

business review



september 1967

**FEDERAL RESERVE
BANK OF DALLAS**

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perspective on recent corporate bond financing

One of the most important financial developments of 1966 and 1967 has been the enormous demands made upon the capital market by corporations. These demands were a contributing factor in the surge of interest rates to record levels in 1966 and were a key reason for the sharp upturn in capital market rates in the spring of 1967, despite a relatively easy monetary policy.

Net new funds raised by U.S. corporations through bond offerings expanded from an annual average of \$4.3 billion in the 1960-65 period to \$10.2 billion in 1966 and to an estimated seasonally adjusted annual rate of \$13.4 billion in the first half of 1967.¹ In addition, throughout 1966 (but particularly in late 1966) and in early 1967, corporations relied more heavily on public offerings of new securities than on private placements. As a result of this shift, new public offerings of corporate bonds reached extraordinarily high levels in 1966 and early 1967. In order to understand the reasons for this large increase in the volume of corporate bond financing and the shift to public offerings, it is necessary to place these developments in their proper historical perspective.

From 1960 through 1966, capital expenditures of nonfinancial corporations more than doubled. During the same 7-year period, gross

savings² of such firms expanded considerably, spurred by rapid increases in net profits and in depreciation allowances, but these cash flows rose at a less rapid rate than capital expenditures. During the early part of the period, from 1960 to 1964, the firms were able to cover the shortfall of internally generated funds by drawing down their liquidity. However, by 1966, corporate liquidity had been depleted significantly, and the particularly heavy capital expenditures in that year necessitated the use of external funds, especially bond financing. Moreover, since 1966 was a year of credit squeeze and of depressed stock market levels, an added burden was placed upon the capital market by the diversion of demand from commercial bank term loans and the equity market to the bond market.

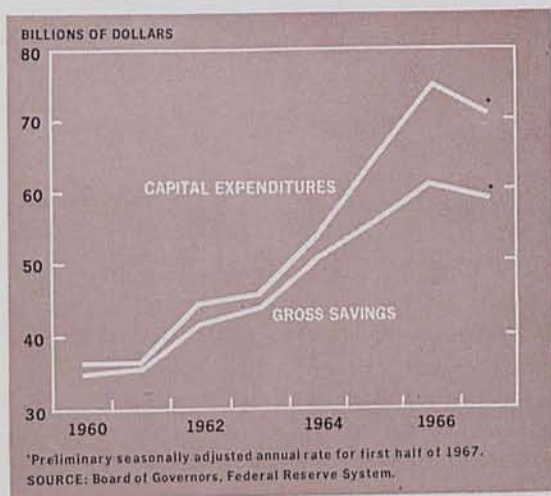
*Capital expenditures*³ of nonfinancial corporations more than doubled during 1960-66, expanding from \$36.7 billion to \$75.5 billion. In contrast to this performance, in the prior 7 years (1953-59), capital expenditures of these firms rose only \$11.0 billion, or 46 percent. Most of the 1960-66 expansion in capital expenditures — namely, \$27.9 billion, or about three-fourths of the total — occurred in plant and equipment spending. This large increase

¹ These data are for corporate nonfinancial business. They are obtained from the flow of funds accounts published by the Board of Governors of the Federal Reserve System and do not necessarily agree with other data on corporate financing.

² Gross savings — cash flows — may be thought of as the internal funds available to these corporations. The amount is obtained by adding net profits after taxes and depreciation (capital consumption allowances) and subtracting dividends.

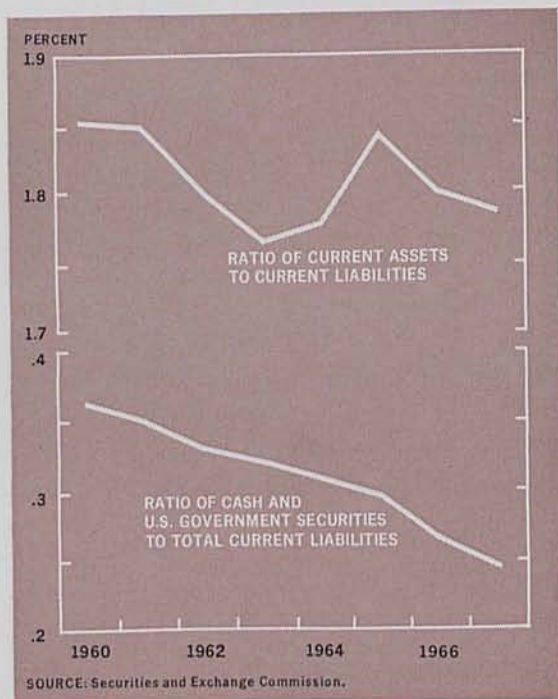
³ As measured in the flow of funds accounts, capital expenditures include both fixed investment and the net change in inventory levels.

CAPITAL EXPENDITURES AND SAVINGS OF CORPORATE NONFINANCIAL BUSINESS



in expenditures for plant and equipment, which stemmed, in part at least, from the stimulative impact of the investment credit allowance and accelerated depreciation provisions of Federal income tax laws, was both one of the principal

MEASURES OF CORPORATE LIQUIDITY



causes of and one of the results of the rising rate of growth in the Nation's economy during the first 6 years of the 1960's. By increasing the economy's rate of growth, the expansion in investment, of course, raised the required level of corporate working capital.

While internally generated funds, or corporate *gross savings*, rose quite rapidly, the rate of increase was less than that for capital expenditures. Gross savings of corporate nonfinancial business, moving from \$34.4 billion in 1960 to \$60.3 billion in 1966, increased \$25.9 billion, or 75 percent. The rapid growth in internally generated funds was fueled by the expansion in corporate net savings (profits after taxes minus dividends) and in depreciation allowances. Responding to widening profit margins throughout most of the period, corporate net savings rose from \$10.2 billion in 1960 to \$22.6 billion in 1966, showing a gain of \$12.4 billion, or 122 percent; similarly, depreciation allowances, reflecting the large amount of investment and the rapid rate of amortization, increased from \$24.2 billion in 1960 to \$37.7 billion in 1966, growing \$13.5 billion, or 56 percent.

With both capital expenditures and internally generated funds expanding rapidly but with capital expenditures rising more rapidly than internally generated funds, the shortfall in gross savings became progressively greater, and funds from outside sources were needed to continue the ambitious expansion programs of the nonfinancial corporations. In the period from 1960 through 1964, capital expenditures of these businesses exceeded internally generated funds (gross savings) by an average of \$2.5 billion per year. The deficiency rose to \$7.9 billion in 1965 and to \$15.2 billion in 1966; it is estimated that, in the first half of 1967, the deficiency was at a seasonally adjusted annual rate of \$12.8 billion.

