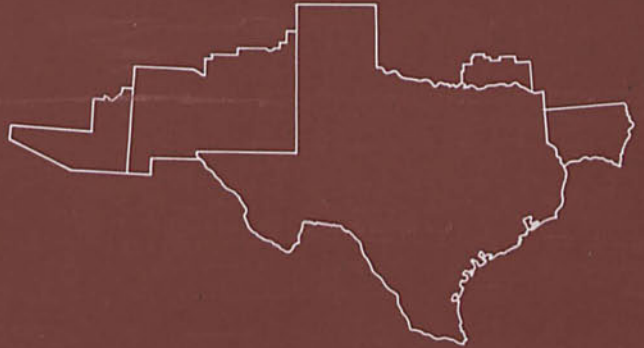


business review



july 1968

**FEDERAL RESERVE
BANK OF DALLAS**

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profits at district member banks in 1967

Net current operating earnings at member banks in the Eleventh Federal Reserve District advanced 9.5 percent in 1967, which is slightly below the percentage gain in 1966 but is substantially above the rise in most other years thus far in the 1960's. Moreover, with losses on nonoperating items absorbing a somewhat smaller proportion of total earnings, net income before related taxes showed a large gain; in fact, net income before related taxes rose about a third more than in the previous year. The banks, on the other hand, set aside larger amounts for income tax purposes, and, therefore, the rise in net profits after taxes was less impressive. Net profits after income taxes increased \$13.3 million, or 11.4 percent — a gain which is still slightly larger than in the preceding year and is the largest percentage rise in such profits since 1960.

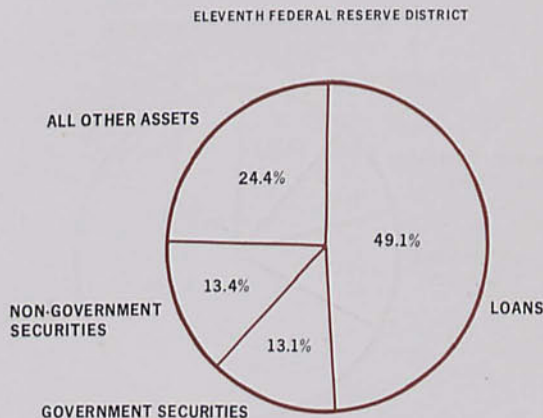
The advance of 9.5 percent in net current operating earnings at the member banks in the Eleventh District was almost double the percentage gain for all member banks in the Nation and primarily reflected a slower rate of growth in expenses at the District's banks. However, the actual decline in losses on nonoperating transactions at the Nation's member banks contributed to a percentage rise in net income, both before and after taxes, which surpassed the gain at the District's member banks by a considerable margin.

The changes in the various earnings and expense items at the District's member banks in 1967 were, of course, heavily affected by economic and financial conditions. Of particular importance was the slowdown in general business activity during most of the year, accompanied by a relatively moderate loan demand,

principally for business loans at the larger banks, and the relatively easy posture of monetary policy, which produced large deposit inflows, both demand and time. With strong deposit inflows, member banks in the District were able to meet the moderate loan demand and still have large amounts of funds available for the acquisition of investments, both U.S. Government securities and municipals, but especially the latter. This situation was in sharp contrast to the one in the prior year; during most of 1966, business activity was very strong, monetary policy was restrictive, deposit inflows were curtailed, loan demand (particularly business loan demand at the larger banks) was quite heavy, and banks were forced to liquidate investments in order to meet the heavy loan demand.

Reflecting economic and financial conditions, bank credit — total loans and investments — at the District's member banks rose 10.4 percent in 1967, or more than double the gain in

MEMBER BANK ASSETS, 1967



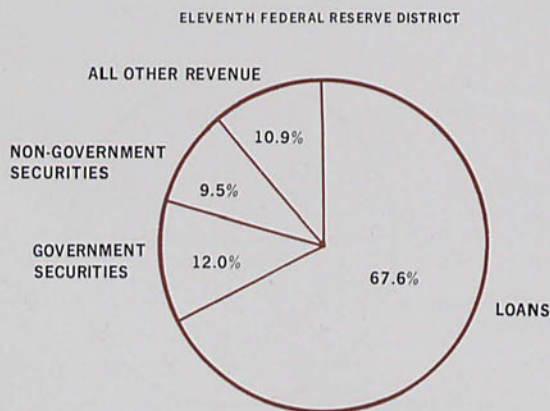
the preceding year. Their holdings of U.S. Government obligations increased almost 11 percent, in contrast to a decline in 1966; and demand and time deposits of individuals, partnerships, and corporations at these banks advanced 10.7 percent and 14.4 percent, respectively, as compared with gains of 2.2 percent and 9.1 percent in the previous year. On a year-end to year-end basis, total loans rose more rapidly in 1967 than in 1966. The less rapid rate in 1966 reflected the slowdown in loan growth in the fall of the year after loans had risen very rapidly during the first three quarters; through September, loan growth in 1967 was exceeded by loan growth in 1966 by a considerable margin.

revenue

Total current operating revenue at Eleventh District member banks in 1967 advanced \$85.3 million, or 10.7 percent, which is somewhat less than the 13.7-percent increase in 1966 but is about in line with the average gain in recent past years. As would be expected, earnings on loans provided the major source of this revenue, accounting for \$596.9 million, or 68 percent, of total current operating revenue.

While loans again provided the great bulk of total current operating revenue in 1967, the

MEMBER BANK REVENUE, 1967



expansion in revenue from loans was substantially less than in the previous year, apparently reflecting the slower rate of increase in the average rate on these loans. (The average return on all loans at member banks in the Eleventh District rose 35 basis points from 1965 to 1966 but only 17 basis points from 1966 to 1967.) In line with these factors, interest and discount on loans advanced 9.8 percent in 1967, or substantially less than the 13.9-percent gain in 1966. The 9.8-percent rise in loan revenue represented the smallest percentage increase in this source of revenue at the District's member banks since 1961.

In contrast to the considerably slower growth in revenue from loans, earnings from investments advanced at about the same rate as in the prior year, principally reflecting the fact that the rapid accumulation of securities, particularly non-U.S. Government issues, at the District banks about offset the slower increase in yields on investments. Interest and dividends on securities rose \$22.0 million, or 13.1 percent, and provided \$189.7 million, or 21.5 percent, of total current operating revenue. In 1966, interest and dividends on securities had risen \$19.2 million, or 13.0 percent.

While earnings from both U.S. Government and non-Government securities showed advances in 1967, the rise in earnings from non-Government securities, principally municipals, was particularly impressive. Thus, earnings on U.S. Government securities rose 6.4 percent, but earnings on non-Government issues advanced 22.7 percent. Moreover, the rise in earnings on non-Government securities does not reflect their true contribution to net profits after taxes since the return on the larger segment of such holdings — municipal issues — is not subject to the Federal income tax.

