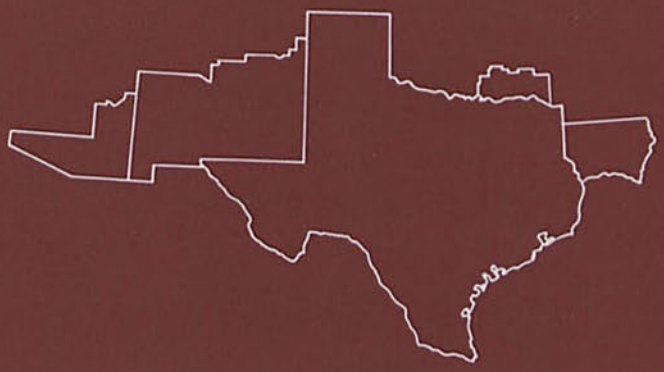
business review



september 1969

FEDERAL RESERVE
BANK OF DALLAS

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financing the cattle feeding industry in the high plains

Cattle feeding in the High Plains area has expanded in the 1960's from an industry producing 200,000 head of fed cattle a year to one that now feeds more than 2 million head. It is estimated that, with adequate financing, the industry could expand its annual output of fed cattle to between 3 and 4 million head in as short a period as 12 months.

The two principal resource inputs critical to continued rapid growth are feed and feeder cattle. The area produces an abundance of grain sorghum and has demonstrated that it can compete effectively with other feeding areas for the Nation's feeder supply.[1] Moreover, the highly successful expansion of cattle feeding operations in the area over the past few years suggests the presence of the necessary management resources. The continuing advance in the consumption of fed beef in the United States and the favorable location of the High Plains feeding operations with respect to expanding consumer markets appear to augur well for future demand for output.

The major factor which might limit the continued rapid growth of cattle feeding in the area, at least temporarily, could well be a shortage of funds for financing expansion. Scarcities of funds from local institutional sources are already a major problem for the industry. Rapid development of cattle feeding operations in the High Plains has placed heavy demands on local suppliers of credit and some regional suppliers. Although the volume of funds available for fed cattle operations has increased significantly in the past 2 years, demands have tended to outrun the total supply of funds that institutional lenders have been able to provide.

In the first half of this year, cattle feeding operations in the area were affected by rising feeder prices, some regional tightness in the supply of feeders, and numerous other problems associated with most any rapidly expanding industry. Tight money and soaring interest rates, however, have been the principal hurdles in the path of expansion.

This article estimates total credit needs for the cattle feeding industry in the High Plains, discusses the institutional sources used for credit, describes the characteristics of cattle feeding loans, and suggests possible alternative sources of funds for the industry. Attention is also given to the practices of some feedlot owners in obtaining investment and operating funds from noninstitutional sources.

credit requirements

The total credit requirement of the fed cattle industry in the High Plains counties has increased tenfold since the beginning of the decade. An estimated $200 million of continuous credit is needed for operating expenses alone. Expansion in the number and size of feedlots has accounted for most of the increased credit need, but rising operating costs have also been important.

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[1] As indicated in "The Cattle Feeding Industry in the High Plains," by Charles M. Wilson, *Business Review*, July 1969, the High Plains area includes parts of the Northern and Southern High Plains of Texas and a portion of eastern New Mexico. (See map on page 6.)

Like most businesses, a feedlot requires two kinds of financing: fixed cost financing and variable or operating cost financing. An area feedlot with a one-time capacity of 10,000 head would cost approximately half a million dollars to build. This investment requirement includes the cost of land, feeding mills, pens, water systems, and other equipment.

Fixed cost is only a small proportion of total annual expenses for the average-size feedlot. A feedlot with a capacity of 10,000 head requires an annual operating outlay of more than $6 million. Since most cattle are fed 4 to 5 months, one-time operating cost is reduced to less than $3 million. In addition, cattle are fed and marketed on a staggered basis. In a situation in which 70 percent of all operating cost is financed and placements and marketings occur at 1-month intervals, a 10,000-head feedlot would require an average of about $500,000 for operating credit on a continuous basis.

INVESTMENT AND OPERATING COSTS OF A TYPICAL HIGH PLAINS FEEDLOT WITH 10,000-HEAD CAPACITY

(Based on conditions as of January 1, 1969)

Item	Amount
Fixed investment	
Land	$ 60,000
Feed mill	187,774
Trench silo	11,000
Tractor, wagons, loader	14,000
Office	16,000
2 feed trucks with electrical scales	22,000
80 pens, roads, work alleys	140,000
Sick pens and equipment	10,000
Receiving and treating	7,000
Loading chutes	2,000
Water system and well	30,000
Scales	10,000
Total fixed investment	$ 509,774
Annual operating costs	
25,000 feeders	$4,500,000
12 months' supply of milo	1,127,520
12 months' supply of silage	179,424
12 men (salary)	72,000
2 bookkeepers (salary)	7,200
1 general manager	15,000
Utilities	12,000
Gas and oil	10,800
Repairs	9,600
Taxes	7,200
Interest	70,607
Total operating capital	$6,011,351

SOURCES: Southwestern Public Service Company. Federal Reserve Bank of Dallas.

Assuming that the example above is typical of the average feedlot in the area and that operating cost is proportional to feedlot size, the total credit requirements for operating cost for an industry feeding 1 million head would amount to about $200 million outstanding at any one time. On a yearly basis, the cattle feeding industry in the High Plains would use almost $500 million in operating credit. In addition, at its present rate of growth, the industry would require another $40 million of credit annually for fixed investments.

sources of funds

Commercial banks are the most important institutional source of credit for the High Plains cattle feeding industry, whether for investment outlays or for operating expenditures. About three-fourths of the feedlots in the area used commercial banks as a source of credit in 1966 and 1967.[2] Banks financed a greater share of the operating requirements for large feedlots than for smaller ones. Eighty percent of the feedlots with capacities of more than 10,000 head used credit from commercial banks for operating purposes.