Through 1965, corporations were able to meet most of their financing needs above gross

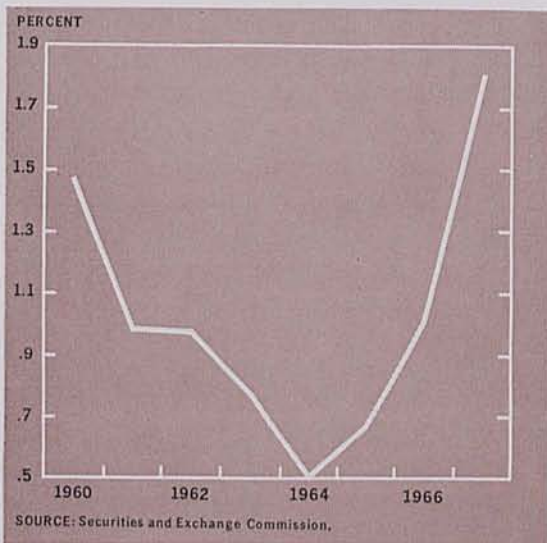
savings by drawing down their *liquidity*. While the reduction in liquidity was only slight when measured by the "current ratio" (the ratio of current assets to current liabilities), the decline in liquidity was substantial on the basis of the more discerning measures.

For example, the ratio of current assets to current liabilities declined from 1.85 in 1960 to 1.80 in 1966 and to 1.79 in early 1967. However, the ratio of cash and U.S. Government securities to total current liabilities fell from .36 in 1960 to .27 in 1966 and to .25 in March 1967. This decline was particularly evident in the case of holdings of U.S. Government securities, which were 13.4 percent of current liabilities in 1960, 6.6 percent in 1966, and 5.8 percent in early 1967. In contrast, the ratio of notes and accounts receivable to total current liabilities rose slightly from 1960 through early 1967. In other words, while the current ratio of nonfinancial corporations declined only slightly, there was a significant shift toward less liquid items in the composition of current assets.

With capital expenditures rising very rapidly in late 1965 and 1966, with a large gap opening between capital expenditures and internally generated funds, and with corporate liquidity already at extremely low levels, American corporations turned heavily to the bond market. From a level of \$5.4 billion in 1965, the net increase in corporate debt grew to \$10.2 billion in 1966—or almost double the 1965 figure—and, by the first half of 1967, had risen further to a seasonally adjusted annual rate of \$13.4 billion.

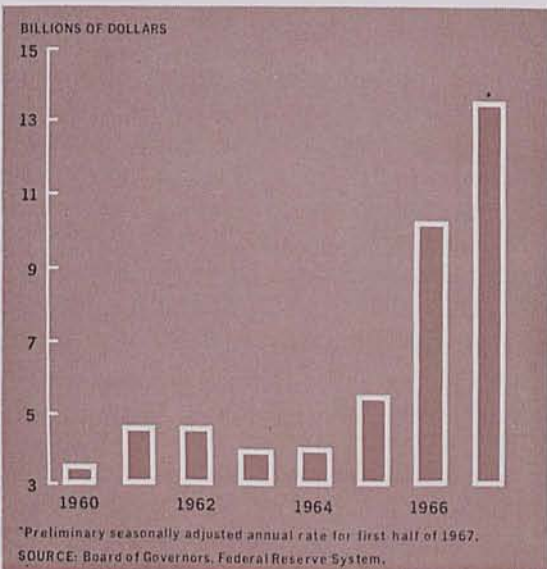
In addition to the large increase in the total volume of corporate bonds, there was a much greater volume of publicly offered securities relative to privately placed issues in 1966 and early 1967. From 1960 through 1965, the ratio of publicly offered corporate bonds to privately placed ones averaged .82; that is, the volume of publicly offered bonds was 82

RATIO OF PUBLICLY OFFERED TO PRIVATELY PLACED CORPORATE BONDS



percent as large as the volume of privately offered bonds. However, the ratio of public to private offerings was 1.06 in 1966 and 1.80 in the first quarter of 1967. Thus, the volume of publicly offered bonds was 106 percent of the amount of privately placed ones in 1966 and

NET INCREASE IN BONDS OUTSTANDING OF CORPORATE NONFINANCIAL BUSINESS



was almost double the amount of private offerings in the first quarter of 1967. Among the most important reasons for this shift were the decline in liquidity at some of the institutions which traditionally purchase corporate bonds through private negotiation and, also, the attractive rates on publicly offered securities.

While much of the heavy corporate bond financing in 1966 undoubtedly reflected the inadequacy of corporate internal funds, two new causal elements appeared in the early part of 1967 — the desire of corporations to rebuild liquidity (partially, at least, by repaying short-term bank loans) and the fear of another credit squeeze, similar to that experienced in 1966. Thus, although the gap between capital expenditures and internally generated funds fell from

\$15.2 billion in 1966 to \$12.8 billion in the first half of 1967, bond financing rose from \$10.2 billion to an annual rate of \$13.4 billion.

In view of the continued high level of capital expenditures, the relative stability of internally generated funds, the desire to rebuild corporate liquidity, and the fear of more costly money in the second half of 1967, it is not surprising that the large volume of corporate offerings of bond issues has continued through the late summer. In fact, the heavy volume of new offerings, coupled with the increased emphasis on public placements, resulted in a volume of publicly offered corporate bonds in the first half of 1967 almost as large as that for all of 1966.

DONALD R. FRASER

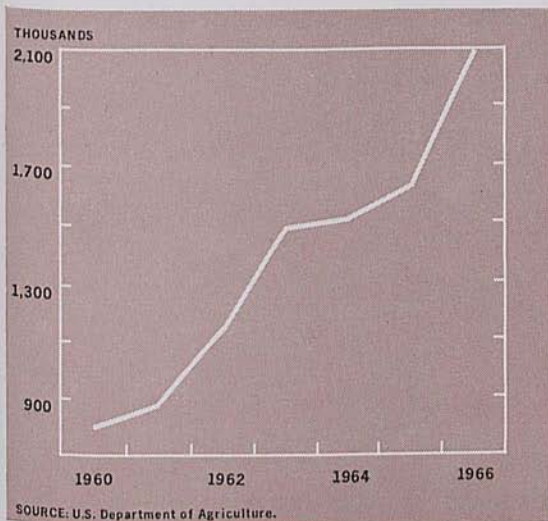
cattle feeding in texas

Texas has long been a leading producer of beef cattle but is a relative newcomer to the fed cattle industry. Despite the bountiful supply of feeder cattle coming from its ranges and pastures, which comprise about 75 percent of all land in farms and ranches in Texas, only a small percentage was fed commercially within the State until about 1960. Since a substantial part of the cattle produced have been sold to operators of feedlots in other states to be fattened for slaughter markets, Texas has been largely dependent upon out-of-State sources for a supply of fed carcass beef. In fact, Texas leads the Nation in the total number of cattle produced, accounting for about 10 percent, but ranks fourth in the number of cattle com-

mercially slaughtered. The tremendous growth in feedlot operations since 1960 has helped to reduce the deficit between consumption and production of fed beef. Cattle feeding in Texas has advanced faster than in other areas of the country during the past 7 years.