Other sources of current operating revenue, consisting principally of service charges on deposit accounts and trust department revenue, showed moderate expansion and advanced only

INCOME AND DIVIDENDS OF MEMBER BANKS, 1967

Eleventh Federal Reserve District

(Dollar amounts in millions)

Item	ALL MEMBER BANKS		Reserve city banks		Country banks	
	1967	Percent change from 1966	1967	Percent change from 1966	1967	Percent change from 1966
Current operating revenue:						
Interest and dividends on:						
U.S. Government obligations	\$105.5	6.4	\$ 37.6	5.5	\$ 67.9	7.0
Other securities	84.2	22.7	35.4	20.4	48.8	24.4
Interest and discount on loans	597.0	9.8	267.7	7.2	329.2	12.0
Service charges on loans	8.2	4.7	4.4	-4	3.8	11.2
Service charges on deposit accounts	37.1	9.6	6.1	14.1	31.0	8.7
Other service charges	14.6	21.1	7.8	40.6	6.8	4.6
Trust department revenue	23.6	10.5	16.7	11.6	6.9	7.7
All other revenue	12.9	16.6	5.2	1.8	7.8	29.0
Total current operating revenue	883.1	10.7	380.9	8.8	502.2	12.2
Current operating expenses:						
Salaries — officers	76.4	8.6	21.9	11.4	54.5	7.1
Salaries and wages — employees	97.1	8.6	37.7	9.6	59.4	7.9
Officer and employee benefits	22.6	13.5	9.8	13.1	12.8	13.7
Directors' fees, etc.	5.2	11.9	.6	12.3	4.6	11.8
Interest on time and savings deposits	273.1	16.1	124.0	7.7	149.1	24.1
Interest and discount on borrowed money	17.6	-10.9	15.2	-12.9	2.4	3.6
Net occupancy expense of bank premises	31.3	-2.5	7.2	-20.1	24.1	4.3
Furniture and equipment	22.6	17.6	8.9	22.0	13.7	14.9
All other expenses	105.6	10.6	44.0	11.7	61.6	9.9
Total current operating expenses	651.6	11.1	269.3	7.1	382.3	14.1
Net current operating earnings	231.5	9.5	111.6	13.1	119.9	6.4
Nonoperating losses (net)	48.9	3.5	20.7	18.4	28.1	-5.3
Net income before related taxes	182.7	11.2	90.9	11.9	91.8	10.5
Taxes on net income	52.7	10.9	29.3	15.5	23.3	5.6
Net income	130.0	11.4	61.6	10.3	68.4	12.3
Dividends on capital	64.6	8.0	37.9	8.4	26.7	7.5

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

slightly less than in the previous year. Service charges on deposit accounts provided \$37.1 million of revenue in 1967, or \$3.2 million more than in 1966, while trust department revenue was \$23.6 million, up \$2.3 million from the prior year.

expenses

Total current operating expenses were \$651.6 million at the District's member banks in 1967, reflecting an increase of 11.1 percent over the 1966 figure. This rate of growth is considerably below the 15.2-percent increase in the previous year and, in fact, is below the percentage gain for any other year since 1961. The major reasons for the slower growth in operating expenses in 1967 than in 1966 were the less rapid advance in interest payments on time and savings deposits and the declines in interest and discount

on borrowed money and in the net occupancy expense of bank premises.

Total interest payments on time and savings deposits, the largest component of total current operating expenses, accounted for \$273.1 million, or 41.9 percent, of total current operating expenses. While interest payments on time and savings deposits showed a rapid rise of \$37.9 million in 1967, the gain was less than the \$45.4 million advance in 1966, principally reflecting the smaller increase in the average rate paid on these deposits in 1967. The average rate paid on total time and savings deposits in 1967 rose only 19 basis points, as compared with an increase of 37 basis points in 1966.

Wage and salary expenses accounted for \$173.5 million, or 26.6 percent, of total current operating expenses. This category of expenses

rose 8.6 percent, which is slightly more than the 7.6-percent increase in the prior year, with both officer and employee salaries rising more than 8 percent. Another type of employee compensation— officer and employee benefits (primarily pensions, hospitalization, social security, and insurance) — rose very rapidly, 13.5 percent. These types of fringe benefits have shown especially rapid gains in recent years.

Taken as a whole, total current operating expenses less interest payments on time and savings deposits and less wage and salary payments accounted for \$205.0 million, or 31.5 percent, of current operating expenses. These "other" expenses advanced 7.2 percent, considerably less than the 12.0-percent rise in the previous year. The less rapid advance in 1967 reflected the declines in both interest and discount on borrowed money (undoubtedly because the easier monetary conditions last year fostered less reliance on borrowings) and the net occupancy expense of bank premises.

nonoperating transactions

Total nonoperating transactions resulted in a net reduction of \$48.9 million in earnings, which is only slightly more than the net reduction in 1966. These transactions reflect (1) profits on securities sold or redeemed, recoveries, and transfers from valuation reserves and (2) losses, charge-offs, and transfers to valuation reserves. In 1966, these nonoperating transactions had resulted in a substantial reduction in net earnings, chiefly due to losses on sales of securities. (In fact, the net reduction from nonoperating transactions in 1966 was about \$6 million greater than in the previous year.) In contrast to the losses on securities sold in 1966, District member banks realized a net gain from

securities sold or redeemed in 1967. This fact reflects the change in yield levels; less pressure, because of easier reserve positions, for the sale of securities; and the swapping of securities for tax purposes.

income taxes

The rapid increase in net income before related taxes was, however, offset by the acceleration in charge-offs for income tax purposes. Thus, taxes on net income rose \$5.2 million, or 10.9 percent, over the preceding year. In contrast, taxes on net income had risen only about \$1.5 million in the previous year, undoubtedly reflecting the taking of losses by the District's member banks on their securities portfolio in 1966, which served to reduce their income tax liabilities.

net profits after taxes

As a result of the changes in operating earnings and expenses, nonoperating transactions, and taxes, net income after taxes rose 11.4 percent in 1967 to a record \$130.0 million. In the preceding year, net income after taxes had increased 11.1 percent. The ratio of net income after taxes to total capital and to total assets was 8.7 percent and 0.70 percent, respectively; both ratios were larger than in 1966, when the ratio of net income after taxes to total capital and to total assets had been 8.2 percent and 0.67 percent, respectively.

Total cash dividends of \$64.6 million were paid by member banks in the Eleventh District in 1967. These dividend payments rose \$4.8 million, or 8.0 percent, and represented almost 50 percent of net profits after taxes. The ratio of dividends to net profits after taxes, however, was the lowest since 1962.

DONALD R. FRASER

eleventh district

farm loans—

a decade apart

Certain aspects of farm lending by commercial banks in the Eleventh Federal Reserve District have been discussed in two articles published previously in the *Business Review*. One article presents an overview of agricultural lending by banks in 1966, and the other deals with various characteristics of farmers and ranchers who were borrowers at banks in 1956 and in 1966.¹ The following article focuses on some of the changes that occurred between the mid-fifties and the midsixties in farm loans made by banks.