A recent survey of the 15 commercial banks most active in financing cattle feeding in the area showed that these lenders had approximately $94 million of feedlot loans outstanding at mid-1969. Nearly 85 percent of this total was for the purpose of financing cattle on feed, 5 percent for feed supplies, and 10 percent for other operating requirements, such as salaries, wages, and utilities. These banks indicated that they have obtained varying amounts of their

[2] Raymond A. Dietrich, *The Texas-Oklahoma Cattle Feeding Industry — Structure and Operational Characteristics,* Research Bulletin B-1079 (College Station, Texas: Texas A&M University, December 1968).

funds for the fed cattle industry from outside the area. Some of the larger banks in New York, Kansas City, Wichita, Fort Worth, and Dallas were cited as sources.

The 15 banks included in the survey estimated that feedlot loans have increased a fourth since mid-1968. Most of the new funds provided by these banks were used to finance feeder purchases. Capital loans were held mainly on an interim basis. All of the banks surveyed indicated that the funds available for meeting loan demands associated with cattle feeding operations were in short supply, even though a fourth of their total loans were in the form of credit to the cattle feeding industry.

Although commercial banks supply most of the operating funds used by feedlots, direct participation by local banks in financing feedlot operations is far from universal. Actually, only a relatively few banks are aggressively active in supplying funds directly for feedlot operations. Other local banks supply funds, however, through loan participations with correspondents or by more limited involvement in direct extensions of credit.

Production credit associations — major institutional lenders of short-term credit to agricultural producers — have recently become more active in financing cattle feeding operations, especially in the past 2 years. Less than 5 percent of the feedlot owners in Texas borrowed from PCA's in 1966-67, but present indications are that feedlot operators and cattle owners in the High Plains are using PCA credit considerably more frequently than in the past. The proportion of total PCA advances made to borrowers in Texas for the purpose of buying feeder livestock increased from less than 4 percent in 1956 to more than 9 percent in 1966. During that time, the proportion of agricultural advances made by commercial banks in the Eleventh Federal Reserve District for the purchase of feeder livestock increased from less than 2 percent to nearly 6 percent.

Six production credit associations serve the High Plains area. These associations had an estimated $60 million in feedlot loans at mid-1969 — 44 percent more than at mid-1968. Of the total, 75 percent was for feeder purchases, 15 percent for capital outlays, and 10 percent for feed and other operating expenses.

The rapid growth and high profitability of cattle feeding in the High Plains area have encouraged the formation of agricultural credit corporations and their entry into the industry. Although these lenders can draw directly on national credit markets, most of them raise funds by discounting a large proportion (if not all) of their paper with the Federal intermediate credit banks. Agricultural credit corporations organized before 1968 have performed well in the fed cattle industry, but more recently formed corporations have been handicapped by the tighter lending policies adopted by FICB's since early 1968.

One of the most successful agricultural credit corporations operating in the High Plains is the National Finance Credit Corporation, a publicly held stock company specializing in livestock loans. Almost 7 percent of the feedlot owners in Texas borrowed from this organization in 1966 and 1967. As in the case of other agricultural credit corporations, the NFCC may discount its advances with the Federal intermediate credit banks.

Insurance companies and other lending groups have also provided credit for operating purposes, but most feedlot operators do not consider these institutions a primary source of funds. In at least two instances, cooperatives with direct interest in High Plains feedlot operations have obtained funds from the Bank for Cooperatives.

Contrary to the usual pattern of fixed investment financing, commercial bank loans are the single most important source of investment capital for the fed cattle industry. As might be ex-

pected, however, banks are not as active in providing financing for fixed investment as they are in supplying operating funds. It is estimated that commercial banks provide between a fourth and a third of the fixed investment needs in the High Plains feeding area.

livestock loan markedly in recent years. The emergence of a sharply increased volume of custom feeding appears to be the most important factor in this development. Actually, more than three-fourths of the fed cattle produced in the area are custom fed. As might be expected, the large commercial feedlots are more apt to feed on a custom basis than are smaller, noncommercial units. It is estimated that more than 90 percent of the feedlot units with capacities in excess of 10,000 head feed on a custom basis.

Insurance companies are not major direct institutional lenders of feedlot investment funds in the area. They do supply funds, however, through participation loans with commercial banks. Production credit associations are the principal competitors of commercial banks in financing fixed investment of feedlots. In a few cases, the Small Business Administration has also supplied fixed investment funds through its area development program.

loan characteristics

In essence, the cattle feeding industry in the High Plains obtains almost all of its financing from two basic sources: commercial banks and lenders who obtain funds by discounting paper with the Federal intermediate credit banks. Thus, it is not surprising that the characteristics of cattle feeding loans from both sources are similar.

The growing importance of commercial feedlots in the High Plains has changed the typical

Financial arrangements for custom operations differ considerably from those on full-ownership operations. The major effect of custom feeding on financial arrangements is to reduce the size of individual loans. This feeding practice also tends to increase lender handling and inspection costs, however, since it requires the processing of a larger number of separate lines of credit on a single feedlot. Feedlot owners usually do not finance the purchase of feeder cattle for their custom clients. In custom feeding operations, institutional lenders finance pens of cattle rather than feedlots. In fact, lenders may finance a supply of feeders for the owners of the animals and also finance feed for the feedlot owner-operator.