Prior to the development of the cattle feeding industry in Texas to the point reached in recent years, animals slaughtered in the State consisted largely of grass-fat steers, veal calves, and cows culled from dairy and beef breeding herds. In recent years, a different type of beef has been demanded by Texas consumers, as well as consumers throughout the Nation. A preference for cuts of beef from heavier car-

CATTLE AND CALVES ON FEED IN TEXAS



casses, grading high Good to Choice, has been indicated by both consumers and retailers. Higher personal incomes, changing taste patterns, and dietary habits have all contributed to a greater demand for beef.

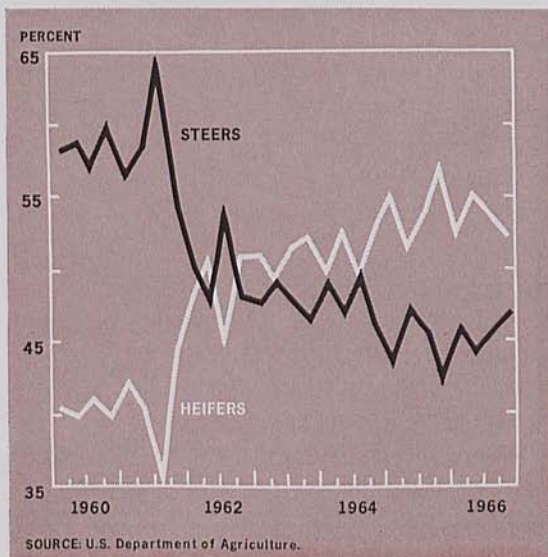
Although a sizable volume of carcass beef continues to be derived from calves and grass-fat cattle, the percentage of total marketings originating from feedlots is increasing rapidly. Marketings from feedlots rose from about 11 percent of the State's total in 1960 to almost 25 percent in 1966. There was a 165-percent gain in the number of cattle fed during this period. The number of cattle and calves on feed in Texas increased from less than 1 million head in 1960 to over 2 million head in 1966. Growth was continuous for each of the intervening years, and the trend apparently has continued since the number of cattle on feed during the first 6 months of 1967 was about 20 percent larger than in the same period a year ago.

Despite the consistent year-to-year increases in cattle feeding, the number being fed during the year is not uniform. In fact, the numbers fed often show sizable quarterly variations;

the first and fourth quarters of the year usually account for a larger percentage of the total number on feed than do the second and third quarters. Part of the intrayear variation may be explained by seasonal differences in the availability of feeder cattle.

The production of feeder cattle and calves is not a continuous process. A large part of the calf crop is born in the spring of each year and is not the right size or age to be placed in feedlots before the following fall or winter months. The sale of calves for feeding in the fall and winter months coincides with grain harvest, and the animals are usually lower in price because of the increased supply. A large number of calves are kept on farms and ranches following fall weaning, placed on small grains in the winter, pastured on ranges in the spring and summer, and sold as yearling feeders in the fall months. Thus, feed supplies, the timing of other farm activities, and the availability of hay and grazing help to determine when feeders are demanded and sold. Whether the feedlot operator desires weaning calves or yearling feeders, the supply availability is likely to be

DISTRIBUTION OF NUMBER OF CATTLE ON FEED IN TEXAS, BY CLASS



larger in the fourth and first quarters of the year.

Information on the types of cattle fed in the State is available for three broad categories: steers and steer calves; heifers and heifer calves; and cows and others. The composition of the number of cattle being fed has undergone a considerable change. There has been a decided shift in favor of the number of heifers, rather than steers. In 1960 the proportion of steers and heifers was 59 percent and 40 percent, respectively. A gradual change in the numbers of steers and heifers on feed in the period between 1960 and 1966 has placed heifers ahead of steers, with heifers accounting for over 50 percent of the total number of cattle on feed since 1963. During the past few years, the rate of cattle herd expansion has slowed, and more heifers have become available.

Although it is not likely that the number of heifers will remain relatively larger than the number of steers on feed, heifers may continue to constitute more nearly half of all cattle on feed. Dairy cattle numbers are declining; and, as a result, there will be fewer veal calves, as well as culled cows. Beef cattle numbers are increasing and are large enough, under normal conditions, to support herd replacements and provide a larger number of heifers for feedlots. During the past 7 years, data on cows fed were often not reported because of the small numbers; but when such information was available, at no time did the figure reach 2 percent of the total.

The U.S. Department of Agriculture reports quarterly, in units of 1,000 head, on the number of cattle on feed. The reports give data by crop reporting district or by combinations of two or more districts. Such geographic reporting permits discernible comparisons among the various areas in Texas and provides some perspective on the growing importance of the cattle feeding industry within the State. With the exception of Crop Reporting District 6 —

the Trans-Pecos area — all districts showed growth in the number of cattle fed during the past 7 years. While the numbers in other districts were increasing, the number in District 6 was declining and, in 1966, represented slightly less than 3 percent of the State total, in contrast to 13 percent in 1960. The greatest year-to-year fluctuations in absolute numbers have been accounted for in District 6, with the number fed varying from a high of 110,000 head in 1963 to a low of 28,000 head in 1965.

The greatest growth in actual numbers has occurred in District 1-N, or the Panhandle (in northwest Texas). Cattle numbers fed in the Panhandle have increased each year since 1960. The district ranked second in the number of cattle on feed in 1960, gained first place in 1963, and still retained this position in 1966. The area has increased its share of the State's total from almost 19 percent to more than 40 percent. The Panhandle region has many favorable attributes that contribute to the growth of cattle feeding. Climatic factors, such as temperature and the distribution of rainfall during the year, provide better than average conditions for animals on feed. The soil is of a type which permits good drainage and requires a minimum amount of animal energy for maneuvering when wet. Sorghum grain is produced in abundance, and cottonseed meal, used as a protein supplement, is readily available from nearby processing facilities. Its geographical location places the area in a good position relative to east-west and north-south transportation.

