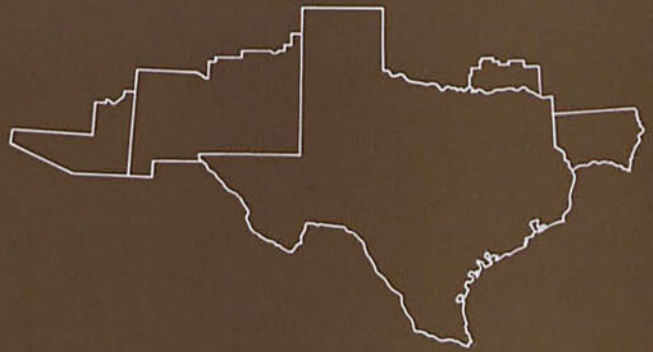


business review



december 1970

**FEDERAL RESERVE
BANK OF DALLAS**

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SDR's—

a new asset supplementing reserves for growth in free world trade

A new international reserve asset became available to the monetary authorities of the world on January 1, supplementing such other reserve assets as gold, convertible currencies, and automatic claims on the International Monetary Fund. Created after years of arduous discussion among member nations of the IMF, the new monetary unit — SDR's (special drawing rights) — provides the essential basis for freeing the growth of international reserves from dependence on such uncertain forces as gold markets and the balance-of-payments positions of reserve currency countries.

Altogether, \$3.4 billion in SDR's was created at the start of 1970. Not only was this a considerable addition to the world's reserves, but the total is slated to grow another \$3 billion a year for the next two years, reaching a cumulative total of \$9.5 billion in 1972.

Of the amount created so far, the United States has been the largest recipient. This country received an initial allocation of nearly \$867 million — roughly a fourth of the world's SDR's. In addition, during the first eight months of 1970, the United States made a net acquisition of more than \$94 million, pushing the nation's total SDR holdings to over \$961 million — well above the combined holdings for all continental Europe.

Experience in 1970 seems to indicate that SDR's may become a viable supplement for the expansion of international reserves in response to the needs of world trade and finance. A careful appraisal of the first year's experience is planned for a future Review article.

The current system

The free world's current international monetary system dates from the Bretton Woods Conference of 1944. Under this system, each member of the IMF fixes a par value for its currency and undertakes to maintain this value within 1 percent of parity. Rates are expressed in terms of either gold or the U.S. dollar. Consequently, where in principle the values of currencies are maintained in terms of gold, in practice they are stated in terms of the dollar. This is because of the now long-standing U.S. pledge to trade gold with foreign governments and central banks at the established rate of \$35 an ounce. With such a pledge, a currency valued relative to the dollar actually reflects the fixed value of the currency in terms of the official price of gold.

The supply and demand for currencies arising from international transactions converge in foreign exchange markets. There, monetary authorities of countries belonging to the IMF buy or sell enough of their currencies to keep values within the official spread. To keep the value of their currencies from rising above the official selling price, monetary authorities supply the market with their currencies by buying up other currencies. Conversely, to keep the value of their currencies from falling below the official buying price, monetary authorities use foreign currencies in the exchange market to buy up their own currency.

This system of currency convertibility at stable exchange rates requires that the monetary authorities of every member country main-

tain a stock of foreign reserve assets that can be used to intervene in the foreign exchange market. The U.S. dollar is the principal intervention currency used in these transactions, the others being the pound and the franc, which are used in markets dominated by British and French currencies. With the dollar so important to the international monetary system, the United States must maintain a stock of gold and other reserve assets to ensure the convertibility of dollars presented by foreign monetary authorities for redemption.

The International Monetary Fund was established through initial subscriptions of gold and currency totaling the equivalent of \$8 billion. Twice, quotas were increased across the board, in 1959 and again in 1966, bringing the fund's total resources to the equivalent of \$21 billion. Another important step in the strengthening of the international monetary system was taken in 1962, when ten major countries agreed, if necessary, to lend the fund the equivalent of up to \$6 billion. Then, early this year, the Board of Governors of the IMF adopted a resolution calling for a one-third increase in quotas.

Reserves before 1970

Despite efforts to strengthen the IMF and promote the smooth functioning of the international monetary system, total world reserves (gold, foreign exchange, and reserve positions of countries at the IMF) expanded slowly in the 1960's. Problems with changes in the composition of reserves and declining confidence in the convertibility of major reserve currencies also emerged. Recognition of the implication of these problems for the international monetary system led eventually to the adoption of SDR's.

World reserves at the end of 1969 totaled \$76.9 billion, compared with \$60.5 billion at the end of 1960. This represented an average annual increase of only 3 percent. Meanwhile, world trade (measured by total imports, including the cost of insurance and freight) expanded

from \$119.4 billion in 1960 to \$254 billion in 1969, or at an average annual growth rate of nearly 10 percent.

Not only did trade grow more than three times as fast as reserves — creating concern that reserves might not long be adequate for the demands of trade — but the composition of international reserves also changed. Where monetary gold stocks had accounted for almost two-thirds of international reserves in 1960, by the end of the decade they accounted for little over half.

The shift in the composition of reserves made foreign exchange (holdings of key currencies, primarily the dollar and the pound) an increasingly important component of total reserves. In 1960, foreign exchange made up 31 percent of international reserves. By the close of 1969, it made up 40 percent. Reserve positions at the IMF almost doubled in the 1960's, largely as a result of the increased quotas members of the IMF agreed to in 1965.¹

The growing importance of foreign exchange was due almost entirely to the increase in dollar-denominated liabilities of the United States held as reserve assets by other countries. The accumulation of U.S. dollar foreign exchange — which resulted mainly from balance-of-payments surpluses of other countries built up as the counterpart of the large, prolonged U.S. balance-of-payments deficit — accounted for most of the growth in reserves. Total foreign exchange reserves increased \$12.2 billion over the decade. Of that, \$4.9 billion was in dollar liabilities, which grew at an average annual rate of 4.9 percent, compared, for example, with an

¹ Reserve positions at the IMF are unconditional assets arising from a country's gold subscription to the fund and the IMF's use of that country's currency to finance drawings of other countries and purchases of gold. Gold subscriptions for original members were set at either 25 percent of their quotas or 10 percent of their net official holdings of gold and U.S. dollars on September 12, 1946, whichever was less. The same formula has usually been followed for new members.

average growth of 2.2 percent in sterling-denominated assets.

Another problem for the international payments system was recurrent currency crises in the 1960's. Speculative fever hit the German mark in 1961, 1968, and 1969, the French franc in 1968 and 1969, the Italian lira in 1963, the British pound in 1961, 1964, 1967, and 1968, and the U.S. dollar in 1968.