Both the previous articles and the present discussion draw upon information supplied by banks regarding their farm loans as of the end of June in 1956 and in 1966. The survey banks were asked to classify as farm loans all loans or advances made for agricultural purposes, including loans to farm corporations, farm notes discounted for or purchased from merchants and dealers, and loans to farm and ranch operators for family living expenses.

In mid-1966, the number of farm loans outstanding at District banks totaled 274,196 and averaged a little over 2 notes per borrower. (Banks furnished information on all notes of each farm borrower included in the survey, and, for analysis purposes, each note is treated as a loan in the following discussion.) There were 11 percent fewer loans outstanding than in mid-1956, but this decline was significantly smaller than the reduction in the number of farmers

and ranchers in the District. Although the total number of farm loans at banks decreased between 1956 and 1966, the number of loans per borrower increased and the average original size of loan, at \$3,717, rose more than 2½ times. The rate of growth for total farm credit outstanding was only slightly slower than the pace for the average size of loan.

The rather substantial increase in the average size of loan stemmed from the growing credit requirements of farmers and ranchers as they expanded the size of their businesses. Further, the cost of purchased farm production inputs rose substantially over the decade. The number of agricultural loans with original amounts of less than \$1,000 shrank from about 63 percent of all farm loans in mid-1956 to around 38 percent of the total 10 years later. The lessening predominance of farm loans written for relatively small amounts was, of course, accompanied by a growing proportion of loans of larger sizes. For example, only about 2 percent of the bank loans in mid-1956 were made for original amounts of \$10,000 or more, but, by mid-1966, the proportion had increased to slightly over 8 percent of the total number of loans. Loans of such magnitude accounted for more than half of the amount outstanding in 1966, as compared with about a fourth a decade earlier.

Some perspective on the nature of farm credit demands may be obtained from survey data classifying the notes of farm borrowers according to the major purpose for which the loan proceeds were to be used. As might be expected,

¹ "Agricultural Loans in the Eleventh District," July 1967, and "Eleventh District Farm Borrowers—1956 and 1966," November 1967.

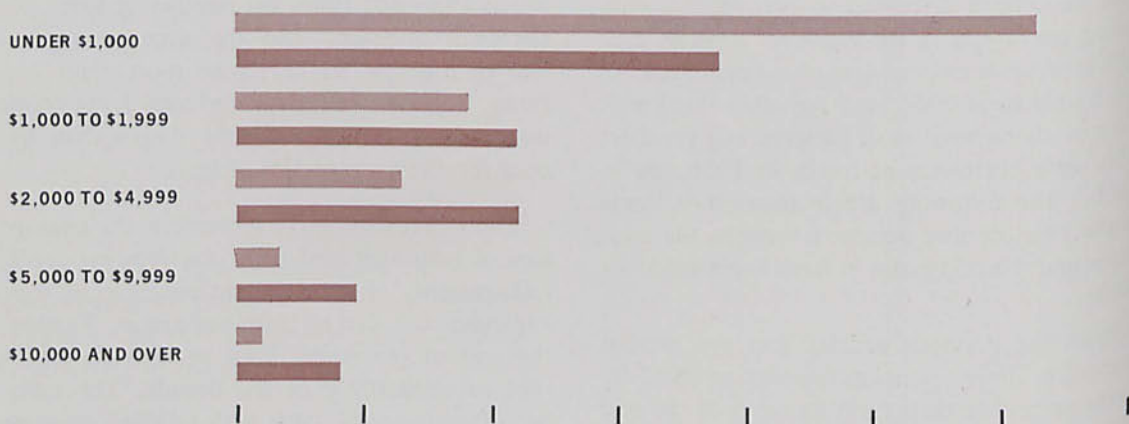
the major purpose of the bulk of the bank loans to farmers and ranchers was to defray current operating and family living expenses. In

mid-1966, loans for this purpose accounted for nearly 62 percent of the total number of notes and around 56 percent of the dollar volume of

ORIGINAL SIZE AND MAJOR PURPOSE OF AGRICULTURAL LOANS AT BANKS

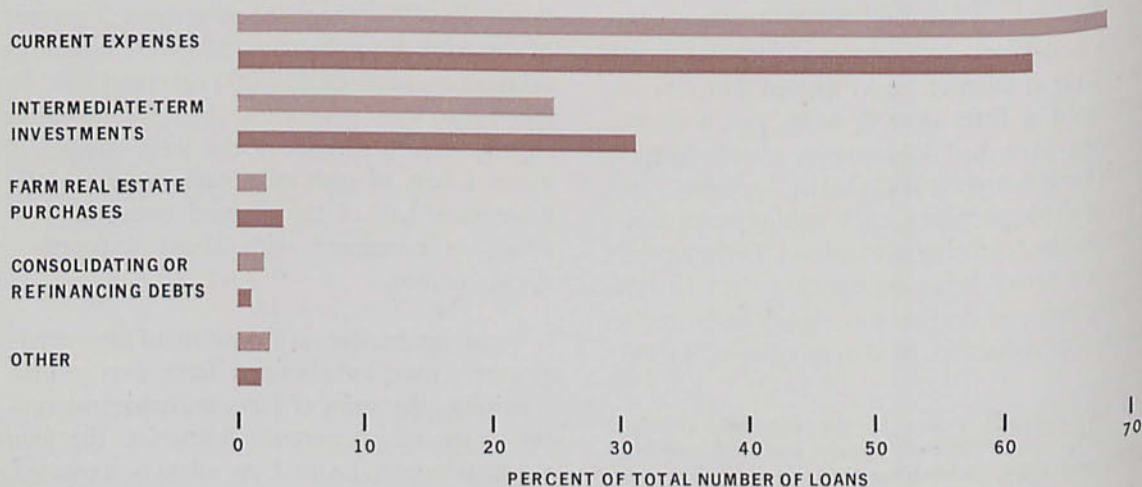
ELEVENTH FEDERAL RESERVE DISTRICT

ORIGINAL SIZE



JUNE 30, 1956
 JUNE 30, 1966

MAJOR PURPOSE



PERCENT OF TOTAL NUMBER OF LOANS

credit outstanding. Lending for current expenses had accounted for a somewhat larger proportion of the farm notes in mid-1956.

The character of the loans for current expenses is much the same for farm borrowers as for nonfarm businesses — that is, such loans provide the working capital needed for buying supplies, meeting payrolls, and carrying inventories during the production process; and loan repayments are ordinarily scheduled to coincide with the receipt of proceeds from sales. Members of the farm family, as in the case of many nonfarm businesses, serve as both managers and workers, and part of the loan proceeds are commonly used to meet family living expenses.

A particularly notable development between the two survey dates in lending for current expenses was the increase in credit extended for the purchase of feeder livestock. The number of notes nearly tripled, and the dollar amount increased fivefold. This development is in keeping with the rise that has occurred in livestock feeding in the District, especially by large commercial feedlots. As mentioned earlier, banks were asked to report all loans made for agricultural purposes, whether to individuals or to firms. Cattle on feed in Texas on July 1, 1966, totaled more than half a million head — well over five times the number on feed on the same date in 1956. Since the number of cattle on feed usually is somewhat smaller in the summer than at other times of the year, bank lending for cattle feeding operations was probably at a low point when the midyear farm loan surveys were taken.