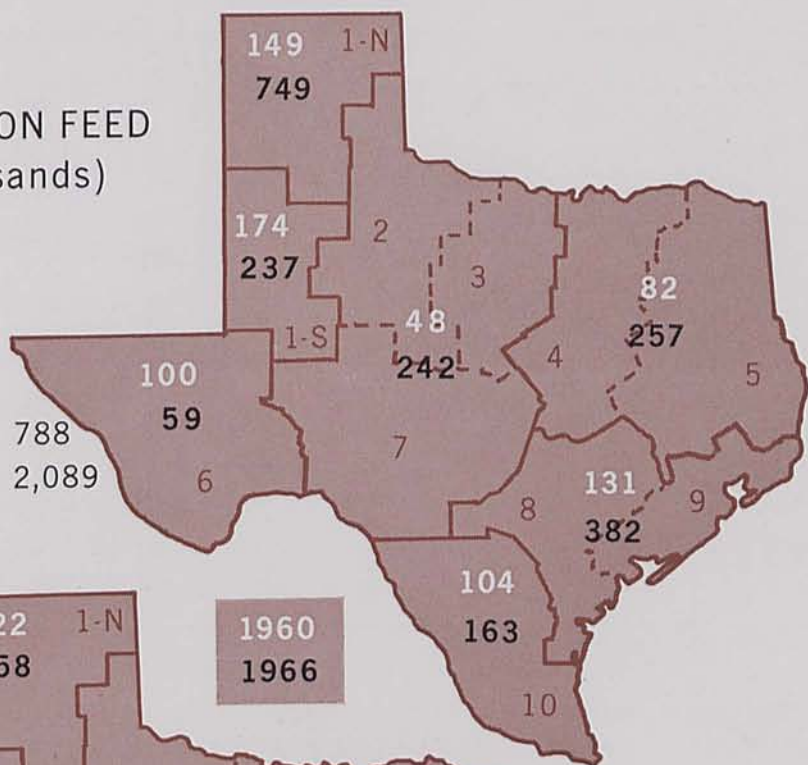
The Gulf Coast region, comprised of Districts 8 and 9, had the second largest number of cattle on feed last year. Although ranking high in cattle numbers fed, the Gulf Coast districts have shown a rate of increase equal to only about half that of the Panhandle area and accounted for around 18 percent of the State's total in 1966.

CATTLE FEEDING IN TEXAS, BY CROP REPORTING DISTRICTS

CATTLE ON FEED
(thousands)

STATE

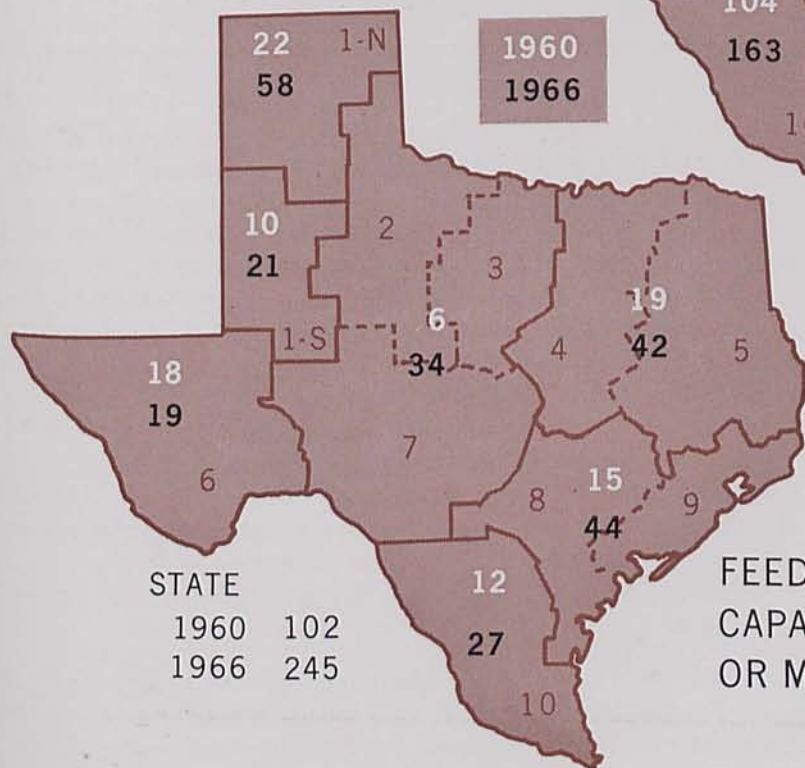
1960 788
1966 2,089



1960
1966

STATE

1960 102
1966 245



FEEDLOTS WITH
CAPACITY OF 1,000
OR MORE HEAD

SOURCE: U.S. Department of Agriculture.

NUMBER OF CATTLE AND CALVES ON FEED IN TEXAS, BY CROP REPORTING DISTRICTS

(In thousands of head)

Date		1-N	1-S	2, 3, and 7	4 and 5	6	8 and 9	10	State total
1960:	January 1	40	44	19	34	32	49	30	248
	April 1	33	38	9	16	19	26	20	161
	July 1	38	47	6	13	23	23	23	173
	October 1	38	45	14	19	26	33	31	206
1961:	January 1	43	48	24	31	32	47	29	254
	April 1	49	54	17	17	21	36	24	218
	July 1	44	50	12	16	15	32	14	183
	October 1	48	53	17	20	19	36	26	219
1962:	January 1	58	59	27	39	29	71	40	323
	April 1	57	59	22	20	30	51	33	272
	July 1	52	56	16	14	17	37	24	216
	October 1	62	66	37	37	28	63	32	325
1963:	January 1	83	78	48	65	37	97	42	450
	April 1	79	75	32	43	31	61	37	358
	July 1	58	59	17	29	21	60	24	268
	October 1	90	78	32	62	21	84	35	402
1964:	January 1	105	87	48	72	29	94	43	478
	April 1	93	68	34	46	18	58	32	349
	July 1	80	46	36	37	7	62	29	297
	October 1	110	57	56	53	6	77	33	392
1965:	January 1	126	68	65	70	9	105	45	488
	April 1	123	50	42	46	6	65	32	364
	July 1	118	48	43	45	5	65	30	354
	October 1	126	60	55	57	8	88	40	434
1966:	January 1	167	64	63	72	18	107	47	538
	April 1	191	60	60	67	10	95	47	530
	July 1	201	59	59	56	16	90	31	512
	October 1	190	54	60	62	15	90	38	509

SOURCE: U.S. Department of Agriculture.