The international monetary system was able to withstand the strain of these speculative crises largely because of cooperative efforts of monetary authorities to counter them. The German mark had to be revalued in 1961 and 1969. And the British pound had to be devalued in 1967 and the French franc in 1969. But through broadly based international efforts, monetary authorities were able to maintain the gold exchange rate of the dollar.

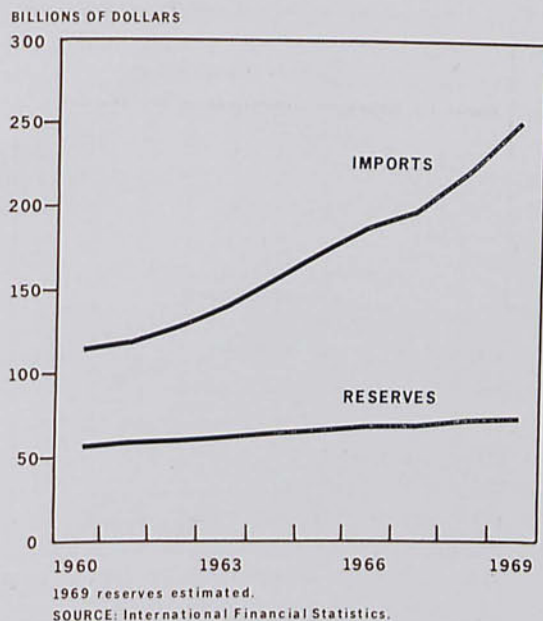
The United States and other countries agreed in 1968 to no longer supply gold to the gold market but to let the market price fluctuate without official intervention. A two-price system was thereby established, with monetary gold held at its official price and the market price allowed to fluctuate in response to supply and demand.

This new type reserve

Since SDR's are merely book entries in a special drawing account established at the IMF, they do not represent liabilities of any one country, or of the IMF. When a country has difficulties with its balance of payments or reserve position, its monetary authority can justify use of SDR's.

Special drawing rights can be used in transactions between countries either through bilateral agreement or through designation by the IMF. For transactions based on designation, a country wanting to use SDR's can ask the IMF to designate countries to receive them and the amount each is to receive.

Free world trade outpaced growth in reserves in 1960's



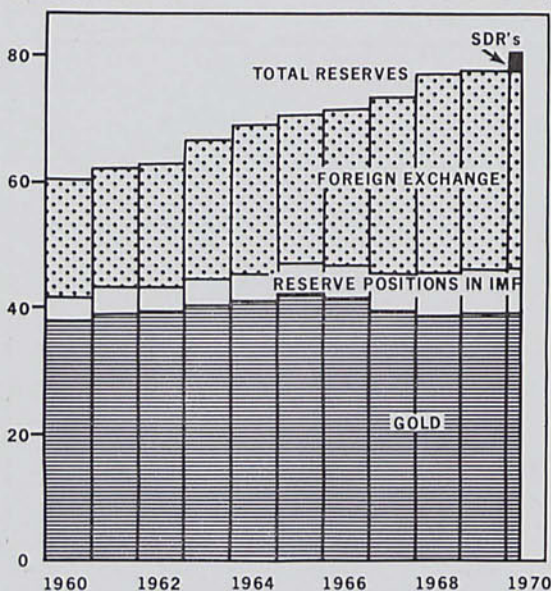
Special drawing rights cannot be used, however, for a country to obtain foreign currency from the pool of currencies held by the IMF. The fund can issue SDR's without committing its resources by requiring that designated participants accept SDR's and provide currency convertible in fact to other members. The ability of members to obtain convertible currency in exchange for SDR's is basic to the concept of this new reserve asset.

Although the unit value of an SDR is equivalent to the "gold content" of the dollar (0.888671 gram of gold nine-tenths fine), SDR's cannot be converted directly into gold. However, since participating nations guarantee the new monetary unit at this rate, the revaluation or devaluation of a currency cannot affect the value of SDR holdings. If a currency were devalued, SDR's would simply command more units of the devalued currency.

While no country is obligated to treat SDR's as reserve assets, most countries have chosen

Foreign exchange expanded . . .

BILLIONS OF DOLLARS (YEAR-END FIGURES)



1969 estimated; 1970 estimated for first quarter.
SOURCE: International Financial Statistics.

to include them in their international monetary reserves. This is because of their fixed value and, more fundamentally, their transferability into currencies that are convertible in fact. As a further inducement to the holding of SDR's, the IMF pays interest (currently 1.5 percent a year) on each country's holdings in excess of the amount allocated to it.

Future allocations will depend on global needs for reserves. New allocations are initiated by the managing director of the IMF. This official, who is chairman of the fund's executive board and head of its operating staff, consults with member nations to determine support for the creation of SDR's in an amount that would be acceptable to most IMF members. To become effective, the proposal must be agreed to by the executive directors of the fund (a group responsible for its general operations) and approved by participating countries with 85 percent of the weighted voting power of the fund.

Since SDR's are intended to ensure adequate long-run growth of total reserves, the amount created is not ordinarily expected to vary from year to year or in response to the payments position or reserve needs of individual countries. Rather, the amount created will normally apply for a specific period (initially, three years). The new drawing rights are allocated to participants in proportion to their IMF quotas. Every country in the fund received an allocation at the start of 1970 computed at just under 17 percent of its quota at the end of 1969. Thus, the United States, which accounted for nearly a fourth of the fund's quotas, received a similar proportion of the SDR credits.

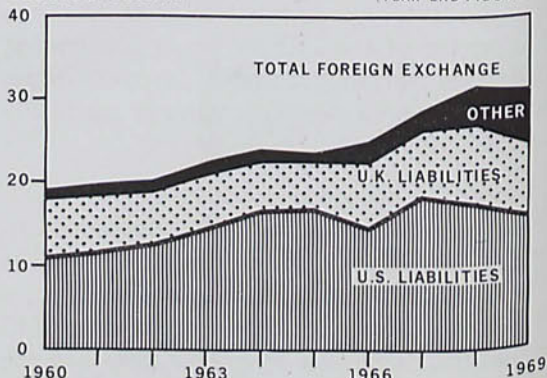
Safeguards and limitations

While the creation of SDR's consists of book entries in the IMF's special drawing account, transactions imply eventual transfers of real goods and services. But because a country surrendering its own currency for SDR's is placing claims on its real resources or international reserves directly in the hands of foreigners, several limitations have been imposed on the use of SDR's.

One of the most important is the basic rule of need. Under this rule, countries are able to

. . . as dollar reserves increased

BILLIONS OF DOLLARS (YEAR-END FIGURES)



SOURCE: International Financial Statistics.