The second largest category of loans to southwestern farmers and ranchers was for such purposes as purchasing beef breeding and dairy replacement livestock, buying machinery and equipment, making land and building improvements, and acquiring automobiles and household durable equipment. Since the useful life of items of this nature ordinarily extends for several years, borrowings for the items are char-

acterized as loans for intermediate-term investments. Loans for making intermediate-term investments often are scheduled to be repaid over an extended period of time, an arrangement which stems from the fact that the initial cost of some of the items is rather sizable and the returns from the investment may not begin immediately or may be realized during successive production periods.

Bank lending for such purposes in mid-1966 represented around 30 percent of both the total number of notes and the dollar volume of credit outstanding. The amount which banks loaned to farmers and ranchers to make intermediate-term investments in 1966 was only slightly lower in relative importance than a decade earlier, although the average size of the notes was sharply higher. In both 1956 and 1966, notes for the purchase of livestock for breeding and milking herds and of machinery and equipment dominated bank lending to farmers and ranchers in the intermediate-term area. The prominence of borrowings for these two purposes is not surprising since improvement in livestock quality and the reduction of labor requirements through the use of mechanization have been key elements in the efforts of southwestern farmers and ranchers to boost the efficiency of their operations.

Borrowings for either current expenses or intermediate-term investments were substantially larger than the combined borrowings to buy farm real estate, to consolidate or refinance debts, and for miscellaneous purposes. Notes for these three purposes comprised about 14 percent of the dollar volume of farm debt outstanding in both 1956 and 1966. The most notable shift between the two survey dates was the increase in the relative importance of borrowing for land purchases and the decline in the proportion of loans used to refinance or consolidate debts. The 1956 survey was taken during the latter stages of a widespread and prolonged drought in the Southwest; consequently, loans for refinancing or consolidating

debts may have been somewhat higher than usual, and those for land purchases somewhat depressed.

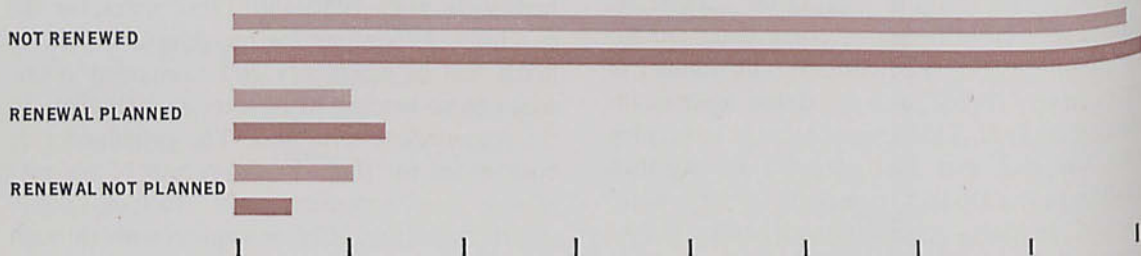
Among the different types of farm loans, those written to purchase feeder livestock, to improve land and buildings, and to buy farm real estate were for significantly larger original amounts than was the case for the loans made

for various other purposes. Notes to finance automobiles and other consumer durables were for relatively modest amounts. Regardless of the purpose of the loan, the average amount borrowed increased substantially over the 10-year period. For example, the original size of notes for current operating and family living expenses in mid-1966 averaged \$3,285, or more than triple a decade earlier.

RENEWAL STATUS AND SECURITY FOR AGRICULTURAL LOANS AT BANKS

ELEVENTH FEDERAL RESERVE DISTRICT

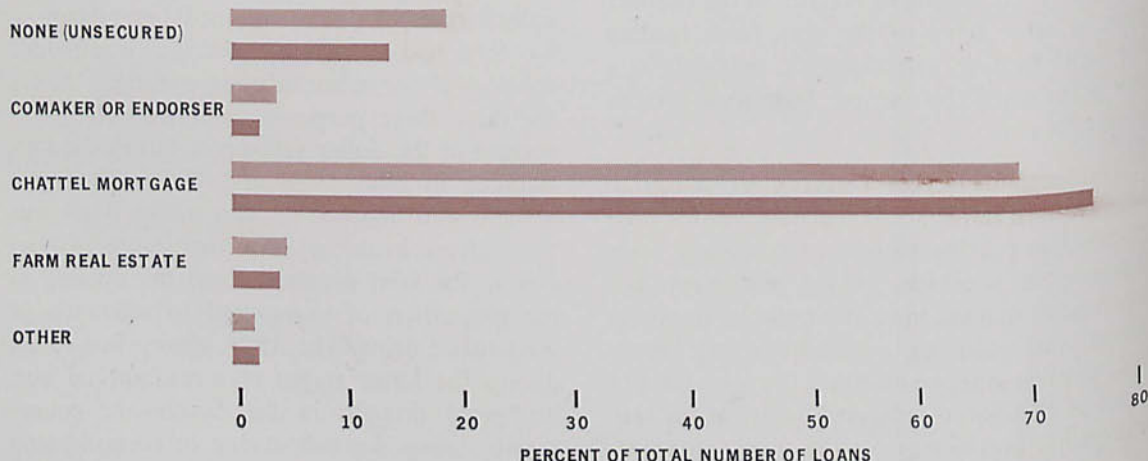
RENEWAL STATUS



JUNE 30, 1956

JUNE 30, 1966

MAJOR SECURITY



PERCENT OF TOTAL NUMBER OF LOANS

Data on renewals and past-due notes suggest that the performance of farm paper at District banks was improved in 1966 as compared with 1956. Such a development would not be surprising in view of the fact that, partly because of the drought, 1956 was not a particularly favorable year for southwestern agriculture. Both total cash farm income and income per farm in the Southwest in 1966 were at all-time highs; in fact, income per farm was well over double that 10 years before.

In mid-1966, about 30 percent — or well under the 1956 experience — of the dollar volume of farm notes outstanding at banks had been renewed. More significant perhaps is the fact that, of the notes renewed in 1966, three-fourths were planned renewals, a sharply higher proportion than in 1956. The relatively smaller number of unplanned renewals suggests that bank lending officers had fewer "surprises" in 1966 than a decade earlier. As might be assumed, the explanation given for most unplanned renewals in 1966 was low income. (Data indicating reasons for unplanned renewals are not available from the 1956 survey.) The number of past-due notes also was sharply lower in mid-1966.

A large number of notes were made with an understanding between the farm borrower and the banker, at the time of the original notes, that the notes would be renewed; and through relatively short-dated notes, many banks are providing farm credit for intermediate-term investment purposes. Some lending officers feel that such a financing arrangement affords an opportunity for a more thorough, periodic review of a borrower's financial progress than would possibly be the case under different borrowing arrangements. On the other hand, some bankers prefer to issue longer-dated notes, with several scheduled repayments, for intermediate-term investments and write shorter-dated notes for current operating and family living expenses. Whatever financing method is used, farm lending is highly personal in character.