The largest percentage gain in numbers has occurred in Districts 2, 3, and 7 — located in the Northern Low Plains, Cross Timbers, and Edwards Plateau areas of the State. As a result of the combined growth in these districts, their share of the number of cattle fed in Texas between 1960 and 1966 almost doubled. Cattle feeding in the Blacklands and east Texas has grown over 200 percent, and Districts 4 and 5 accounted for 12 percent of the State's total in 1966. Cattle feeding in the southern area of the State has increased at a more moderate rate. Although the number of cattle fed has risen in the southern part of Texas, the region's proportion of the State's total declined from about 13 percent in 1960 to under 8 percent in 1966.

The growing importance of cattle feeding in the State is closely associated with the expansion in the number of large commercial feedlots, which usually operate on a year-round

basis. Feedlots with a capacity of 1,000 or more head of cattle increased from 102 as of January 1, 1960, to 278 as of January 1, 1967. There have been gains in the number of feeding facilities throughout Texas, but the number of lots has risen considerably faster in some areas than in others. In 1960 the Panhandle, Trans-Pecos, and east Texas areas accounted for almost 60 percent of the large feedlots in the State. During the past 7 years, the Panhandle and east Texas areas added 36 and 23 of these large-capacity lots, respectively. Although the number of lots in operation in the Trans-Pecos area was on an uptrend until 1963, the region operated the same number in 1967 as in 1960.

The greatest percentage gain in the number of feedlots has occurred in Districts 2, 3, and 7, where the absolute number of lots with a capacity of 1,000 or more head increased from 6 to 34. Districts 8 and 9 (the Gulf Coast region) ranked second to District 1-N (the

Panhandle) in the number of large lots and, with 29 additions, had almost tripled the number 7 years earlier. Although District 10, in the southern part of the State, has more than doubled its large feedlots, growth has been slower than in most other areas—a development which parallels the moderate expansion in the number of cattle fed.

The Texas cattle industry in general, and cattle feeding in particular, is undergoing considerable change. Shifts in production areas and the expansion and development of feeding and slaughtering facilities are part of the response of the beef industry to the growing market for fed beef. The affluent consumer demands quality in the beef purchased for consumption at home, as well as that eaten in other locations. To satisfy the requirements of the consumer market, cattle are fed to produce cuts of meat that have eye appeal and sufficient fat to be juicy and tender when prepared. The consumer demands meat cuts that are mature but are not excessively large or

fat. The cattle feeder meets these standards by feeding cattle to weights of 900 to 1,000 pounds in order to obtain Choice or Good grade carcasses.

The housewife has given direction to production through the selections made at the retail counter. Communication between consumer and cattle feeder is not direct but is passed through the market channels. The information relayed through the various levels of the market structure enables the meat industry to cooperate in supplying the quantity and quality of beef demanded by the consumer.

Feedlot capacities have grown rapidly during the past 7 years. Large commercial lots supply over 90 percent of the fed beef produced in the State. Further expansion in large facilities likely will occur because of the economies, technical knowledge, and substantial capital outlays required by modern feeding operations.

J. C. GRADY, JR.

district highlights

The Texas industrial production index, seasonally adjusted, made its strongest showing thus far this year in July. Rising to 158.6 percent of the 1957-59 base, the index was more than 2 percent above the upward revised level for June. The increase over June derived its strength primarily from the 10-percent gain in crude petroleum mining. Virtually all other industry categories performed very moderately, with the gains and losses about evenly divided and with the output levels of nearly all the categories holding within a narrow range of

the levels of the previous month. The industrial production index for the State in July was nearly 8 percent above July 1966.

At a level of 5,696,600, total nonagricultural employment in the five southwestern states in July ran counter to the usual seasonal decline by remaining practically unchanged from June. Employment in both manufacturing and non-manufacturing was seasonally strong. Construction was the only sector evidencing weakness, which was predominantly due to work stop-

pages in Louisiana. In comparison with the same month last year, nonagricultural employment in the five states in July was 4.4 percent higher.

The production of crude oil has steadily advanced in the Eleventh District since the advent of the Mideast crisis in June, and the Texas allowable has been revised upward appreciably. Daily average production of crude oil in the District rose 8.0 percent during July and was 10.5 percent higher than in the same month last year. East Texas, with a monthly increase of almost 20 percent and a year-to-year advance of 27 percent, showed the largest percentage gains of all areas within the District; west Texas also showed large percentage gains. Northern Louisiana and southeastern New Mexico posted only nominal percentage increases over June.

The oil allowable for Texas was set at a record-breaking 54 percent of permissible production in August and will be held at this level in September. The allowable for southeastern New Mexico has been increased, whereas that for Louisiana will be lower in September.

In the first 7½ months of 1967, negotiable time certificates of deposit issued in denominations of \$100,000 or more increased quite rapidly at the weekly reporting commercial banks in the Eleventh District. For example, from December 28, 1966, to August 16, 1967, these large CD's rose from \$1.02 billion to \$1.22 billion, or at a seasonally unadjusted annual rate of 19 percent.

The rate of growth of these money market instruments, however, was not steady over the period. In the first quarter of the year, the large CD's at the District's weekly reporting commercial banks rose very rapidly, chiefly reflecting declines in open market rates and the resultant attractiveness of CD offering rates. In the second quarter, on the other hand, the

amount of large CD's outstanding declined slightly, as banks with relatively modest loan demands became less aggressive in seeking funds through large-denomination certificates of deposit. Since early July, despite higher open market rates, weekly reporting banks in the District have again attracted considerable funds through the large CD's, apparently in anticipation of an expansion in loan demand in the coming months.

New passenger car registrations for July in four major Texas markets were 14 percent higher than those for the same month in 1966 but were 4 percent lower than in June 1967. Declines in Houston and Dallas were responsible for the month-to-month dip; registrations advanced in Fort Worth but were unchanged in San Antonio. Cumulative registrations through July this year were 1 percent below the January-July 1966 total for the four markets.

During the 4 weeks ended August 19, department store sales in the Eleventh District were 7 percent higher than in the corresponding period in 1966. Cumulative sales thus far in 1967 were 4 percent more than those for the same period a year ago.