Generally, there is no well-defined single credit arrangement for feeder livestock loans in the High Plains area. In some arrangements, lenders finance the full purchase cost of the cattle, with the owner providing the cost of feed and other outlays. This type of arrangement appears to be more typical of noncustom feeders. In other cases, lenders may finance 60 to 75 percent of the purchase price of feeders and the same proportion of the feed bill. But, this type of financial arrangement has proved burdensome to lenders since a greater volume of paper work is required to separate total advances according to specific pens.

The arrangement most often used is partial financing, especially in custom operations. A creditor finances between 60 and 75 percent of the purchase cost of feeders and all of the feed bill. In most cases, both feeder and feed costs are easily separated by specific pens, which are financed individually. Almost without exception, cattle on feed are the collateral securing the advances made by banks and other financial institutions.

In custom operations, particularly when the lender finances the cost of feeders with one party and the cost of feed with the owner of the feedlot, the feedlot owner typically carries the customer's feed bill for various lengths of time. The most common billing dates, however, are once or twice a month. These custom feeding charges usually include a basic amount for feed, the cost of veterinary services (which can vary considerably from pen to pen), and a fixed markup for other operating costs and profits.

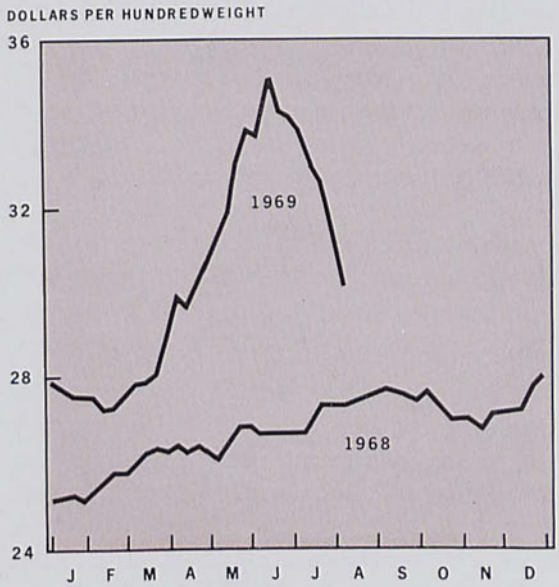
Because of the nature of the fed cattle industry in the area, credit requirements for most operating purposes do not appear to fluctuate appreciably in response to seasonal influences. In fact, feeder livestock loans involve less seasonality than the typical loan on grass-fed livestock. Most feedlots maintain continuous lines of credit — expanding drawings when prices are favorable and contracting them when prices are unfavorable. It is not unusual for a large feedlot to have a continuous line of credit running as high as $1 million, with actual borrowings varying only slightly as a result of repayments and new advances.

There is a seasonal pattern, however, to the amount of credit outstanding to purchase grain and other feed supplies for feedlot use. Loans outstanding on grains build up as harvesting of new crops begins and then gradually diminish as the crop year draws to a close. Such loans are at their lowest level in late summer, when the area is in the midst of the change in crop years for most of its feeds.

Interest rates on all types of feeder livestock loans have risen sharply since early last year. The most common nominal rate at mid-August 1969 was 9.0 percent, with the range of rates extending from 8.5 percent to 9.5 percent. A year earlier, the rates ranged from 7.0 percent to 7.5 percent. There appears to be little or no difference in interest rates on feeder livestock

PRICES FOR CHOICE STEERS

(1,100- to 1,300-pound steers, at Kansas City)



SOURCE: U.S. Department of Agriculture.

loans available from competing sources. Rates charged on such loans vary significantly, however, according to size of loan. As might be expected, rates are higher for smaller loans than for large ones. This inverse relationship seems to hold only within relatively narrow limits, since rates on loans of more than $50,000 vary little.

noninstitutional sources

Partly because of the rapid expansion of the fed cattle economy in the High Plains and partly because of the restrictiveness of national monetary policy in recent months, the demand for funds by the cattle feeding industry has increased faster than the supply available from usual sources. Survey results indicate that many feeders in the area have been unable to operate at full capacity because of the relative shortage of operating funds. The supply of local funds has not increased fast enough, and external sources — especially those available to commercial banks and other local lenders — have been limited by restrictive monetary policy.

As a result of the imbalance between the supply of and the demand for loanable funds, some producers of fed cattle have sought to develop other sources for meeting their financing requirements. One of the alternatives that has been used by feeders in the High Plains, as well as by feeders in other parts of the country, is the public offering of stock. Several feedlot operations in the area have been organized as corporate business entities in an effort to raise additional funds. Typically, most of these business units are closely held by individuals feeding cattle in feedlots owned by the corporations.

There is evidence that fed cattle operations in the High Plains have resulted in excellent returns on investment. It is estimated that, for 1968, profits on fixed investment actually ranged from 20 percent to 35 percent for feedlots having capacities in excess of 10,000 head. With reference to the 10,000-head feedlot referred to earlier in this article, the expected profit before taxes is projected to be 30 percent in relation to fixed investment.

In many cases, the feeding operations that have been financed through public issues of stock have provided considerably more to investors than an ownership interest in feedlots. The assets of these corporations often include feed-mixing mills, grain sorghum-producing land, and marketing equipment — items that could represent an investment running as high as $5 million. Generally speaking, local interest in the corporate form of organization reflects efforts to integrate all the major stages of producing fed cattle, including the opening of new sources of financing.

Producers of fed cattle have also responded to recent tight monetary conditions by expanding their use of hedging operations in cattle futures. In some cases, creditors may encourage or require producers to hedge their cattle to reduce the risk of loss on loans. Generally, hedged cattle make for a better quality of loan, because most of the risk of price fluctuation is shifted to speculators.