How SDR's Were Established

The decision of IMF members to create a new international reserve asset resulted from several years of deliberation. An inquiry into the feasibility of creating such an asset was started in 1963. Many of the characteristics of a possible agreement began to emerge in 1966, and by August 1967 many of the essential features of SDR's had been outlined.

This outline was approved unanimously by the IMF's Board of Governors in September, and a proposed amendment to the international agreement establishing the fund was

developed for presentation to the Board of Governors in May 1969. It was promptly approved and sent to member governments for ratification.

The amendment became effective on July 28, 1969, following its acceptance by three-fifths of the member countries, representing four-fifths of the voting strength in the fund. By early August, 85 percent of the members became participants in the new SDR system and machinery could be activated to allocate SDR's to all members.

use SDR's unconditionally but are expected to do so only to meet balance-of-payments needs in the light of developments in their aggregate reserves. This means, in essence, that SDR's can be used to forestall or offset a drop in other reserves resulting either from a deficit in a country's balance of payments or from a desire on the part of other countries to convert balances of the using country's currency into gold.

But although their use can change the composition of a country's reserves, SDR's are not expected to be used for that purpose. This rule protects other countries from the risk of a participant using SDR's simply to get rid of them. If a country violates the rule of basic need, the IMF can direct subsequent transfers to the offending country. If that fails, the fund can suspend the participant's right to use SDR's altogether.

Countries that use SDR's are obligated to satisfy a rule that a country's average net use of SDR's over a five-year period must not exceed 70 percent of its average cumulative allocation. A country can exceed the 70-percent use rate during the five-year period but must have re-

stored its reserve position by the end of the period. This reconstitution rule limits the extent to which countries can use SDR's to finance persistent external deficits.

Although reconstitution can be exacted for the overuse of SDR's, the quality of the asset is not significantly impaired by the reconstitution rule. This is because 70 percent of a country's cumulative allocation does not have to be reconstituted and, therefore, makes up a stock of reserve assets that are available to the country unconditionally.

There are also limits to the amount of SDR's a country must accept. Although countries designated by the IMF are obligated to accept SDR's in exchange for currency that can be converted, the IMF is normally expected to designate only countries that are running a surplus in their balances of payments or have built up appropriate reserve positions. Even then, the country has to accept SDR's up to only three times its cumulative allocation. It has met its obligation, in other words, when its holdings in excess of its net cumulative allocation reach twice the amount of its allocation. These limits

ALLOCATION AND USE OF SDR'S

(In millions of U.S. dollars)

Participant	Allocations, Jan. 1, 1970	Net receipts or use (-)	Holdings, Aug. 31, 1970
Industrial countries	\$2,276.2	\$ 84.6	\$2,360.8
United States	866.9	94.3	961.2
United Kingdom	409.9	-120.8	289.2
Industrial Europe	753.3	69.9	823.2
Austria	29.4	8.8	38.2
Belgium	70.9	23.0	93.9
Denmark	27.4	-10.0	17.4
France	165.5	2.0	167.4
Italy	105.0	-29.4	75.6
Luxembourg	3.2	—	3.2
Netherlands	87.4	25.1	112.4
Norway	25.2	2.0	27.2
Sweden	37.8	—	37.8
West Germany	201.6	48.5	250.1
Canada	124.3	20.4	144.7
Japan	121.8	20.7	142.5
Other developed areas	284.8	-39.3	245.5
Less developed areas	853.1	-298.4	554.6
Latin America	330.0	-38.5	291.5
Middle East	77.4	-66.1	11.3
Other Asia	277.7	-142.1	135.6
Other Africa	168.0	-51.6	116.3
Participant holdings	3,414.0	-253.2	3,160.9
Fund holdings	—	253.2	—
Total	3,414.0	.0	3,414.0

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

SOURCE: International Financial Statistics.

protect participants from obligations that may be too heavy.

Some tentative implications

Experience with the use of SDR's seems to indicate the emergence of an acceptable international reserve asset. Special drawing rights have been transferred freely and used in accordance with the rules of the agreement under which they were established.

There have been few SDR transactions by mutual agreement. And as expected, where there have been such transactions, they have been mostly cases of a country obtaining balances of its own currency from another country.

The United Kingdom, for example, transferred SDR's to West Germany in exchange for an equivalent balance of sterling. And the United States transferred SDR's to Belgium and the Netherlands in exchange for dollar balances.

There have, however, been a number of transactions by designation. Most of the designations have been on the basis of strength in balance of payments and accumulation of reserves. Those designated to receive SDR's have usually been industrial countries, such as the United States, Canada, Japan, Germany, Belgium, and the Netherlands. But they have also included such less developed countries as Argentina, Brazil, Chile, Kenya, Korea, Malaysia, Mexico, and the Congo.

Several countries with balance-of-payments problems or low currency reserves have used their SDR allocations to restore their reserve positions with the IMF.² They have included Italy, Greece, Turkey, Yugoslavia, Egypt, Israel, and the United Kingdom.

The smooth working of the designation process suggests that an orderly expansion of SDR's can help provide a means of reconciling the objectives of both surplus and deficit countries. Since most governments try to increase reserves with the expansion of their international trade and growth of domestic income and production, the total stock of international reserves must also increase.

If appropriate growth of international monetary reserves can be ensured by the creation of SDR's, the international monetary system can largely avoid situations in which one country gains reserves only at the expense of other countries. In the past, if total reserves did not increase fast enough to keep up with the increase in international transactions, the outlook

² In the first eight months of 1970, the IMF acquired slightly more than \$250 million in SDR's, mostly from countries paying charges on their IMF drawings or repaying the drawings.

was for a shortage in reserves. Surplus countries tended to adopt policies designed to conserve their reserve assets, and deficit countries tended to adopt policies designed to gain reserves. Together, these two types of policy tended to restrict trade and finance, leading to restrictive economic policies and frequently to direct controls over private international trade and payment flows.

By providing for orderly and adequate growth of monetary reserves for all countries, SDR's may also serve as a mechanism for accommodating the goals of both surplus and deficit countries. Continuation of the trends seen in 1970 should serve the International Monetary Fund's final purpose — the promotion of freer flows of world trade and payments.

LACY H. HUNT, II

District agriculture: Crops rebound in 1970

Livestock has accounted for most of the growth in farm income in the Eleventh Federal Reserve District states in recent years. The increase in agricultural production in these states (Arizona, Louisiana, New Mexico, Oklahoma, and Texas) has been due primarily to the rapid expansion of cattle feeding. Also, livestock prices have been generally more favorable than crop prices. The trend changed this year, however, with crop output rising as fast as livestock production. The most significant change was the relative improvement in crop prices since midyear.