Maturities of 1 year or less heavily dominated the maturity schedule of notes to farmers and ranchers in both mid-1956 and mid-1966, characterizing around 85 percent of the number of notes and 80 percent of the dollar volume of debt outstanding on each survey date. The concentration of these maturities is due to the substantial needs for seasonal credit to defray expenses incurred in crop and livestock production and to the practice of planned renewals mentioned previously. In contrast to the stability in the proportion of notes with maturities of 1 year or less, there was a decline between the two survey dates in the relative importance of loans made payable on demand.

Despite the dominance of notes with shorter maturities in the farm loan portfolios at District banks, notes with maturities of 4 years or more comprised almost a tenth of the total loan volume outstanding in 1966, or well over the proportion in 1956. As of both survey dates, these longer-dated notes were primarily for such purposes as the purchase of farmland and the improvement of land and buildings.

Unsecured farm loans (those not having the backing of comakers or collateral) comprised about 13 percent of the debt outstanding in 1966 and declined in relative importance as compared with 10 years earlier. Moreover, notes with endorsers or comakers were less prevalent. Among secured loans, a chattel mortgage on growing crops, livestock, or farm equipment was by far the most common arrangement. Farm real estate also was used as security, but the pledging of such assets was of considerably less significance than chattels.

Farm loans at southwestern banks were predominantly single-payment notes. Such notes accounted for around 87 percent of all farm loans outstanding in both 1956 and 1966. However, notes to be paid in instalments were significantly larger in average size and were frequently used for purposes other than seasonal operating credit.

Interest rates charged on farm loans by District banks varied, depending upon the size of the loan, maturity, security, purpose, and repayment method. Rates charged on loans also would reflect borrower characteristics, such as net worth and managerial ability. For all farm loans outstanding as of mid-1966, the average effective interest rate was 7.1 percent — little changed from the rate of 7.0 percent as of mid-1956. The stability of rates on farm loans contrasts sharply with the change in rates on short-term business loans. Data collected by the Federal Reserve System from a sample of large banks show that rates charged businesses in southern and western cities for short-term loans ranging in size from \$10,000 to \$100,000 averaged 4.71 percent per annum in June 1956 and 6.28 percent in June 1966.

The stability in the average interest rate on all farm loans masks some of the variations in rates among the different types and sizes of loans. Even though the average interest rate charged tended to decrease as loan size increased in both 1956 and 1966, the spread between the interest rates charged in 1956 and those in 1966 was generally wider for larger

loans than smaller ones. For example, average interest rates on outstanding loans under \$500 actually were slightly lower in mid-1966 than in mid-1956; but for loans ranging in size from \$10,000 to \$50,000, interest rates in mid-1966 were 1.1 percentage points higher than a decade earlier.

This brief review of some of the aspects of farm loans at Eleventh District banks at two points in time reveals that farm lending is a dynamic process and changes as financial requirements change. The varied and increasing financing required by the larger commercial farmers and ranchers poses a challenge to many small rural banks with limited capital structure. In such situations, a strong correspondent relationship has provided needed overline assistance to many banks. Member banks have often looked to the Federal Reserve Bank to supply funds during periods of seasonally high loan demand. Of particular importance in the agricultural credit picture has been the recognition on the part of progressive bankers that financial institutions desiring to serve agriculture must be adequately capitalized and competently staffed.

district highlights

In May, nonagricultural wage and salary employment in the five southwestern states rose 0.3 percent over the prior month and was 3.8 percent ahead of the comparable month last year. The month-to-month gain in total employment was stronger than normally expected, and this strength was shared by more than one-half of the employment categories. The increase in employment in construction was considerably weaker than is usual for May.

The year-to-year percentage gain in manufacturing employment in the five states was greater than the rise in total employment. The advances in both service and government employment were stronger than the 3.5-percent increase in total nonmanufacturing employment. Employment in mining was only fractionally ahead of May 1967.

The seasonally adjusted Texas industrial production index (revised basis) in May increased 1.5 percent over the previous month to a level of 167.4 percent of its 1957-59 base. Nearly all the uplift in the index was contributed by a month-to-month advance of slightly better than 4 percent in the production of durable goods. Predominantly responsible for the rise in durable goods output were increases ranging from 5 percent to nearly 8 percent in three durable goods industries: nonelectrical machinery, electrical machinery, and transportation equipment. Most nondurable goods industries experienced modest month-to-month gains, with the overall advance in nondurable goods manufacturing being less than 1 percent. Metal, stone, and earth minerals provided the only support to the fractional rise in mining.

Industrial production in the State was up nearly 11 percent from May last year. Strong expansion occurred in the production of durable

goods, with most of the strength centered in electrical machinery and transportation equipment. Moderately strong gains were posted by furniture and fixtures and "other" durables (ordnance). The percentage rise in the overall output of nondurable goods was about the same as that for the total index. The output of leather and leather products registered the largest increase, and three of the other nondurable goods industries showed moderate gains. Crude petroleum mining was nearly 14 percent above the same month in 1967, but a reduction in the output of natural gas held the overall increase in mining activity to less than 9 percent.

Crop conditions in the southern and eastern sections of the Eleventh District are improving because of warm, clear weather, but soil moisture in the western part of the District is less than adequate. Although high winds and hail have caused considerable damage in many localities, planting of spring and early-summer crops is ahead of last year's schedule.

Wheat harvest has gathered momentum in most areas of the District, and yields have been very encouraging in the western section. On the other hand, wet fields in north Texas have delayed harvest, and the late rainfall on the Northern High Plains has resulted in secondary growth. For the District as a whole, wheat harvest is about one-half complete.

Winter wheat production in the five District states is estimated, as of June 1, at 238.1 million bushels, which is 58 percent greater than the 1967 output. State estimates show that record production in Oklahoma is expected to account for 54 percent of the increase in wheat output for the District states; only Louisiana reports a decline in production from last year. Winter wheat output for the United States is

placed, as of June 1, at a record 1,230 million bushels. This estimate is up 3 percent from the May 1 forecast and indicates a 2-percent increase over the 1967 crop. The 1969 national wheat acreage allotment has been set at 51.6 million acres — down 13 percent from the 59.3 million acres in effect for the 1968 crop year. Price-support loans on the 1969 wheat crop will continue to be available at a national average of \$1.25 per bushel.

Planting of cotton is slightly ahead of last year's schedule, and the crop is making fair progress over most of the District. Spraying is active, and insect damage seems to be under control. The prospects for other spring crops are generally good. Soybeans are being planted on cotton acreage lost to hail in the High Plains area.

Range conditions remain favorable over the southern and eastern parts of the District, but rain is needed in some western areas. Hay quality is excellent in all sections, and second cuttings of alfalfa are under way. The U.S. Department of Agriculture reports that screwworm outbreaks in the Southwest are at the highest level since 1963, and the number of confirmed cases continues to increase.