In the Nation, the proportion of all cattle hedged has increased from less than 5 percent in 1966 to an estimated 10 percent in the current year. As a general rule, custom feeders hedge a larger proportion of their cattle than do feedlot owners. Even on the part of owners who do not engage in hedging operations, there is a growing familiarity with the advantages and use of the futures market.

Another area trend that can be attributed, at least partly, to profit and credit conditions in the cattle feeding industry is vertical integration. Ranchers own nearly three-fourths of the cattle on feed in the High Plains. Moreover, several large feedlots have been purchased by resource-oriented businesses, and it is estimated that more than 10 percent of the cattle being fed on a custom basis in the area are owned by

packers. The trend toward integration probably reflects, too, the fact that some commercial feeding operations have lacked adequate credit foundations, a situation which eventually makes them prime targets for take-over by others.

As feedlots become larger in the High Plains, contract feeding will undoubtedly be used more widely as a means of shifting risk. It is not surprising to see cattle producers begin to employ this technique, which tends to eliminate certain intermediate steps, including transactions in the auction or the terminal market. A contract in which almost all the price risk is assumed by the processor has long been used in the broiler industry in many areas of the Nation. The ability of cattle feeders in the High Plains to use the contract technique has been increased, of course, by the growing number of processing plants in the area and the competitive demand for fed cattle.

The recent expansion that has made cattle feeding an important industry in the High Plains will probably continue. But the problem of sufficient credit, while not insurmountable, is nevertheless real at the present time. Institutional lenders have responded to the rapidly growing industry by supplying additional funds, but the rate of growth in the industry's demand for funds has been much greater than expected and has placed unusually large demands upon local sources of credit.

The fact that the cattle feeding industry continues to expand rapidly, despite a shortage of operating funds, speaks well of the economic soundness of the industry and its ability to compete effectively with other users of local funds. In many respects, a more moderate rate of expansion might serve, in the long run, to insure more efficient development of this industry.

CHARLES M. WILSON

district highlights

The seasonally adjusted Texas industrial production index was 174.3 percent of the 1957-59 base in July — 1.4 percent less than in June but somewhat higher than in May. The index was 4.2 percent higher than in July 1968.

The principal reason for the month-to-month decrease was a 5.6-percent drop in mining output, brought on primarily by lessened crude oil production. Manufacturing showed a slight gain, with durable goods showing an increase but nondurables showing virtually no change. Of the durable goods, electrical machinery posted the most prominent advance, and furniture and fixtures had the largest decline. In the manufacture of nondurable goods, petroleum refining and related industries showed increased production, as did textile mills. Some declines were noted, however, with apparel and allied products dipping sharpest. In addition to the decline in crude oil production, mining was also off in the production of metal, stone, and earth minerals.

The year-to-year advance was led by manufacturing of durable goods, which increased 7 percent. Both electrical and nonelectrical machinery advanced vigorously. Transportation equipment declined. Nondurable goods also made a fairly strong advance, rising nearly 4 percent, with some sectors rising even more. Textile products declined. Mining made a small year-to-year advance.

Total nonagricultural wage and salary employment in the five southwestern states failed to show the slight seasonal decline usually expected in July. At a level of 6,202,900, there was virtually no percentage change from June. Instead of easing slightly, as was expected, manufacturing employment was unchanged and nonmanufacturing employment gained fractionally. Government employment, which usually eases after the end of the school year, declined less than normally. Most other nonmanufacturing industries had stronger showings in employment than seasonally expected.

Employment in the five states showed a gain of 3.9 percent over a year earlier. The number of workers in manufacturing was 2.5 percent higher than a year earlier, and the number in nonmanufacturing made a somewhat stronger percentage gain. Employment in finance and services showed strong year-to-year gains, but construction made only a small rise. Employment in mining showed a nominal increase.

The production of crude oil, on a daily average basis, declined 3.0 percent in Louisiana, New Mexico, Oklahoma, and Texas in July. Output was 3.3 percent higher than in July last year. Texas showed the largest month-to-month decline; New Mexico showed a small increase. Compared with the same month last year, production in Louisiana was especially strong. Despite the July weakness, most regions of Texas had higher outputs than a year earlier. The exception was the Panhandle, where production was lower than both a year before and a month before. Inventories of crude oil in the Southwest during July and the first 2 weeks of August closely approximated those of a year earlier. This was also the case with crude runs to refinery stills.

The oil allowable in Texas in July was 54.7 percent of the Maximum Efficient Rate of production. This reflected a substantial decline from the June level, which was the highest in about 20 years. Allowables were set at 53.1 percent for August and lowered to 52.1 percent for

September. The allowable for Louisiana, which had been fairly high in June, was lowered to 44 percent of permissible production for July and remained the same for August and September. In Oklahoma, the allowable has been steady at 100 percent from March through August. The allowable in northwestern New Mexico has not been changed for several years, but the allowable in the southeastern portion of the State has been varied frequently.

Changes in the major balance sheet items at the District's weekly reporting commercial banks for the 5 weeks ended August 13 reflected a considerable reduction in the funds available to these banks. All major items registered declines during the period, in sharp contrast to gains at the same time last year.

Loans adjusted decreased $154 million, which was a substantial reversal from the $16 million advance reported a year before. Within this major category, business loans fell $67 million, and loans to nonbank financial institutions fell $42 million. On the other hand, consumer instalment loans and real estate loans rose by small amounts. A year ago, increases in consumer loans and loans to nonbank financial institutions boosted total loans adjusted, while business loans dropped only slightly.