The change was due to a combination of factors. Crop production improved with generally favorable weather conditions throughout the Southwest, and crop prices increased with heavier than expected demand. By contrast, cattle feeding, which was the main source of growth in livestock production, slowed as the high cost of feeders and capital checked the spread of feedlots. The increase in livestock prices also slowed, primarily because of an

increase in supplies of poultry and red meat but also because of sluggish consumer demand and the slower pace of general economic activity.

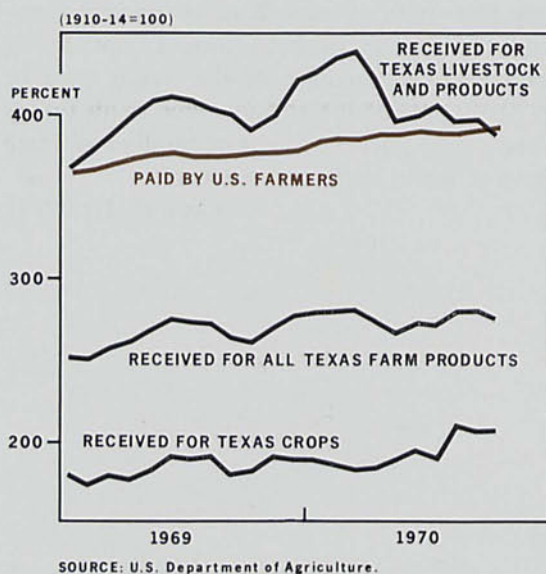
These changes are not expected to affect total farm income significantly, however. Higher prices for crops in the second half of the year will probably more than offset the lower prices for livestock, leaving farmers and ranchers in the five southwestern states with a total gross income exceeding the \$6.6 billion they earned last year. But with costs of agricultural production increasing faster than gross income, their total net income will probably not improve.

Crop production

District crop production is expected to total 3 percent higher than in 1969. Although production of winter wheat declined, production of cotton, rice, and sorghum grain was up, as was the output of most minor crops.

Prospects for the cotton crop in these states have been placed at 4.7 million bales. That is

Texas livestock prices weaken but crop prices gain in 1970



7 percent more than in 1969 although 10 percent less than in 1968. The expected increase is due to increases in both acreage and expected lint yield.

With an 8-percent increase in acreage, the Texas cotton crop will probably be 17 percent larger than a year before. Acreage for harvest was up 7 percent in Louisiana, but other District states have smaller cotton acreages this year. Acreage was off 12 percent in Arizona, 4 percent in New Mexico, and 3 percent in Oklahoma.

Unfavorable weather late in the crop season and a smaller acreage allotment combined to reduce wheat production in District states by 15 percent. By contrast, with an acreage increase of only 1 percent, the sorghum grain crop is expected to be 12 percent larger than in 1969. Total production of sorghum grain will probably approach 412 million bushels. This, along with the 112-million-bushel carry-over of old-crop grain, should approach the supply on hand in these states a year ago.

Although rice acreage was reduced 15 percent in both Louisiana and Texas, prospects are for a slight increase over last year's production. Yields are expected to average 4,000 pounds per acre in Louisiana, compared with 3,400 pounds last year, and 4,750 pounds per acre in Texas, compared with 3,950 last year.

Gains can be expected in most minor crops, which together account for about a fifth of the total value of crop production in the five states. Harvests of corn, oats, barley, rye, hay, and peanuts are larger than in 1969, although harvests of flaxseed, potatoes, and pecans will probably be smaller.

Prospects are for citrus crops in Arizona and Texas to total 22.5 million boxes — 11 percent more than last year. Large increases in the orange crop are expected in both states, and the grapefruit crop will be larger in Texas. Prospects for citrus crops in Florida are also up sharply.

Livestock production

District livestock production is expected to show a 3-percent gain over 1969. As in other recent years, the prospects for gain result mainly from increases in beef production.

As more marginal cropland was converted into pastures, especially in the eastern part of the District, and more pastures were improved, the number of beef cattle in the Southwest continued to climb, reaching 20 million head at the start of 1970. The increase, spurred by continued demand for beef and rising prices for feeder calves, was in line with a long-term trend that has nearly doubled the number of head in District states since 1950.

Production of fed beef continued to increase, though not nearly as fast as in previous years. The number of cattle on feed in states of the Eleventh District soared in the second half of the 1960's. With the rapid growth in feedlots, especially in the High Plains, four of the states — Arizona, New Mexico, Oklahoma, and

Texas—came to account for nearly 18 percent of the nation's cattle on feed at the start of the 1970's, compared with 9 percent at the start of the 1960's. But with a general shortage of feeders and a steady rise in costs of feedlot operations (feed and feeder cattle, capital and labor, and construction of lots), the rate of expansion slowed markedly. There were slightly more than 2.2 million head on feed in District states on October 1. That was almost 42 percent more than on that date in 1968 but only 2 percent more than at that time in 1969.

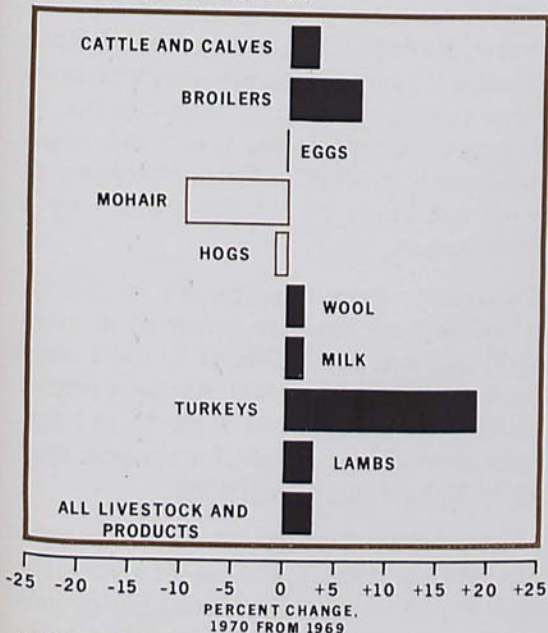
Even with this slowing in cattle feeding, however, beef slaughter in District states continued to advance. Through September, the beef slaughter was 3 percent greater than in the first nine months of last year. The increase, with a gain of 11 percent in the slaughter of sheep and lambs, pushed red-meat production 3 percent ahead of a year before.

This net gain was made despite a 2-percent decline in the number of hogs slaughtered. The decline in the hog slaughter in the first nine months of 1970 was in line with a reduction in the number of hogs and pigs in these five southwestern states at the end of 1969. With favorable prices, the number of hogs increased rapidly in the first half, especially in Texas, where the number on farms at midyear was nearly a fourth greater than a year earlier.