Prices received by Texas farmers and ranchers during the first 5 months of this year averaged 1 percent higher than in the January-May period in 1967. Prices for crops were unchanged, while prices for livestock were 3 percent above their corresponding level a year ago. Prices received by U.S. farmers during January-May 1968 averaged 3 percent more than in the same period in 1967.

Registrations of new passenger automobiles in May in Dallas, Fort Worth, Houston, and San Antonio were 4 percent below those for April but 8 percent higher than a year earlier. Cumulative registrations thus far in 1968 in the four centers were 19 percent above those for the corresponding period in 1967. Among

the individual reporting centers, Fort Worth again showed the strongest advance in cumulative registrations.

Department store sales in the Eleventh District during the 4 weeks ended June 22 were 17 percent more than in the comparable 1967 weeks. Cumulative sales continue strong, as reflected by the advance of 12 percent thus far this year.

Each of the major balance sheet items except loans adjusted declined at the weekly reporting commercial banks in the Eleventh District in the 8 weeks ended June 12. The changes in these items principally reflected seasonal factors, the continued pressure on bank reserve positions, and greater competition for time deposit funds from higher open market interest rates.

Loans adjusted rose marginally as the increases in consumer instalment loans, real estate loans, and loans to nonbank financial institutions were slightly greater than the decline in business loans. Business loans, which had advanced quite rapidly from mid-March through mid-April, declined more than seasonally. The increase in loans adjusted this year contrasts with the moderate contraction that occurred in the comparable 8 weeks of 1967. The District's weekly reporting commercial banks also reduced their investment holdings; sales or redemptions of U.S. Government issues — mainly Treasury bills — moderately exceeded net acquisitions of non-Government securities.

On the liability side of the balance sheet, total demand deposits declined moderately, principally as a result of decreases in interbank accounts, deposits of individuals, partnerships, and corporations, and deposits of the U.S. Government. In the comparable 1967 period, total demand deposits had shown a slight overall increase. Total time and savings deposits were virtually unchanged in the 8 weeks ended June 12, as the decline in time deposits of states and

political subdivisions slightly exceeded the small increases in savings deposits and in other time deposits of individuals, partnerships, and corporations. A year ago, savings deposits and other IPC time deposits had demonstrated moderate increases. Negotiable time certificates of deposit issued in denominations of \$100,000 or more contracted marginally to a level of \$1.32 billion.

Daily average production of crude oil eased 1.2 percent in the Eleventh District during May but was 5.8 percent higher than in the same month last year. The monthly decline was the second in a row from the near-record level of production in March. During May, there was a very slight increase in output in southeastern New Mexico, the only major District area with a rise. In the Nation, production declined about 1 percent in May.

The easing of output in the District is due, basically, to the slowdown in petroleum demand which normally occurs in the spring of the year. This slowdown has been reflected by decreases in oil allowables within the Southwest. In Texas, the allowable has been lowered three successive times since March and, in June, was 45.2 percent of the Maximum Efficient Rate of production, as compared with 49.6 percent in

March. In Louisiana, allowables have also been decreasing since March; however, the allowable for July is to be raised about 2 percent over the June level of permissible output. The allowable in Texas has been set at 46.4 percent for July. The small increases in allowables for July are attributed to expanded demand for gasoline and jet fuel for summer automobile and air travel. In contrast, the allowable for southeastern New Mexico has been maintained at 58 percent of the Maximum Efficient Rate of production for the past 4 months.

Crude petroleum prices have been fairly stable during the 1960's, although small rises occurred during the fourth quarter of 1966 and at mid-1967. During the first 4 months of 1968, the wholesale price index for crude petroleum averaged 99.0 percent of the 1957-59 base. In June this year, some of the major oil companies announced increases of approximately 1.5 percent per barrel in the prices of various types of crude oil. These price increases might well act to bring the wholesale price index for crude oil to the level that prevailed about 10 years ago, when the number was 100 percent. Virtually all petroleum-producing areas within the Eleventh District will be affected by gains in the price of crude oil, including east Texas, west Texas, the Gulf Coast, and southeastern New Mexico.



STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

July 1968



**FEDERAL RESERVE BANK
OF DALLAS**

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	June 26, 1968	May 29, 1968	June 28, 1967
ASSETS			
Net loans and discounts.....	5,618,544	5,452,036	5,254,942
Valuation reserves.....	107,285	107,536	95,520
Gross loans and discounts.....	5,725,829	5,559,572	5,350,462
Commercial and industrial loans.....	2,787,400	2,675,691	2,555,112
Agricultural loans, excluding CCC certificates of interest.....	100,740	99,427	102,359
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	15,339	6,183	7,753
Other securities.....	19,752	21,586	45,737
Other loans for purchasing or carrying:			
U.S. Government securities.....	335	322	814
Other securities.....	337,669	337,633	324,447
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	153,485	138,677	186,525
Other.....	314,570	294,985	284,659
Real estate loans.....	557,411	548,853	491,439
Loans to domestic commercial banks.....	216,331	220,585	240,317
Loans to foreign banks.....	5,614	5,309	4,171
Consumer instalment loans.....	583,756	575,876	527,330
Loans to foreign governments, official institutions, central banks, international institutions.....	0	0	0
Other loans.....	633,427	634,445	579,799
Total investments.....	2,469,626	2,466,498	2,317,258
Total U.S. Government securities.....	1,106,509	1,153,365	1,076,207
Treasury bills.....	18,106	38,400	42,346
Treasury certificates of indebtedness.....	0	0	15,167
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	244,354	235,490	116,550
1 year to 5 years.....	592,397	622,647	644,798
After 5 years.....	251,652	256,828	257,346
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills..	28,146	20,165	16,046
All other.....	1,123,596	1,119,264	1,029,839
Other bonds, corporate stocks, and securities:			
Participation certificates in Federal agency loans.....	141,888	105,517	131,361
All other (including corporate stocks).....	97,487	68,187	63,805
Cash items in process of collection.....	933,707	897,479	850,458
Reserves with Federal Reserve Bank.....	708,340	678,882	612,044
Currency and coin.....	82,797	80,255	77,889
Balances with banks in the United States.....	438,244	402,816	436,110
Balances with banks in foreign countries.....	5,246	4,803	4,779
Other assets.....	352,436	368,364	322,667
TOTAL ASSETS.....	10,608,940	10,351,133	9,876,147
LIABILITIES			
Total deposits.....	8,878,300	8,776,181	8,416,524
Total demand deposits.....	5,323,355	5,216,492	5,055,661
Individuals, partnerships, and corporations...	3,709,059	3,633,490	3,410,831
States and political subdivisions.....	260,015	341,694	289,421
U.S. Government.....	141,459	100,877	118,436
Banks in the United States.....	1,088,233	1,050,114	1,122,503
Foreign:			
Governments, official institutions, central banks, international institutions.....	3,325	3,920	4,431
Commercial banks.....	20,818	23,523	23,346
Certified and officers' checks, etc.....	100,446	62,874	86,693
Total time and savings deposits.....	3,554,945	3,559,689	3,360,863
Individuals, partnerships, and corporations:			
Savings deposits.....	1,092,779	1,081,926	1,134,251
Other time deposits.....	1,813,414	1,844,636	1,602,409
States and political subdivisions.....	610,282	596,796	591,637
U.S. Government (including postal savings)...	9,174	6,979	10,955
Banks in the United States.....	23,796	23,852	20,111
Foreign:			
Governments, official institutions, central banks, international institutions.....	5,300	5,300	800
Commercial banks.....	200	200	700
Bills payable, rediscounts, and other liabilities for borrowed money.....	598,127	421,644	360,721
Other liabilities.....	219,284	240,230	220,183
CAPITAL ACCOUNTS.....	913,229	913,078	878,719
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	10,608,940	10,351,133	9,876,147