Comparison of the movements in total investments during the recent period and the year-earlier period shows significant differences in the 2 years. Total investments decreased $7 million in the 1969 period but increased $59 million a year before. The recent gains in holdings of municipals and short-term U.S. Government securities were more than offset by sales of longer-term Governments and other bonds, stocks, and securities.

Among the liability items, total demand deposits dropped $1.4 million, with declines of $34 million in interbank deposits and $30 million in certified checks, letters of credit, and other miscellaneous items more than offsetting gains in deposits of individuals, partnerships, and corporations and deposits of states and political subdivisions. The recent drop in total demand deposits was in sharp contrast to the $111 million rise in the comparable period last year. Total time and savings deposits declined $102 million, as all major categories of such deposits showed reductions for the recent 5 weeks. Negotiable time certificates of deposit issued in denominations of $100,000 or more were down $92 million (in contrast to the $123 million increase a year ago), indicating the continued adverse impact of high open market interest rates on the ability of District banks to attract such large-denomination interest-bearing deposits.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio were down slightly in July from June and were 5 percent lower than in July 1968. Changes ranged from a 23-percent increase in Fort Worth to a 12-percent decrease in Dallas. Through July, cumulative registrations in these four centers were down 3 percent from the same period in 1968.

Department store sales in the Eleventh Federal Reserve District during the 4 weeks ended August 23 were 6 percent higher than in the corresponding period last year. Cumulative sales for 1969 were 9 percent ahead of the comparable period in 1968.

Scattered rainfall has brought some relief to parts of the Eleventh Federal Reserve District, but southwestern weather generally continues hot and dry. The lack of soil moisture has become severe enough to affect crop yields. Dry ranges are increasingly becoming fire hazards.

This year's cotton production, based on August 1 conditions, is expected to total nearly 5.5 million bales, which is 4 percent higher than

last year. The increase depicts low crop yields, as cotton plantings in the District states were almost a fourth larger than last year. In Texas, the forecast is 6 percent higher than output in 1968. Abandonment is expected to total 425,000 acres. Yields will probably average 373 pounds of lint per acre this year, compared with 410 pounds last year.

Production of grain sorghum in the five southwestern states is expected to total approximately 395 million bushels, or 2 percent less than last year. The irrigated crop has excellent prospects, but the dryland crop generally has only fair prospects. Rice output is expected to be down 10 percent.

Because of the lack of moisture, range conditions are generally poor in most of the Southwest. The number of cattle and calves on feed in Texas totaled nearly 1.3 million head on August 1 — 59 percent more than a year earlier. The number of cattle on feed in Arizona was 41 percent higher than a year ago. These figures compare with a 16-percent gain for the Nation's six major cattle feeding states as a group.

Average prices received by Texas farmers and ranchers for all farm products during July declined 1 percent from the previous month but were 11 percent higher than a year earlier. For the first 7 months of 1969, prices received by Texas farmers and ranchers averaged 8 percent higher than in the same period in 1968. Livestock and livestock product prices increased 17 percent, but average prices for all crops decreased 2 percent.

Cash receipts from farm marketings in Eleventh District states during January-June totaled 11 percent more than in the corresponding 1968 period. Livestock receipts rose 15 percent, and crop income increased 6 percent over the year-earlier level.

new member bank

The Great Southwest National Bank of Arlington, Arlington, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business August 19, 1969, as a member of the Federal Reserve System. The new member bank has capital of $300,000, surplus of $200,000, and undivided profits of $100,000. The officers are: Angus G. Wynne, Jr., Chairman of the Board; Glen E. Tibbets, President; Bill Phillips, Vice President and Cashier; and Mark A. Rush, Vice President.

new par banks

The Bank of Lancaster, Lancaster, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, July 28, 1969. The officers are: William O. Stevens, Chairman of the Board; Vernon Scott, President; William O. Stevens, Jr., Vice President (Inactive); and Phillip W. Gilliam, Cashier.

The Travis Bank and Trust, Austin, Texas, a nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, August 18, 1969. The officers are: Joe M. Teague, Chairman of the Board; Don E. Standley, President; Terry Tuggle, Vice President; and DeAnn Wilson, Cashier.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