The number of sheep to be shorn in these states declined fractionally this year, and the number of goats declined 10 percent. Mohair production was also off 10 percent. But because fleece averaged 3 percent heavier, wool production was probably higher than last year. Production increases in New Mexico and Texas more than offset declines in the other three states. Production of lambs was also probably higher than in 1969.

Livestock production . . .

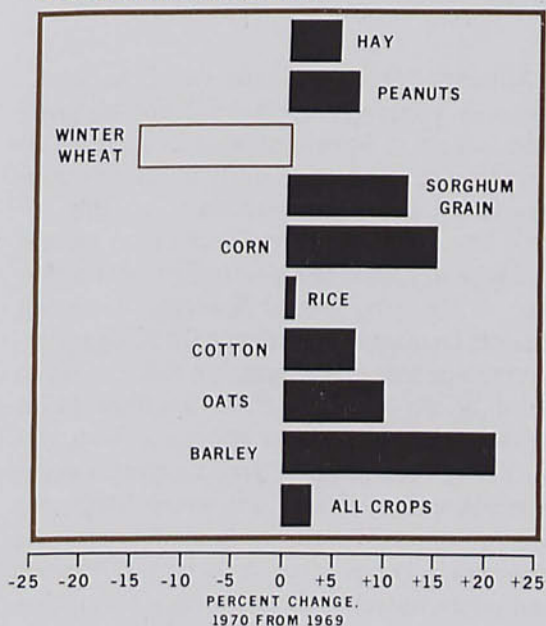
FIVE SOUTHWESTERN STATES



1970 partly estimated.
SOURCES: U.S. Department of Agriculture,
Federal Reserve Bank of Dallas.

. . . and crop production grow apace

FIVE SOUTHWESTERN STATES



1970 indicated November 1.
SOURCE: U.S. Department of Agriculture.

Egg production increased in Arizona, New Mexico, and Texas but declined in Louisiana and Oklahoma, leaving total production about the same as last year. Prices in the first quarter averaged higher than a year before but have since averaged lower.

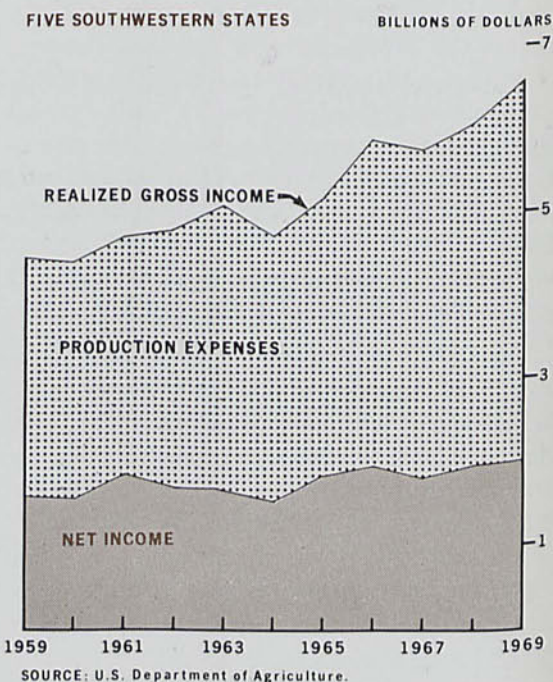
Broiler production through October indicates a 7-percent increase for the year. As a result of this increase, which is the same as last year's gain, commercial broiler prices declined. Prices in Texas averaged 12 percent lower in the first ten months than in the same period a year before. With live-turkey prices in the first quarter averaging 40 percent higher than in the same period last year, this year's turkey production is expected to be 19 percent higher.

In sharp contrast to the downtrend since 1950, the total number of dairy cows in these states is almost the same as last year. But in line with trends toward greater efficiency in milk production, output in the first ten months of the year was 2 percent greater than in the same period last year.

Net farm income

Although farmers and ranchers of the Southwest can probably expect total annual gross farm income to have continued its increase of recent years, production costs apparently rose even faster, holding net income to roughly the same level as in 1969. In the first nine months of this year, cash receipts were 3 percent higher than in the same period last year. Livestock receipts increased faster than crop receipts during the first half of the year, but shifts began to occur in the second half as livestock prices weakened and crop prices improved. Meat supplies have been plentiful since midyear, causing livestock prices to drift downward. And crop prices, especially for cotton and grains, are higher than last year. Gains in crop production and prices, as well as more livestock production, indicate total cash receipts may have continued to exceed those of the year before.

Net farm income advanced little in the Southwest in the 1960's



Higher expenses probably offset these gains, however, leaving net income near the \$2 billion realized last year. Inflationary pressures in the general economy pushed up farm expenses for production items, interest, taxes, and wages. Consequently, costs of production probably exceeded last year's \$4.7 billion outlays by at least 5 percent.

Nationally, gross farm income in the first half of the year has been estimated at a seasonally adjusted \$56 billion, or \$2 billion more than in the first half of 1969. But since production expenses are expected to rise by at least a similar amount, net income for the year likely will be little changed from 1969.

Income in the District and the nation would have been lower had it not been for a substantial expansion of exports. Due primarily to gains in dollar sales, farm exports totaled \$6.6 billion for the fiscal year ended June 30. That was 16

percent more than in fiscal 1969 and only slightly less than the record set in fiscal 1967.

Other District developments

Elsewhere in District agriculture, trends established in previous years apparently continued. Preliminary estimates of the number of farms in District states indicate a continuation of the long-term movement toward fewer but larger farm units. Under pressure of labor-saving changes in agricultural technology and basic changes in the structure of markets in which farmers and ranchers buy and sell — especially the spreading gap between production costs and the prices received for agricultural products — the number of farms in these states apparently declined more than 2 percent this year.

The advance in market values of farm real estate slowed to 4 percent in the year ended March 1. This slowing, too, apparently followed a trend. Values increased 5 percent in the year ended March 1, 1969, and 6 percent and 7 percent, respectively, in the two previous years

ended in March. Although market values advanced sharply in Oklahoma — with tight financial markets and further slackening in demand for farmland — values rose only slightly in Texas and New Mexico, held steady in Louisiana, and eased in Arizona.

With the continued increase in agricultural activity in District states, farmers and ranchers increased the amount of credit used in their businesses this year. The rate of increase is expected to be less than the 8-percent gain registered last year, however. With the slowing in the expansion of farm real estate markets, loans on farm real estate probably grew slightly less than the average 6-percent gain posted for the preceding two years. Also, with tighter money markets, non-real-estate farm loans in these five states probably did not increase as much as the unusually high 14 percent in 1969.