Despite a shortage of soil moisture in some areas of the Eleventh District, crops generally have made good progress. Harvesting of major crops is ahead of a year ago, and the earlier than usual first cutting of rice is virtually complete. U.S. Department of Agriculture estimates of rice and sorghum grain production in the five southwestern states, as of August 1, place output at 11 percent and 23 percent, respectively, above last year. Cotton production, on the other hand, is indicated to be 9 percent lower. The condition of livestock in the District varies from fair to good. Prolonged periods without measurable rain in some areas have resulted in reduced supplies of forage and have necessitated supplemental feeding.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

September 1967



FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING
COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Aug. 30, 1967	July 26, 1967	Aug. 31, 1966
ASSETS			
Net loans and discounts.....	5,101,411	5,125,639	4,987,790
Valuation reserves.....	92,578	95,736	92,059
Gross loans and discounts.....	5,193,989	5,221,375	5,079,849
Commercial and industrial loans.....	2,442,310	2,494,310	2,474,624r
Agricultural loans, excluding CCC certificates of interest.....	103,819	103,493	85,982
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	11,752	18,761	4
Other securities.....	56,860	42,189	38,789
Other loans for purchasing or carrying:			
U.S. Government securities.....	872	871	1,065
Other securities.....	324,522	320,625	320,470
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	167,613	172,036	148,225
Other.....	268,362	278,776	265,327
Real estate loans.....	502,956	492,171	470,810
Loans to domestic commercial banks.....	172,619	156,395	160,224
Loans to foreign banks.....	5,596	4,153	6,532
Consumer instalment loans.....	537,038	530,199	521,987r
Loans to foreign governments, official institutions, central banks, international institutions.....	0	0	99
Other loans.....	599,670	607,396	585,711r
Total investments.....	2,518,045	2,397,411	2,202,739
Total U.S. Government securities.....	1,203,241	1,104,780	1,095,390
Treasury bills.....	83,216	69,192	53,453
Treasury certificates of indebtedness.....	0	13,872	17,843
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	220,830	140,702	142,666
1 year to 5 years.....	657,437	625,560	569,590
After 5 years.....	241,758	255,454	311,838
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills..	30,658	27,778	14,287
All other.....	1,050,506	1,035,075	942,325
Other bonds, corporate stocks, and securities:			
Participation certificates in Federal agency loans.....	148,467	146,019	80,357
All other (including corporate stocks).....	85,173	83,759	70,380
Cash items in process of collection.....	758,165	829,367	749,474
Reserves with Federal Reserve Bank.....	666,144	678,224	531,347
Currency and coin.....	76,777	79,132	72,086
Balances with banks in the United States.....	425,881	472,840	429,977
Balances with banks in foreign countries.....	5,416	4,952	4,173
Other assets.....	330,924	316,239	314,153
TOTAL ASSETS.....	9,882,763	9,903,804	9,291,739
LIABILITIES			
Total deposits.....	8,466,903	8,460,209	8,028,684
Total demand deposits.....	5,074,275	5,106,287	4,807,596
Individuals, partnerships, and corporations....	3,520,418	3,536,382	3,300,200
States and political subdivisions.....	293,012	276,169	326,543
U.S. Government.....	80,615	136,138	113,664
Banks in the United States.....	1,096,283	1,059,130	983,740
Foreign:			
Governments, official institutions, central banks, international institutions.....	3,155	3,221	2,555
Commercial banks.....	20,593	21,854	20,760
Certified and officers' checks, etc.....	60,199	73,393	60,134
Total time and savings deposits.....	3,392,628	3,353,922	3,221,088
Individuals, partnerships, and corporations:			
Savings deposits.....	1,115,517	1,114,147	1,201,183
Other time deposits.....	1,703,346	1,646,665	1,414,626
States and political subdivisions.....	536,232	555,703	579,428
U.S. Government (including postal savings)....	12,915	12,929	5,837
Banks in the United States.....	23,118	22,978	17,174
Foreign:			
Governments, official institutions, central banks, international institutions.....	800	800	1,300
Commercial banks.....	700	700	1,540
Bills payable, rediscounts, and other liabilities for borrowed money.....	345,462	408,425	247,951
Other liabilities.....	181,712	154,679	172,861
CAPITAL ACCOUNTS.....	888,686	880,491	842,243
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	9,882,763	9,903,804	9,291,739

r — Revised.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	4 weeks ended Aug. 2, 1967	4 weeks ended July 5, 1967	4 weeks ended Aug. 3, 1966
RESERVE CITY BANKS			
Total reserves held.....	649,520	642,204	618,075
With Federal Reserve Bank.....	601,975	595,825	572,683
Currency and coin.....	47,545	46,379	45,392
Required reserves.....	644,760	638,464	607,112
Excess reserves.....	4,760	3,740	10,963
Borrowings.....	0	0	24,547
Free reserves.....	4,760	3,740	—13,584
COUNTRY BANKS			
Total reserves held.....	643,091	632,219	625,842
With Federal Reserve Bank.....	481,825	475,775	475,166
Currency and coin.....	161,266	156,444	150,676
Required reserves.....	603,623	595,182	591,786
Excess reserves.....	39,468	37,037	34,056
Borrowings.....	3,775	3,828	11,407
Free reserves.....	35,693	33,209	22,649
ALL MEMBER BANKS			
Total reserves held.....	1,292,611	1,274,423	1,243,917
With Federal Reserve Bank.....	1,083,800	1,071,600	1,047,849
Currency and coin.....	208,811	202,823	196,068
Required reserves.....	1,248,383	1,233,646	1,198,898
Excess reserves.....	44,228	40,777	45,019
Borrowings.....	3,775	3,828	35,954
Free reserves.....	40,453	36,949	9,065

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Aug. 30, 1967	July 26, 1967	Aug. 31, 1966
Total gold certificate reserves.....	451,654	519,117	321,337
Discounts for member banks.....	5,170	3,467	19,740
Other discounts and advances.....	0	0	116
U.S. Government securities.....	1,905,597	1,828,588	1,771,997
Total earning assets.....	1,910,767	1,832,055	1,791,853
Member bank reserve deposits.....	1,049,350	1,078,236	917,766
Federal Reserve notes in actual circulation....	1,330,402	1,314,801	1,246,825