September 1969

FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Aug. 27, 1969	July 30, 1969	Aug. 28, 1968[1]
ASSETS			
Federal funds sold and securities purchased under agreements to resell	428,425	243,650	5,935,515
Other loans and discounts, gross	6,035,955	6,151,647	
Commercial and industrial loans	3,000,179	3,024,521	2,715,407
Agricultural loans, excluding CCC certificates of interest	110,228	116,524	95,893
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	556	501	8,639
Other securities	44,876	42,946	23,746
Other loans for purchasing or carrying:			
U.S. Government securities	70	190	592
Other securities	376,088	379,506	337,647
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	138,076	151,484	138,659
Other	378,347	420,211	338,450
Real estate loans	623,723	625,449	572,602
Loans to domestic commercial banks	9,014	8,201	495,722
Loans to foreign banks	8,635	8,345	5,478
Consumer instalment loans	700,213	694,860	604,226
Loans to foreign governments, official institutions, central banks, international institutions	0	0	0
Other loans	645,950	678,909	598,454
Total investments	2,507,948	2,509,845	2,495,899
Total U.S. Government securities	966,171	958,478	1,107,134
Treasury bills	60,992	40,210	20,650
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	131,394	117,100	205,538
1 year to 5 years	617,470	612,253	582,809
After 5 years	156,315	188,915	298,137
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	24,256	25,862	26,362
All other	1,422,645	1,420,776	1,168,660
Other bonds, corporate stocks, and securities:			
Certificates representing participations in Federal agency loans	22,803	24,758	124,471
All other (including corporate stocks)	72,073	79,971	69,272
Cash items in process of collection	1,050,302	1,014,681	883,350
Reserves with Federal Reserve Bank	647,188	623,262	736,260
Currency and coin	88,211	84,015	84,550
Balances with banks in the United States	464,371	455,606	420,065
Balances with banks in foreign countries	5,912	6,505	5,307
Other assets (including investments in subsidiaries not consolidated)	413,783	412,964	355,749
TOTAL ASSETS	11,642,095	11,502,175	10,916,695
LIABILITIES			
Total deposits	9,186,402	9,107,562	9,155,083
Total demand deposits	5,720,724	5,605,704	5,377,862
Individuals, partnerships, and corporations	4,000,539	3,928,323	3,750,581
States and political subdivisions	326,094	323,161	267,282
U.S. Government	127,987	108,241	114,903
Banks in the United States	1,148,018	1,130,864	1,139,343
Foreign:			
Governments, official institutions, central banks, international institutions	3,866	2,644	5,676
Commercial banks	23,426	23,109	20,759
Certified and officers' checks, etc.	90,794	89,362	79,318
Total time and savings deposits	3,465,678	3,501,858	3,777,221
Individuals, partnerships, and corporations:			
Savings deposits	957,323	962,970	1,043,301
Other time deposits	1,848,144	1,885,991r	2,049,270
States and political subdivisions	623,063	612,429r	646,098
U.S. Government (including postal savings)	8,735	8,732	10,206
Banks in the United States	22,023	24,846	22,646
Foreign:			
Governments, official institutions, central banks, international institutions	6,000	6,500	5,500
Commercial banks	390	390	200
Federal funds purchased and securities sold under agreements to repurchase	798,045	751,553	506,614
Other liabilities for borrowed money	246,719	319,935	
Other liabilities	322,031	236,244	222,446
Reserves on loans	117,778	118,374	105,491
Reserves on securities	11,560	11,631	n.a.
Total capital accounts	959,560	956,876	927,061
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	11,642,095	11,502,175	10,916,695

[1] Because of format revisions as of July 2, 1969, earlier data are not fully comparable.
r — Revised.
n.a. — Not available.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Aug. 6, 1969	4 weeks ended July 2, 1969	5 weeks ended Aug. 7, 1968
RESERVE CITY BANKS			
Total reserves held	732,494	747,843	711,608
With Federal Reserve Bank	682,173	698,104	660,633
Currency and coin	50,321	49,739	50,975
Required reserves	731,907	745,759	707,397
Excess reserves	587	2,084	4,211
Borrowings	54,175	77,265	18,497
Free reserves	—53,588	—75,181	—14,286
COUNTRY BANKS			
Total reserves held	773,337	772,605	703,935
With Federal Reserve Bank	596,174	593,886	532,203
Currency and coin	177,163	178,719	171,732
Required reserves	748,391	748,162	670,432
Excess reserves	24,946	24,443	33,503
Borrowings	24,531	22,706	9,862
Free reserves	415	1,737	23,641
ALL MEMBER BANKS			
Total reserves held	1,505,831	1,520,448	1,415,543
With Federal Reserve Bank	1,278,347	1,291,990	1,192,836
Currency and coin	227,484	228,458	222,707
Required reserves	1,480,298	1,493,921	1,377,829
Excess reserves	25,533	26,527	37,714
Borrowings	78,706	99,971	28,359
Free reserves	—53,173	—73,444	9,355

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Aug. 27, 1969	July 30, 1969	Aug. 28, 1968
Total gold certificate reserves	316,994	373,368	354,908
Discounts for member banks	53,325	48,539	16,859
Other discounts and advances	0	0	0
U.S. Government securities	2,322,962	2,241,833	2,189,030
Total earning assets	2,376,287	2,290,372	2,205,889
Member bank reserve deposits	1,175,528	1,123,461	1,164,954
Federal Reserve notes in actual circulation	1,652,265	1,625,197	1,480,757

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	July 30, 1969	June 25, 1969	July 31, 1968
ASSETS			
Loans and discounts, gross[1]	11,388	11,317	10,029
U.S. Government obligations	2,164	2,154	2,366
Other securities	3,136	3,147	2,810
Reserves with Federal Reserve Bank	1,123	1,221	1,104
Cash in vault	259	258	247
Balances with banks in the United States	1,154	1,159	1,121
Balances with banks in foreign countries[e]	9	7	7
Cash items in process of collection	1,170	1,175	1,063
Other assets[e]	753	821	477
TOTAL ASSETS[e]	21,156	21,259	19,224
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,441	1,426	1,410
Other demand deposits	8,707	8,775	8,305
Time deposits	7,388	7,598	7,160
Total deposits	17,536	17,799	16,875
Borrowings	1,122	1,089	453
Other liabilities[e]	800	671	300
Total capital accounts[e]	1,698	1,700	1,596
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	21,156	21,259	19,224