With the increase in agricultural credit in recent years, the mix of institutions supplying credit to farmers and ranchers in the Southwest has changed significantly. The amount of non-real-estate loans has increased at both banks and production credit associations, with PCA's providing most of the increase. The amount of non-real-estate loans held by the Farmers Home Administration has declined. Among suppliers of farm real estate loans, life insurance companies have registered only a nominal increase in the last three years, while commercial banks and Federal land banks have shown considerable gains.

Outlook for 1971

The outlook is for little change in District agriculture in the coming year. Overall, both crop production and livestock production will almost certainly continue to increase, pushing gross income higher. But production expenses must also be expected to rise.

The farm program for next year includes the same general type of price-support system that has been in effect since 1965. Farmers comply-

FARM LOANS HELD BY PRINCIPAL LENDERS, JANUARY 1, 1970

Five Southwestern States
(Dollar amounts in thousands)

Type of loan and lender	Amount held	Percent of southwestern total
Non-real-estate loans		
Banks	\$1,502,712	68%
Production credit associations	567,553	26
Farmers Home Administration	127,784	6
Total	\$2,198,049	100%
Real estate loans		
Banks	\$ 378,891	10%
Federal land banks	861,022	23
Life insurance companies	1,119,088	30
Individuals and others	1,342,457	36
Farmers Home Administration	26,240	1
Total	\$3,727,698	100%
COMBINED TOTAL	\$5,925,747	—

SOURCE: American Bankers Association.

ing with Government acreage controls for cotton and grains will be eligible for both crop support loans and supplemental direct income payments. A new acreage set-aside provision for wheat, feed grains, and cotton has been included that will allow producers more flexibility in operating their farms.

There is one major change of considerable importance to the Southwest, however. The new price-support bill sets a per-crop ceiling of

\$55,000 on Government payments to producers of cotton, wheat, and feed grains. Some 600 growers in these five states received more than that amount in total Government payments last year. More than half of them were in Texas. Many of these growers received over \$55,000 for growing one crop and will, therefore, have major adjustments to make in their farming operations.

CARL G. ANDERSON, JR.

***new
par
banks***

The Colonial Bank of Greenville, Greenville, 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, November 9, 1970. The officers are: J. W. Munson, President; Allen B. Stephenson, Jr., Vice President; and Jack Stiles, Vice President and Cashier.

The First State Bank of McKinney, McKinney, 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, November 12, 1970. The officers are: Paul Harden, Chairman of the Board; J. H. Muckleroy, Jr., President; C. Audie Turrentine, Vice President (Inactive); and Clyde A. Geer, Cashier.

The South Texas Bank, Houston, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, November 16, 1970. The officers are: Frank A. Liddell, Jr., Chairman of the Board; Joe F. Thomas, President; Travis L. Wilson, Vice President; and W. J. Moore, Cashier.

District highlights

Petroleum activity in the top two producing states of the Eleventh District, Texas and Louisiana, has been booming for several months. In response to an impending energy shortage, regulatory agencies in these two states have authorized record highs in production rates. For December, the Louisiana agency kept the rate at 75 percent of maximum efficient production. The Texas agency reduced its allowable rate from 87.3 percent to 83.5 percent. Actual production in Texas, however, is expected to be down only slightly.

The energy shortage that precipitated these high allowables was brought on by a combination of developments. Electric utilities have faced unexpectedly high demand for electrical power. Natural gas has been in short supply as the result of a gradual decline in known reserves relative to production. Residual fuel oil has been scarce and expensive on the import-dependent East Coast because of a world shortage of tankers and increasing world demand for fuel. There has also been a shortage of coal, a traditional industrial fuel. This shortage has been due to limitations on mine capacity, strong export demand, and a shortage of hopper cars. All these developments have increased pressure on domestic petroleum production — especially in the Eleventh District, where reserves are great enough for most of the adjustments to be made.

The seasonally adjusted Texas industrial production index was essentially the same in October as in September. Weaknesses in the aerospace, automotive, and electronics industries were responsible for a further decline in the manufacture of durable goods. This decline was offset, however, by a rise in the production of nondurables and a strong advance in mining

output. All categories of nondurable production except leather goods and chemicals registered significant gains. Utilities were unchanged.

Compared with a year earlier, the October production index was up only 2.3 percent. The index would have been down substantially had it not been for the high levels of oil activity. Crude oil output was nearly 15 percent higher than in October 1969. Petroleum refining was 20 percent higher, contributing strongly to a 6-percent rise in nondurable manufacturing. Together, these advances more than made up for a 12-percent decline in the output of durables.

Total loans and investments at weekly reporting banks in the Eleventh District increased moderately in October and the first two statement weeks in November. The advance largely reflected increased borrowings by finance companies. In the face of a decline in deposits, banks financed most of this credit expansion by reducing their balances with other domestic commercial banks.

In contrast to a moderate decline during the comparable period a year earlier, total loans increased \$70 million. An advance of \$89 million in loans to nonbank financial institutions resulted largely from the use of bank credit lines by finance companies. Real estate loans advanced about \$17 million, but demands for most other types of loans remained sluggish. Business loans declined \$7 million. Consumer instalment loans were off \$5 million. And loans for purchasing or carrying securities fell \$2 million.

With the decline in deposits and the increased loan demand of finance companies, banks made only modest additions to their investment portfolios during this period. Holdings of U.S. Gov-

ernment securities declined \$32 million, but holdings of other securities increased \$41 million. The increase resulted mainly from acquisitions of long-term municipal obligations.

Total deposits declined \$104 million, despite a \$264 million advance in time and savings deposits. The substantial \$368 million contraction in demand deposits reflected reductions in all major types of demand deposits, particularly deposits of the U.S. Government and of individuals and businesses. Much of the decline, however, stemmed from a considerable decrease in cash items in the process of collection. The expansion in time and savings deposits resulted mainly from a sizable increase in large-denomination CD's held by individuals and businesses. With greater access to the CD market, weekly reporting banks further reduced their outstanding borrowings from nondeposit sources.

Department store sales in the Eleventh District were 4 percent higher in the four weeks ended November 21 than in the corresponding period last year. Cumulative sales through that date were 3 percent higher than a year earlier.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio were 6 percent higher in October than in September but 27 percent lower than in October 1969. This large decline from a year earlier can be attributed primarily to the Gen-

eral Motors strike. Cumulative registrations for the first ten months of 1970 were 10 percent lower than in the same period last year.

Nonagricultural wage and salary employment in the five states of the Eleventh District totaled 6,359,000 in October, essentially unchanged from September. Manufacturing employment remained weak, declining 0.9 percent from September. Most categories of nonmanufacturing employment registered only small changes. There were exceptions, however. Employment in construction was down 2.7 percent, and employment in government was up 1.5 percent. Compared with October 1969, total payrolls rose slightly less than 1.0 percent. This poor showing resulted from a drop of nearly 6.0 percent in manufacturing and an increase of only 2.4 percent in nonmanufacturing.