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended June 5, 1968	4 weeks ended May 1, 1968	5 weeks ended June 7, 1967
RESERVE CITY BANKS			
Total reserves held.....	697,630	698,424	636,101
With Federal Reserve Bank.....	648,700	648,098	590,200
Currency and coin.....	48,930	50,326	45,901
Required reserves.....	691,899	693,102	631,521
Excess reserves.....	5,731	5,322	4,580
Borrowings.....	36,863	28,968	14
Free reserves.....	-31,132	-23,646	4,566
COUNTRY BANKS			
Total reserves held.....	691,955	702,075	625,930
With Federal Reserve Bank.....	526,580	536,035	471,500
Currency and coin.....	165,375	166,040	154,430
Required reserves.....	662,873	670,130	592,972
Excess reserves.....	29,082	31,945	32,972
Borrowings.....	13,742	10,052	4,054
Free reserves.....	15,340	21,893	28,918
ALL MEMBER BANKS			
Total reserves held.....	1,389,585	1,400,499	1,262,031
With Federal Reserve Bank.....	1,175,280	1,184,133	1,061,700
Currency and coin.....	214,305	216,366	200,331
Required reserves.....	1,354,772	1,363,232	1,224,479
Excess reserves.....	34,813	37,267	37,552
Borrowings.....	50,605	39,020	4,068
Free reserves.....	-15,792	-1,753	33,484

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	June 26, 1968	May 29, 1968	June 28, 1967
Total gold certificate reserves.....	354,502	323,001	375,384
Discounts for member banks.....	14,533	40,454	4,820
Other discounts and advances.....	741	741	1,044
U.S. Government securities.....	2,173,250	2,144,542	1,896,031
Total earning assets.....	2,188,524	2,185,737	1,901,895
Member bank reserve deposits.....	1,137,263	1,113,711	994,292
Federal Reserve notes in actual circulation.....	1,452,278	1,431,298	1,289,462

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	May 29, 1968	April 24, 1968	May 31, 1967
ASSETS			
Loans and discounts.....	9,642	9,656	9,039
U.S. Government obligations.....	2,456	2,495	2,270
Other securities.....	2,745	2,754	2,397
Reserves with Federal Reserve Bank.....	1,114	1,155	947
Cash in vault.....	239	249	219
Balances with banks in the United States.....	1,042	1,222	1,031
Balances with banks in foreign countries.....	6	6	6
Cash items in process of collection.....	1,012	1,343	786
Other assets.....	476	517	492
TOTAL ASSETS.....	18,732	19,397	17,187
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,306	1,443	1,246
Other demand deposits.....	8,059	8,341	7,561
Time deposits.....	6,974	6,941	6,345
Total deposits.....	16,339	16,725	15,152
Borrowings.....	450	745	256
Other liabilities.....	357	356	245
Total capital accounts.....	1,586	1,571	1,494
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	18,732	19,397	17,187

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			
	May 1968 (Annual-rate basis)	Percent change			May 31, 1968	Annual rate of turnover			
		May 1968 from		5 months, 1968 from 1967		May 1968	April 1968	May 1967	
		April 1968	May 1967						
ARIZONA: Tucson.....	\$ 4,281,804	-4	0	4	\$ 184,583	23.7	25.0	26.0	
LOUISIANA: Monroe.....	2,124,780	2	8	6	79,252	26.5	26.3	26.2	
Shreveport.....	6,167,628	-1	3	7	223,644	27.2	27.3	26.5	
NEW MEXICO: Roswell ²	661,620	-4	4	5	33,616	20.4	21.8	18.7	
TEXAS: Abilene.....	1,799,148	-3	-3	-6	94,871	19.0	20.0	19.3	
Amarillo.....	4,811,652	0	8	11	136,545	35.5	35.9	32.2	
Austin.....	5,812,500	0	27	19	240,906	23.5	23.5	23.3	
Beaumont-Port Arthur-Orange.....	5,717,112	3	4	4	222,011	25.9	25.1	25.4	
Brownsville-Harlingen-San Benito.....	1,546,836	-2	14	13	72,738	21.0	20.9	22.6	
Corpus Christi.....	4,564,248	4	14	13	196,371	23.5	22.8	21.8	
Corsicana ²	411,660	1	1	12	27,556	14.7	14.4	14.2	
Dallas.....	84,001,368	-3	25	17	1,888,023	44.4	46.0	38.5	
El Paso.....	5,324,796	-6	2	4	201,851	26.5	28.2	26.3	
Fort Worth.....	17,589,096	-2	17	18	541,210	32.2	32.3	30.3	
Galveston-Texas City.....	2,457,528	11	17	15	101,642	24.2	22.6	23.3	
Houston.....	76,769,928	-1	19	15	2,229,018	35.1	35.9	32.2	
Laredo.....	724,008	3	11	12	35,177	20.9	20.7	21.1	
Lubbock.....	3,668,124	-4	-2	3	152,902	24.6	26.8	26.9	
McAllen-Pharr-Edinburg.....	1,484,544	10	8	6	87,099	17.3	16.5	18.6	
Midland.....	1,573,392	1	-4	4	135,366	12.0	12.3	13.5	
Odessa.....	1,278,468	0	8	4	65,840	19.4	19.7	18.6	
San Angelo.....	997,320	-1	15	8	64,579	15.6	16.3	15.7	
San Antonio.....	13,550,844	1	14	16	589,190	23.3	23.8	23.2	
Sherman-Denison.....	904,416	-2	8	10	54,473	16.6	17.1	16.2	
Texarkana (Texas-Arkansas).....	1,393,788	-7	9	12	64,116	22.2	24.1	22.3	
Tyler.....	1,840,128	5	17	10	84,588	21.8	20.7	19.3	
Waco.....	2,593,512	1	27	14	118,415	22.1	22.3	18.8	
Wichita Falls.....	1,969,440	-14	1	4	112,755	17.4	20.1	17.8	
Total—28 centers.....	\$256,019,688	-2	17	14	\$8,038,337	32.1	32.9	29.6	