[1] Before July 2, 1969, this item was published on a net basis.
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 1969 (Annual-rate basis)	Percent change July 1969 from June 1969	Percent change July 1969 from July 1968	Percent change 7 months, 1969 from 1968	July 31, 1969	Annual rate of turnover July 1969	Annual rate of turnover June 1969	Annual rate of turnover July 1968
ARIZONA: Tucson	$ 5,710,476	1	18	17	$ 213,519	26.3	25.9	26.1
LOUISIANA: Monroe	2,626,068	—5	12	14	87,799	30.7	32.7	28.7
Shreveport	8,949,984	—3	42	24	239,560	35.1	37.4	26.7
NEW MEXICO: Roswell[2]	963,060	9	29	22	36,355	25.9	23.7	22.1
TEXAS: Abilene	1,951,236	—9	8	10	97,473	19.9	21.7	19.5
Amarillo	5,557,224	5	8	6	155,298	36.1	35.0	35.5
Austin	9,987,648	8	59	54	275,470	37.0	33.4	25.5
Beaumont-Port Arthur-Orange	6,516,060	—2	9	8	244,891	26.5	27.6	25.6
Brownsville-Harlingen-San Benito	1,666,668	2	18	9	68,357	23.8	22.9	21.0
Corpus Christi	5,159,244	9	20	7	210,311	24.7	22.8	22.4
Corsicana[2]	434,040	2	4	4	28,560	14.8	14.2	15.8
Dallas	113,194,224	—1	23	29	2,152,049	51.7	52.4	46.6
El Paso	7,095,756	3	19	17	215,792	31.8	31.2	30.1
Fort Worth	20,917,704	—2	16	14	617,409	33.3	34.7	31.7
Galveston-Texas City	2,629,800	—2	10	6	102,735	24.6	24.8	23.2
Houston	95,553,432	0	19	16	2,458,969	38.4	39.1	34.6
Laredo	878,268	8	6	15	39,913	22.3	21.5	22.4
Lubbock	4,846,080	3	9	17	149,894	31.6	30.1	29.3
McAllen-Pharr-Edinburg	1,540,068	—1	6	12	92,261	17.1	17.9	17.5
Midland	1,979,484	5	5	14	136,328	14.7	14.4	14.4
Odessa	1,503,264	—6	9	16	75,787	19.8	21.5	20.1
San Angelo	1,093,632	—11	7	12	62,346	16.3	17.9	15.8
San Antonio	16,412,808	—2	10	10	600,041	26.9	27.5	25.1
Sherman-Denison	1,029,456	1	4	9	60,557	17.5	17.3	17.8
Texarkana (Texas-Arkansas)	1,604,928	2	9	12	72,671	21.8	21.2	22.7
Tyler	2,199,072	—6	14	19	91,576	23.0	24.5	22.0
Waco	2,895,756	0	17	11	114,307	24.9	25.4	21.3
Wichita Falls	2,354,160	10	5	8	115,087	20.5	18.5	20.2
Total—28 centers	$327,249,600	0	20	20	$8,815,315	36.6	37.0	33.0

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

BUILDING PERMITS

Area	NUMBER July 1969	NUMBER 7 mos. 1969	VALUATION (Dollar amounts in thousands) July 1969	VALUATION 7 mos. 1969	Percent change July 1969 from June 1969	Percent change July 1969 from July 1968	Percent change 7 months, 1969 from 1968
ARIZONA							
Tucson	752	4,474	$ 10,424	$ 42,501	26	125	92
LOUISIANA							
Monroe-West Monroe	48	455	1,213	8,619	10	—15	—33
Shreveport	404	2,949	2,677	23,025	57	25	60
TEXAS							
Abilene	40	280	286	7,547	—78	—50	36
Amarillo	3,879	4,989	6,010	21,451	585	123	62
Austin	382	2,950	10,856	98,108	14	37	36
Beaumont	205	956	1,262	7,040	52	—15	—35
Brownsville	58	429	787	6,166	304	—35	71
Corpus Christi	373	2,347	1,623	16,023	—33	—65	—37
Dallas	1,872	14,186	34,712	216,509	16	28	40
Denison	15	201	204	2,296	8	—36	2
El Paso	421	3,074	4,321	58,961	—61	—10	45
Fort Worth	436	3,484	4,829	51,779	—25	—46	0
Galveston	57	620	356	13,404	—74	29	66
Houston	4,725	22,148	46,154	254,613	98	76	12
Laredo	33	243	149	2,171	13	107	48
Lubbock	76	762	1,982	19,062	—23	—78	—11
Midland	33	355	343	3,466	—60	—89	—61
Odessa	55	438	314	5,891	—64	19	93
Port Arthur	92	597	514	7,320	—78	—25	204
San Angelo	57	398	322	3,591	—51	—38	—46
San Antonio	1,103	7,387	6,732	49,315	4	26	—38
Sherman	79	582	5,314	15,323	—30	1,535	435
Texarkana	39	226	430	4,225	64	—95	—65
Waco	293	1,709	3,124	12,967	67	200	23
Wichita Falls	85	494	1,017	9,761	85	—11	27
Total—26 cities	15,612	76,733	$145,955	$961,134	19	17	17

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS Total	Reserve city banks	Country banks	TIME DEPOSITS Total	Reserve city banks	Country banks
1967: July	9,195	4,302	4,893	6,285	2,670	3,615
1968: July	9,742	4,554	5,188	7,059	2,921	4,138
1969: February	10,328	4,734	5,594	7,707	3,091	4,616
March	10,268	4,781	5,487	7,722	3,042	4,680
April	10,497	4,893	5,604	7,704	2,988	4,716
May	10,231	4,777	5,454	7,676	2,962	4,714
June	10,209	4,758	5,451	7,634	2,925	4,709
July	10,316	4,783	5,533	7,474	2,806	4,668

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	July 1969	June 1969	May 1969	January—July 1969	January—July 1968
FIVE SOUTHWESTERN STATES[1]	628	678	704	4,166	3,641
Residential building	255	254	258	1,689	1,610
Nonresidential building	210	236	239	1,356	1,110
Nonbuilding construction	163	189	207	1,121	921
UNITED STATES	6,168	6,255	7,081	39,611	35,082
Residential building	2,225	2,462	2,620	15,259	14,382
Nonresidential building	2,370	2,322	2,680	15,144	12,529
Nonbuilding construction	1,574	1,471	1,780	9,208	8,171

