCE: U.S. Department of Agriculture.

### DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Percent change from				
	May 1966p	April 1966p	May 1965	April 1966	
				April 1966	May 1965
<b>ELEVENTH DISTRICT.....</b>	<b>3,495.2</b>	<b>3,462.5</b>	<b>3,130.9</b>	<b>0.9</b>	<b>11.6</b>
Texas.....	3,002.6	2,949.3	2,687.3	1.8	11.7
Gulf Coast.....	547.3	540.8	503.7	1.2	8.7
West Texas.....	1,377.7	1,346.6	1,239.6	2.3	11.1
East Texas (proper)....	130.0	126.2	107.5	3.0	20.9
Panhandle.....	97.7	98.0	94.5	-3	3.4
Rest of State.....	849.9	837.7	742.0	1.5	14.5
Southeastern New Mexico..	315.9	332.4	294.7	-5.0	7.2
Northern Louisiana.....	176.7	180.8	148.9	-2.3	18.7
<b>OUTSIDE ELEVENTH DISTRICT</b>	<b>4,871.8</b>	<b>4,837.5</b>	<b>4,554.6</b>	<b>.7</b>	<b>7.0</b>
<b>UNITED STATES.....</b>	<b>8,367.0</b>	<b>8,300.0</b>	<b>7,685.5</b>	<b>.8</b>	<b>8.9</b>

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

### CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	January—April		Percent increase
	1966	1965	
Arizona.....	\$ 176,515	\$ 132,786	33
Louisiana....	107,290	100,129	7
New Mexico..	47,482	41,805	14
Oklahoma....	216,831	164,595	32
Texas.....	825,181	633,433	30
<b>Total.....</b>	<b>\$ 1,373,299</b>	<b>\$ 1,072,748</b>	<b>28</b>
<b>United States.....</b>	<b>\$ 12,204,174</b>	<b>\$ 10,407,573</b>	<b>17</b>

SOURCE: U.S. Department of Agriculture.

### NONAGRICULTURAL EMPLOYMENT

Five Southwestern States<sup>1</sup>

Type of employment	Number of persons			Percent change May 1966 from	
	May 1966p	April 1966	May 1965r	April 1966	May 1965
	<b>Total nonagricultural</b>	<b>5,333,300</b>	<b>5,319,100</b>	<b>5,102,900</b>	<b>0.3</b>
wage and salary workers..	963,200	958,700	905,300	.5	6.4
Manufacturing.....	4,370,100	4,360,400	4,197,600	.2	4.1
Nonmanufacturing.....	233,300	233,100	233,900	.1	-3
Mining.....	354,900	350,400	341,500	1.3	3.9
Construction.....	411,200	411,300	397,700	.0	3.4
Transportation and public utilities.....	1,256,000	1,254,900	1,209,900	.1	3.8
Trade.....	266,800	266,500	258,200	.1	3.3
Finance.....	777,500	774,900	745,900	.3	4.2
Service.....	1,070,400	1,069,300	1,010,500	.1	5.9
Government.....					

<sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.  
p — Preliminary.  
r — Revised.  
SOURCE: State employment agencies.

### ELEVENTH FEDERAL RESERVE DISTRICT