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	July 26, 1967	June 28, 1967	July 27, 1966
ASSETS			
Loans and discounts.....	8,979	9,096	8,505
U.S. Government obligations.....	2,310	2,237	2,289
Other securities.....	2,509	2,421	2,166
Reserves with Federal Reserve Bank.....	1,078	994	955
Cash in vault.....	232	229	224
Balances with banks in the United States....	1,120	1,063	995
Balances with banks in foreign countries ^e	7	7	7
Cash items in process of collection.....	945	963	868
Other assets ^e	462	501	476
TOTAL ASSETS^e.....	17,642	17,511	16,485
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,319	1,374	1,178
Other demand deposits.....	7,799	7,608	7,546
Time deposits.....	6,391	6,354	5,804
Total deposits.....	15,509	15,336	14,528
Borrowings.....	414	372	318
Other liabilities ^e	211	299	213
Total capital accounts ^e	1,508	1,504	1,426
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^e.....	17,642	17,511	16,485

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			
	July 1967 (Annual-rate basis)	Percent change			July 31, 1967	Annual rate of turnover		
		July 1967	July 1966	7 months, 1967 from 1966		July 1967	June 1967	July 1966
ARIZONA: Tucson.....	\$ 4,598,160	11	16	10	\$ 165,732	28.1	25.5	24.4
LOUISIANA: Monroe.....	2,533,188	26	31	8	77,983	33.8	27.1	25.6
Shreveport.....	5,740,572	-3	4	12	217,513	26.4	27.0	25.8
NEW MEXICO: Roswell ²	716,472	17	6	-1	34,539	19.8	16.9	19.9
TEXAS: Abilene.....	1,847,436	6	-2	0	92,750	19.7	18.2	20.8
Amarillo.....	4,622,244	7	7	1	137,139	33.8	31.3	30.7
Austin.....	5,236,272	12	21	13	209,809	24.9	22.3	22.5
Beaumont-Port Arthur-Orange.....	5,551,116	0	2	5	228,431	24.9	25.6	25.6
Brownsville-Harlingen-San Benito.....	1,418,496	4	17	3	64,778	22.3	22.0	22.7
Corpus Christi.....	4,245,660	9	8	6	190,598	21.7	20.0	22.4
Corpus Christi ²	393,720	7	17	9	28,734	13.5	12.7	12.2
Dallas.....	75,435,108	7	11	11	1,800,375	42.5	40.4	41.3
El Paso.....	5,166,216	-2	7	9	198,339	26.6	27.2	24.5
Fort Worth.....	15,628,656	6	9	7	530,658	30.0	29.2	28.8
Galveston-Texas City.....	2,071,332	-8	8	10	97,835	21.6	24.0	21.8
Houston.....	71,289,396	2	13	11	2,089,638	34.4	34.4	32.3
Laredo.....	646,596	-2	17	14	34,451	19.5	20.6	18.7
Lubbock.....	3,727,896	4	4	-2	143,152	25.9	25.0	24.3
McAllen-Pharr-Edinburg.....	1,323,888	0	11	13	80,575	16.5	17.1	16.5
Midland.....	1,678,116	6	1	-1	123,919	13.7	13.1	14.3
Odessa.....	1,139,664	-9	-4	-5	66,332	17.6	19.8	18.5
San Angelo.....	993,552	9	8	2	55,592	17.8	16.2	16.6
San Antonio.....	12,932,232	10	11	3	560,778	23.8	22.5	23.4
Texasarkana (Texas-Arkansas).....	1,275,756	-2	24	21	61,514	21.5	22.2	19.0
Tyler.....	1,895,100	19	13	3	86,891	22.3	19.2	20.0
Waco.....	2,214,648	-5	10	6	112,275	20.0	21.0	19.3
Wichita Falls.....	2,031,612	10	-2	-7	108,625	19.0	17.2	18.8
Total—27 centers.....	\$236,353,104	5	11	9	\$7,598,955	31.5	30.5	30.0

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.
² County basis.
 NOTE.— Figures for 1966 have been revised due to the use of new seasonal adjustment factors.

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
1965: July.....	8,645	4,129	4,516	5,233	2,552	2,681
1966: July.....	8,912	4,165	4,747	5,734	2,660	3,074
1967: February...	8,902	4,020	4,882	6,091	2,721	3,370
March.....	8,951	4,106	4,845	6,183	2,738	3,445
April.....	9,140	4,245	4,895	6,231	2,723	3,508
May.....	8,833	4,089	4,744	6,261	2,716	3,545
June.....	8,968	4,197	4,771	6,282	2,707	3,575
July.....	9,195	4,302	4,893	6,285	2,670	3,615

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		VALUATION		Percent change		
	July 1967	7 mos. 1967	July 1967	7 mos. 1967	June 1967	July 1966	7 months, 1967 from 1966
					July 1967 from		
ARIZONA: Tucson.....	536	3,888	\$ 1,982	\$ 14,553	-27	-36	-13
LOUISIANA: Monroe-West.....	77	528	346	13,163	-86	-80	31
Shreveport.....	377	2,482	5,081	19,333	5	22	5
TEXAS: Abilene.....	39	359	289	7,588	8	-28	-14
Amarillo.....	123	995	1,063	13,075	-36	-59	-41
Austin.....	366	2,647	8,731	77,486	17	-8	48
Beaumont.....	154	1,027	2,963	10,580	121	41	-3
Brownsville.....	55	432	560	1,671	235	206	-30
Corpus Christi.....	393	2,662	1,883	19,095	-65	-15	-8
Dallas.....	1,683	13,295	15,673	117,106	-38	-4	-5
El Paso.....	411	3,276	3,367	34,699	-41	-40	-1
Fort Worth.....	571	4,386	19,341	53,632	376	55	32
Galveston.....	89	700	606	5,280	-8	89	16
Houston.....	2,010	14,538	52,606	233,098	36	113	16
Laredo.....	28	223	218	2,317	-31	112	65
Lubbock.....	116	937	1,353	17,661	-33	-87	-56
Midland.....	80	583	3,686	9,746	248	302	-16
Odessa.....	88	685	747	4,122	34	64	-53
Port Arthur.....	64	546	117	2,298	-40	-49	-32
San Angelo.....	63	490	1,283	7,506	-64	321	57
San Antonio.....	1,238	8,554	6,075	61,773	-36	-7	4
Texasarkana.....	45	299	396	2,562	-11	345	-50
Waco.....	366	2,111	1,148	7,982	21	98	13
Wichita Falls.....	65	512	3,524	12,880	25	156	45
Total—24 cities.....	9,037	66,155	\$133,038	\$749,206	9	25	4

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	July 1967	June 1967	May 1967	January—July	
	1967	1967	1967	1967	1966
FIVE SOUTHWESTERN STATES¹					
Residential building.....	441	583	519	3,261	3,080
Nonresidential building.....	172	198	208	1,163	1,268
Nonbuilding construction... ..	144	219	138	1,193	982
Nonbuilding construction... ..	124	166	171	904	830
UNITED STATES.....					
Residential building.....	4,879	5,414	5,095	30,136	31,427r
Nonresidential building....	1,829	2,000	2,002	10,979	12,016r
Nonbuilding construction... ..	1,749	2,070	1,808	11,659	11,625
Nonbuilding construction... ..	1,302	1,344	1,285	7,498	7,785