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
NOTE. — Details may not add to totals because of rounding.
SOURCE: F. W. Dodge, McGraw-Hill, Inc.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS 1969, estimated August 1	TEXAS 1968	TEXAS 1967	FIVE SOUTHWESTERN STATES[1] 1969, estimated August 1	FIVE SOUTHWESTERN STATES[1] 1968	FIVE SOUTHWESTERN STATES[1] 1967
Cotton[2]	3,750	3,525	2,767	5,465	5,244	4,000
Corn	31,800	26,052	18,658	42,333	36,871	27,595
Winter wheat	69,768	84,150	53,216	199,938	218,974	150,903
Oats	24,768	19,822	6,615	32,248	25,450	11,533
Barley	2,772	3,348	1,350	30,618	26,856	18,007
Rye	648	528	350	1,688	1,208	909
Rice[3]	25,254	27,462	25,400	48,472	53,943	47,435
Sorghum grain	328,640	340,780	343,485	394,627	402,171	409,267
Flaxseed	1,296	742	150	1,296	742	150
Hay[4]	3,621	4,587	3,774	9,353	10,418	9,565
Peanuts[5]	360,000	426,300	333,450	605,860	671,476	558,470
Irish potatoes[6]	4,532	4,382	4,329	8,499	7,654	7,892
Sweet potatoes[6]	750	960	810	5,400	5,206	5,008

[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.

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	January—June 1969	January—June 1968	Percent increase
Arizona	$ 307,298	$ 270,081	14
Louisiana	195,478	175,539	11
New Mexico	103,354	93,900	10
Oklahoma	406,436	377,357	8
Texas	1,138,813	1,013,518	12
Total	$ 2,151,379	$ 1,930,395	11
United States	$19,825,483	$18,258,114	9

SOURCE: U.S. Department of Agriculture.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	July 1969p	June 1969	May 1969	July 1968r
TEXAS				
Total industrial production	174.3	176.7	172.5r	167.3
Manufacturing	198.4	197.7	194.4r	188.7
Durable	217.3	215.8	216.0r	203.1
Nondurable	185.8	185.6	180.1r	179.1
Mining	127.0	134.5	128.8r	125.5
Utilities	241.0	241.0	236.8r	225.3
UNITED STATES				
Total industrial production	175.2	173.9	172.7	166.0
Manufacturing	176.3	175.0	173.9	167.4
Durable	180.4	178.5	176.7r	170.8
Nondurable	171.3	170.6	170.3r	163.0
Mining	133.3	132.4	130.5r	130.0
Utilities	222.5	221.0	216.7r	199.3

p — Preliminary.
r — Revised.
SOURCES: Board of Governors of the Federal Reserve System.
Federal Reserve Bank of Dallas.

COTTON PRODUCTION

Texas Crop Reporting Districts

(In thousands of bales — 500 pounds gross weight)

Area	1969, indicated August 1	1968	1967	1969 as percent of 1968
1-N – Northern High Plains	300	211	258	142
1-S – Southern High Plains	1,570	1,384	937	113
2-N – Red Bed Plains	310	312	218	99
2-S – Red Bed Plains	370	372	234	99
3 – Western Cross Timbers	20	20	12	100
4 – Black and Grand Prairies	370	409	264	90
5-N – East Texas Timbered Plains	20	19	19	105
5-S – East Texas Timbered Plains	40	41	39	98
6 – Trans-Pecos	170	189	158	90
7 – Edwards Plateau	60	72	23	83
8-N – Southern Texas Prairies	40	57	54	70
8-S – Southern Texas Prairies	100	93	98	108
9 – Coastal Prairies	85	79	117	108
10-N – South Texas Plains	25	25	20	100
10-S – Lower Rio Grande Valley	270	242	316	112
State	3,750	3,525	2,767	106

SOURCE: U.S. Department of Agriculture.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	July 1969	June 1969	July 1968	Percent change from June 1969	Percent change from July 1968
FOUR SOUTHWESTERN STATES	6,534.1	6,739.1	6,327.2	—3.0	3.3
Louisiana	2,351.8	2,423.9	2,241.1	—3.0	4.9
New Mexico	353.4	348.8	346.6	1.3	2.0
Oklahoma	608.8	614.5	614.4	—.9	—.9
Texas	3,220.1	3,351.9	3,125.1	—3.9	3.0
Gulf Coast	647.5	661.9	622.5	—2.2	4.0
West Texas	1,515.9	1,593.0	1,459.1	—4.8	3.9
East Texas (proper)	157.7	159.2	148.1	—.9	6.5
Panhandle	87.6	90.9	90.8	—3.6	—3.5
Rest of State	811.4	846.9	804.6	—4.2	.8
UNITED STATES	9,310.1	9,508.1	9,158.2	—2.1	1.7

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

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States[1]

Type of employment	Number of persons July 1969p	June 1969	July 1968r	Percent change July 1969 from June 1969	Percent change July 1969 from July 1968
Total nonagricultural wage and salary workers	6,202.9	6,197.1	5,969.6	0.1	3.9
Manufacturing	1,155.8	1,156.1	1,127.6	.0	2.5
Nonmanufacturing	5,047.1	5,041.0	4,842.0	.1	4.2
Mining	236.5	235.8	234.5	.3	.9
Construction	411.8	407.1	404.2	1.2	1.9
Transportation and public utilities	465.8	465.4	445.3	.1	4.6
Trade	1,412.0	1,405.4	1,353.9	.5	4.3
Finance	310.3	308.2	293.7	.7	5.7
Service	972.6	968.8	920.3	.4	5.7
Government	1,238.1	1,250.3	1,190.1	—1.0	4.0

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
p — Preliminary.
r — Revised.
SOURCE: State employment agencies.