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

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
1966: May.....	8,669	4,019	4,650	5,795	2,743	3,052
1967: May.....	8,833	4,089	4,744	6,261	2,716	3,545
December..	9,841	4,589	5,252	6,571	2,762	3,809
1968: January...	9,923	4,560	5,363	6,698	2,815	3,883
February...	9,561	4,391	5,170	6,863	2,851	4,012
March.....	9,510	4,388	5,122	6,935	2,863	4,072
April.....	9,655	4,486	5,169	6,973	2,869	4,104
May.....	9,460	4,382	5,078	6,950	2,840	4,110

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Percent change

Area	NUMBER		May 1968		May 1968 from		5 months, 1968 from 1967
	May 1968	5 mos. 1968	April 1968	May 1967			
	May 1968	5 mos. 1968	April 1968	May 1967			
ARIZONA: Tucson.....	309	2,349	\$ 3,177	\$ 13,938	-39	58	41
LOUISIANA: Monroe-West.....	81	354	2,472	10,594	-36	102	3
Shreveport.....	453	1,781	1,351	9,350	-29	-37	-1
TEXAS: Abilene.....	49	212	2,076	4,282	194	16	-39
Amarillo.....	113	587	1,964	9,485	49	52	-8
Austin.....	374	1,955	10,342	50,280	-8	-23	-18
Beaumont.....	148	715	1,644	7,696	-18	48	23
Brownsville.....	85	566	236	2,164	-68	53	129
Corpus Christi.....	424	2,048	3,058	18,304	-24	51	54
Dallas.....	2,255	8,658	26,200	106,399	3	73	39
El Paso.....	451	2,350	3,954	30,831	-30	-23	20
Fort Worth.....	667	2,606	6,762	34,163	-26	46	13
Galveston.....	116	397	1,666	4,715	146	-20	17
Houston.....	2,177	10,716	27,550	174,851	-17	-1	23
Laredo.....	40	166	372	1,137	15	21	-36
Lubbock.....	139	578	2,157	9,737	-11	-7	-32
Midland.....	72	350	1,043	4,377	113	-41	-12
Odessa.....	81	356	579	2,598	33	-14	-8
Port Arthur.....	95	377	224	1,474	-50	-30	-26
San Angelo.....	86	336	555	5,356	-81	-18	101
San Antonio.....	1,282	5,917	15,760	66,838	54	63	45
Texarkana.....	34	210	1,071	3,586	-18	272	109
Waco.....	290	1,221	1,149	7,284	-2	-59	24
Wichita Falls.....	56	349	2,425	5,787	63	-20	-12
Total—24 cities..	9,877	45,154	\$117,787	\$585,226	-7	16	18

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Percent change from				
	May 1968p	April 1968p	May 1967		
ELEVENTH DISTRICT.....	3,660.7	3,703.4	3,460.1	-1.2	5.8
Texas.....	3,175.0	3,216.7	2,982.5	-1.3	6.5
Gulf Coast.....	624.0	632.7	561.6	-1.4	11.1
West Texas.....	1,496.0	1,511.6	1,354.3	-1.0	10.5
East Texas (proper).....	148.0	151.5	125.4	-2.3	18.0
Panhandle.....	94.0	94.9	95.4	-1.0	-1.5
Rest of State.....	813.0	826.0	845.8	-1.6	-3.9
Southeastern New Mexico..	321.7	321.0	308.9	-2	4.1
Northern Louisiana.....	164.0	165.7	168.7	-1.0	-2.8
OUTSIDE ELEVENTH DISTRICT	5,572.5	5,599.5	4,995.9	-5	11.5
UNITED STATES.....	9,233.2	9,302.9	8,456.0	-8	9.2

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

WINTER WHEAT

Area	ACREAGE (In thousands of acres)			PRODUCTION (In thousands of bushels)		
	For harvest		Harvested			
	Crop of 1968	Crop of 1967	Crops of 1962-66	Crop of 1968 ¹	Crop of 1967	Crops of 1962-66
Arizona.....	49	50	27	2,450	2,450	1,174
Louisiana.....	100	100	54	2,500	2,600	1,312
New Mexico.....	254	141	181	8,128	3,948	4,092
Oklahoma.....	5,426	5,217	4,196	135,650	88,689	94,946
Texas.....	4,158	3,326	3,027	89,397	53,216	60,621
Total.....	9,987	8,834	7,485	238,125	150,903	162,145

¹ Indicated June 1.
SOURCE: U.S. Department of Agriculture.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	May 1968p	April 1968	March 1968	May 1967r
TEXAS¹				
Total industrial production.....	167.4	164.8	165.5r	150.9
Manufacturing.....	191.4	187.3	186.8r	169.1
Durable.....	207.1	198.4	202.0r	177.0
Nondurable.....	181.0	179.8	176.6r	163.9
Mining.....	124.4	123.9	126.7r	114.5
Utilities.....	207.7	207.7	206.8r	204.9
UNITED STATES				
Total industrial production.....	164.0	163.0	163.0	156.0
Manufacturing.....	165.0	164.0	164.0	157.0
Durable.....	169.0	167.0	168.0	162.0
Nondurable.....	160.0	159.0	160.0r	151.0
Mining.....	128.0	128.0	127.0	120.0
Utilities.....	198.0	198.0	197.0	183.0

¹ Reflecting the use of improved man-hour productivity factors as of May 1968, the Texas industrial production index has been revised slightly back through 1958.

p — Preliminary.

r — Revised.

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

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	May 1968	April 1968	March 1968	January—May	
				1968	1967r
FIVE SOUTHWESTERN STATES¹					
Residential building.....	545	500	566	2,445	2,362
Nonresidential building....	259	228	253	1,126	916
Nonbuilding construction...	199	127	150	740	831
	87	145	163	580	618
UNITED STATES.....	6,170	4,878	5,417	23,683	20,552
Residential building.....	2,543	2,312	2,220	9,902	7,805
Nonresidential building....	2,227	1,522	1,835	8,134	7,884
Nonbuilding construction...	1,400	1,044	1,362	5,647	4,863

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

r — Revised.

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

SOURCE: F. W. Dodge, McGraw-Hill, Inc.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change May 1968 from	
	May 1968p	April 1968	May 1967r	April 1968	May 1967
	Total nonagricultural				
wage and salary workers..	5,900,100	5,881,700	5,683,100	0.3	3.8
Manufacturing.....	1,093,500	1,087,800	1,039,200	.5	5.2
Nonmanufacturing.....	4,806,600	4,793,900	4,643,900	.3	3.5
Mining.....	231,300	231,200	230,000	.0	2.0
Construction.....	380,300	378,700	373,000	.4	
Transportation and public utilities.....	438,600	437,600	429,800	.2	2.0
Trade.....	1,338,000	1,335,900	1,303,500	.2	3.4
Finance.....	285,100	284,300	275,800	.3	5.7
Service.....	905,900	902,600	856,700	.4	4.5
Government.....	1,227,400	1,223,600	1,175,100	.3	

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.