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

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS		FIVE SOUTHWESTERN STATES ¹			
	1967, estimated Aug. 1	1966	Average 1961-65	1967, estimated Aug. 1	1966	Average 1961-65
Cotton ²	2,775	3,182	4,544	4,125	4,541	6,555
Corn.....	19,188	19,008	26,305	27,480	26,593	37,720
Winter wheat....	53,216	72,652	63,065	153,812	178,516	167,575
Oats.....	6,644	17,640	19,488	11,461	24,368	28,523
Barley.....	1,178	2,750	4,968	17,706	20,984	26,390
Rye.....	350	544	386	909	1,342	1,234
Rice ³	24,892	21,210	17,524	46,927	42,398	33,722
Sorghum grain....	377,160	311,696	236,601	447,498	362,428	274,468
Flaxseed.....	150	712	921	150	712	921
Hay ⁴	3,119	3,585	2,878	8,593	8,844	7,808
Peanuts ⁵	370,500	403,200	221,994	604,500	624,606	400,034
Irish potatoes ⁶ ..	4,329	4,451	2,755	7,766	7,977	5,704
Sweet potatoes ⁶ ..	756	780	840	5,110	4,871	4,760
Pecans ⁶	35,000	26,000	38,200	106,500	71,300	94,190

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

² In thousands of bales.

³ In thousands of bags containing 100 pounds each.

⁴ In thousands of tons.

⁵ In thousands of pounds.

⁶ In thousands of hundredweight.

SOURCE: U.S. Department of Agriculture.

COTTON PRODUCTION

Texas Crop Reporting Districts

(In thousands of bales — 500 pounds gross weight)

Area	1967, indicated Aug. 1			1967 as percent of 1966
	1967	1966	1965	
1-N — Northern High Plains.....	220	260	558	85
1-S — Southern High Plains.....	950	1,085	1,693	88
2-N — Red Bed Plains.....	170	177	281	96
2-S — Red Bed Plains.....	240	338	402	71
3 — Western Cross Timbers.....	15	18	21	83
4 — Black and Grand Prairies.....	390	484	469	81
5-N — East Texas Timbered Plains....	30	29	34	103
5-S — East Texas Timbered Plains....	40	42	58	95
6 — Trans-Pecos.....	125	127	194	98
7 — Edwards Plateau.....	25	27	57	93
8-N — Southern Texas Prairies.....	65	95	108	68
8-S — Southern Texas Prairies.....	100	134	168	75
9 — Coastal Prairies.....	90	82	201	110
10-N — South Texas Plains.....	25	33	35	76
10-S — Lower Rio Grande Valley.....	290	251	389	116
State.....	2,775	3,182	4,668	87

SOURCE: U.S. Department of Agriculture.

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	January—June		Percent change
	1967	1966	
Arizona.....	\$ 252,800	\$ 266,054	-5
Louisiana.....	169,928	160,178	6
New Mexico.....	88,018	90,457	-3
Oklahoma.....	396,366	430,425	-8
Texas.....	1,006,548	1,194,466	-16
Total.....	\$ 1,913,660	\$ 2,141,580	-11
United States.....	\$18,151,411	\$18,433,195	-2

SOURCE: U.S. Department of Agriculture.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	July 1967p	June 1967p	July 1966	Percent increase over	
				June 1967	July 1966
ELEVENTH DISTRICT.....	3,781.5	3,500.6	3,420.7	8.0	10.5
Texas.....	3,294.3	3,022.0	2,955.6	9.0	11.5
Gulf Coast.....	613.1	566.8	546.2	8.2	12.2
West Texas.....	1,555.5	1,391.9	1,348.8	11.8	15.3
East Texas (proper)....	155.4	129.9	122.4	19.6	27.0
Panhandle.....	99.3	96.7	97.7	2.7	1.6
Rest of State.....	870.9	836.7	840.5	4.1	3.6
Southeastern New Mexico..	313.5	309.9	292.2	1.2	7.3
Northern Louisiana.....	173.6	168.7	172.9	2.9	.4
OUTSIDE ELEVENTH DISTRICT	5,321.3	5,032.0	4,845.2	5.7	9.8
UNITED STATES.....	9,102.7	8,532.6	8,265.9	6.7	10.1

p — Preliminary.

SOURCES: American Petroleum Institute.

U.S. Bureau of Mines.

Federal Reserve Bank of Dallas.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change July 1967 from	
	July 1967p	June 1967	July 1966r	June 1967	July 1966
Total nonagricultural wage and salary workers..	5,700,600	5,699,600	5,457,000	0.0	4.5
Manufacturing.....	1,042,300	1,039,900	1,013,500	.2	2.8
Nonmanufacturing.....	4,658,300	4,659,700	4,443,500	.0	4.8
Mining.....	236,100	235,100	239,700	.4	-1.5
Construction.....	374,600	382,500	371,600	-2.1	.8
Transportation and public utilities.....	440,900	440,600	423,600	.1	4.1
Trade.....	1,330,100	1,324,400	1,276,100	.4	4.2
Finance.....	283,200	281,700	271,600	.5	4.3
Service.....	859,100	850,400	809,100	1.0	6.2
Government.....	1,134,300	1,145,000	1,051,800	-.9	7.8

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	July 1967p	June 1967	May 1967	July 1966
TEXAS				
Total industrial production.....	158.6	154.8	153.2r	147.1r
Manufacturing.....	172.9	172.3	171.2	163.2r
Durable.....	192.0	191.8	189.2	175.4r
Nondurable.....	160.2	159.3	159.2	155.1r
Mining.....	127.7	119.2	117.7r	115.7
Utilities.....	214.8	210.1	204.1r	189.6
UNITED STATES				
Total industrial production.....	156.3	155.3	155.5	157.2
Manufacturing.....	157.5	156.6	157.1r	159.4r
Durable.....	163.2	161.7	162.5r	166.1r
Nondurable.....	150.4	150.2	150.2r	151.3r
Mining.....	128.3	123.8	121.3r	122.0
Utilities.....	182.0	183.5	182.5r	175.7r

p — Preliminary.

r — Revised.

SOURCES: Board of Governors of the Federal Reserve System.

Federal Reserve Bank of Dallas.