Softness in demand for labor has raised unemployment levels throughout the District. Most of the state employment commissions reported increased claims for unemployment compensation. Seasonally adjusted unemployment rates for District states were higher in September than a year before. Except for two states, however, the rates were still lower than the national average of 5.5 percent. September rates were 4.0 percent of the labor force in Texas, 4.7 percent in Oklahoma, 5.3 percent in Arizona, 6.8 percent in Louisiana, and 7.0 percent in New Mexico.

STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

December 1970



FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

Eleventh Federal Reserve District

(In thousands of dollars)

(Averages of daily figures. In thousands of dollars)

Item	Nov. 25, 1970	Oct. 28, 1970	Nov. 26, 1969
ASSETS			
Federal funds sold and securities purchased under agreements to resell.....	714,950	557,000	389,972
Other loans and discounts, gross.....	6,320,092	6,243,185	5,977,082
Commercial and industrial loans.....	3,003,940	2,962,681	2,960,231
Agricultural loans, excluding CCC certificates of interest.....	104,910	103,057	109,223
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities.....	507	507	555
Other securities.....	44,937	33,241	42,751
Other loans for purchasing or carrying:			
U.S. Government securities.....	971	1,779	740
Other securities.....	440,303	426,121	393,447
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies.....	243,840	203,558	125,828
Other.....	384,423	418,428	336,024
Real estate loans.....	646,656	643,392	664,009
Loans to domestic commercial banks.....	4,719	5,445	11,265
Loans to foreign banks.....	9,136	9,239	8,390
Consumer instalment loans.....	736,482	744,793	713,395
Loans to foreign governments, official institutions, central banks, and international institutions.....	0	0	0
Other loans.....	699,268	690,944	611,224
Total investments.....	2,804,791	2,779,982	2,480,174
Total U.S. Government securities.....	967,903	946,172	930,424
Treasury bills.....	107,665	135,952	35,878
Treasury certificates of indebtedness.....	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year.....	189,804	172,943	134,359
1 year to 5 years.....	573,294	553,260	623,996
After 5 years.....	97,140	84,017	136,191
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills.....	42,069	50,943	30,299
All other.....	1,609,298	1,594,868	1,396,799
Other bonds, corporate stocks, and securities:			
Certificates representing participations in Federal agency loans.....	83,950	100,050	53,559
All other (including corporate stocks).....	101,571	87,949	69,093
Cash items in process of collection.....	1,152,191	1,072,264	1,140,255
Reserves with Federal Reserve Bank.....	957,386	827,915	719,035
Currency and coin.....	85,111	91,101	79,494
Balances with banks in the United States.....	470,361	475,605	507,765
Balances with banks in foreign countries.....	9,323	8,105	6,686
Other assets (including investments in subsidiaries not consolidated).....	459,533	479,929	448,031
TOTAL ASSETS.....	12,973,738	12,535,086	11,748,494

Item	4 weeks ended Nov. 4, 1970	5 weeks ended Oct. 7, 1970	5 weeks ended Nov. 5, 1969
RESERVE CITY BANKS			
Total reserves held.....	765,711	783,743	732,869
With Federal Reserve Bank.....	710,627	728,425	681,317
Currency and coin.....	55,084	55,318	51,552
Required reserves.....	773,047	779,708	722,360
Excess reserves.....	-7,336	4,035	10,509
Borrowings.....	1,275	2,314	15,166
Free reserves.....	-8,611	1,721	-4,657
COUNTRY BANKS			
Total reserves held.....	794,847	793,952	773,084
With Federal Reserve Bank.....	605,499	606,819	595,200
Currency and coin.....	189,348	187,133	177,884
Required reserves.....	772,111	772,874	750,086
Excess reserves.....	22,736	21,078	22,998
Borrowings.....	2,315	4,270	13,287
Free reserves.....	20,421	16,808	9,711
ALL MEMBER BANKS			
Total reserves held.....	1,560,558	1,577,695	1,505,953
With Federal Reserve Bank.....	1,316,126	1,335,244	1,276,517
Currency and coin.....	244,432	242,451	229,436
Required reserves.....	1,545,158	1,552,582	1,472,446
Excess reserves.....	15,400	25,113	33,507
Borrowings.....	3,590	6,584	28,453
Free reserves.....	11,810	18,529	5,054

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Nov. 25, 1970	Oct. 28, 1970	Nov. 26, 1969
Total gold certificate reserves.....	628,238	352,640	292,972
Discounts for member banks.....	50	2,450	22,790
Other discounts and advances.....	0	0	0
U.S. Government securities.....	2,650,378	2,680,937	2,493,615
Total earning assets.....	2,650,428	2,683,387	2,516,405
Member bank reserve deposits.....	1,498,680	1,356,603	1,245,705
Federal Reserve notes in actual circulation.....	1,881,012	1,847,644	1,699,971

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Nov. 25, 1970	Oct. 28, 1970	Nov. 26, 1969
LIABILITIES			
Total deposits.....	10,291,978	9,993,714	9,175,973
Total demand deposits.....	5,894,058	5,812,742	5,818,010
Individuals, partnerships, and corporations.....	4,007,364	4,040,053	4,044,914
States and political subdivisions.....	346,930	247,876	356,248
U.S. Government.....	101,329	132,587	131,920
Banks in the United States.....	1,324,301	1,278,036	1,176,773
Foreign:			
Governments, official institutions, central banks, and international institutions.....	2,677	2,853	3,570
Commercial banks.....	24,317	23,709	25,410
Certified and officers' checks, etc.....	87,140	87,628	79,175
Total time and savings deposits.....	4,397,920	4,180,972	3,357,963
Individuals, partnerships, and corporations:			
Savings deposits.....	935,726	931,595	943,182
Other time deposits.....	2,500,841	2,342,857	1,754,943
States and political subdivisions.....	847,000	784,319	628,638
U.S. Government (including postal savings).....	39,023	36,243	5,067
Banks in the United States.....	56,945	66,073	19,273
Foreign:			
Governments, official institutions, central banks, and international institutions.....	17,285	18,785	5,500
Commercial banks.....	1,100	1,100	1,360
Federal funds purchased and securities sold under agreements to repurchase.....	1,054,760	908,727	928,037
Other liabilities for borrowed money.....	95,159	84,819	170,322
Other liabilities.....	359,941	376,064	369,412
Reserves on loans.....	128,846	127,670	116,583
Reserves on securities.....	16,989	16,520	10,623
Total capital accounts.....	1,026,065	1,027,572	977,544
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....	12,973,738	12,535,086	11,748,494

Item	Oct. 28, 1970	Sept. 30, 1970	Oct. 29, 1969
ASSETS			
Loans and discounts, gross.....	12,191	11,982	11,297
U.S. Government obligations.....	2,116	2,110	2,138
Other securities.....	3,612	3,533	3,180
Reserves with Federal Reserve Bank.....	1,357	1,405	1,236
Cash in vault.....	273	269	262
Balances with banks in the United States.....	1,323	1,454	1,178
Balances with banks in foreign countries.....	10	11	9
Cash items in process of collection.....	1,243	1,426	1,213
Other assets.....	934	944	732
TOTAL ASSETS.....	23,059	23,134	21,245
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,676	1,800	1,507
Other demand deposits.....	8,994	9,193	8,770
Time deposits.....	8,408	8,184	7,285
Total deposits.....	19,078	19,177	17,562
Borrowings.....	1,046	963	1,035
Other liabilities.....	1,102	1,181	927
Total capital accounts.....	1,833	1,813	1,721
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	23,059	23,134	21,245

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			
	October 1970 (Annual-rate basis)	Percent change			October 31, 1970	Annual rate of turnover		
		September 1970	October 1969	10 months, 1970 from 1969		October 1970	September 1970	October 1969
ARIZONA: Tucson.....	\$ 7,235,700	-6	17	19	\$ 233,870	31.1	33.5	27.9
LOUISIANA: Monroe.....	2,605,680	-4	-2	8	85,333	30.4	30.5	30.4
Shreveport.....	8,560,128	-6	-3	16	244,538	35.5	37.4	37.4
NEW MEXICO: Roswell ²	914,328	6	-3	5	39,423	23.8	22.6	25.1
TEXAS: Abilene.....	2,146,212	3	8	5	103,310	20.8	20.5	19.8
Amarillo.....	5,986,140	-3	6	10	158,287	37.9	38.2	35.9
Austin.....	9,013,956	7	5	-1	288,459	30.0	26.0	31.4
Beaumont-Port Arthur-Orange.....	6,050,712	-1	-4	0	238,450	25.6	25.6	27.3
Brownsville-Harlingen-San Benito.....	1,972,344	16	15	13	78,911	25.4	23.5	24.0
Corpus Christi.....	6,581,316	11	31	9	286,278	24.0	24.1	24.5
Corsicana ²	420,024	4	-3	7	29,010	14.0	12.7	14.6
Dallas.....	124,755,840	-3	3	9	2,138,366	57.7	58.1	57.7
El Paso.....	7,523,688	1	8	9	242,690	31.2	31.0	30.4
Fort Worth.....	22,612,872	-1	9	10	634,262	35.5	35.6	33.3
Galveston-Texas City.....	2,862,372	-4	12	11	111,216	25.1	26.0	24.3
Houston.....	100,880,904	0	3	10	2,501,521	40.8	40.7	40.3
Laredo.....	916,464	0	3	11	40,868	22.8	23.6	22.9
Lubbock.....	4,568,832	-11	1	2	171,742	26.3	28.7	27.7
McAllen-Pharr-Edinburg.....	1,603,656	5	-1	5	100,507	16.2	16.0	17.6
Midland.....	2,018,688	-4	-4	1	131,219	15.3	15.8	15.7
Odessa.....	1,668,288	3	-5	5	82,500	18.9	17.3	24.1
San Angelo.....	1,185,572	-4	-4	7	65,495	17.8	18.3	17.9
San Antonio.....	18,823,260	9	19	12	626,832	29.6	26.5	26.8
Sherman-Denison.....	993,084	-8	-4	8	62,775	15.4	16.5	16.2
Texarkana (Texas-Arkansas).....	1,384,764	-8	-6	-7	70,286	19.4	20.7	21.7
Tyler.....	2,385,312	8	4	3	94,331	24.8	22.6	24.5
Waco.....	2,909,772	2	-1	9	115,048	25.1	23.9	25.2
Wichita Falls.....	2,470,944	6	0	-1	115,070	21.3	19.9	21.1
Total—28 centers.....	\$351,048,852	-1	4	9	\$9,090,597	38.6	38.5	38.4

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)

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Percent change

NUMBER

Area	NUMBER		VALUATION		Percent change		
	Oct. 1970	10 mos. 1970	Oct. 1970	10 mos. 1970	Sept. 1970	Oct. 1969	10 months, 1970 from 1969
ARIZONA							
Tucson.....	508	5,808	\$ 4,155	\$ 49,525	-44	32	-4
LOUISIANA							
Monroe-West							
Monroe.....	90	708	956	12,701	-17	-36	15
Shreveport.....	508	4,648	2,218	26,702	16	-25	-22
TEXAS							
Abilene.....	42	401	375	7,485	-26	-87	-33
Amarillo.....	120	3,511	1,013	27,164	-43	-64	-22
Austin.....	416	4,081	12,415	107,428	55	-39	-21
Beaumont.....	149	1,486	392	8,112	-43	-56	-14
Brownsville.....	96	731	676	5,483	348	124	-25
Corpus Christi.....	926	3,651	3,957	23,047	381	31	6
Dallas.....	1,568	18,496	33,761	292,093	38	151	4
Denison.....	44	386	103	3,142	-4	24	21
El Paso.....	438	4,584	5,160	82,970	-74	-21	12
Fort Worth.....	382	3,913	6,181	74,362	-44	50	16
Galveston.....	42	669	297	6,207	-79	-69	-65
Houston.....	2,078	28,903	29,661	381,997	-48	-31	3
Laredo.....	46	474	321	6,089	14	-80	55
Lubbock.....	146	2,076	2,966	45,215	71	48	83
Midland.....	39	519	185	3,861	-58	-10	-27
Odessa.....	57	735	533	8,528	-65	26	17
Port Arthur.....	79	766	211	7,105	23	-16	-10
San Angelo.....	51	555	519	9,457	30	47	76
San Antonio.....	1,271	12,955	9,226	85,570	31	48	21
Sherman.....	63	688	1,613	12,625	275	351	-28
Texarkana.....	35	297	174	5,824	-34	-35	-4
Waco.....	184	2,037	1,633	30,524	68	108	86
Wichita Falls.....	79	710	771	10,844	30	-84	-34
Total—26 cities..	9,457	103,788	\$119,472	\$1,334,060	-20	-3	2

GROSS DEMAND DEPOSITS

TIME DEPOSITS

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1968: October...	10,201	4,751	5,450	7,394	3,116	4,278
1969: October...	10,306	4,726	5,580	7,223	2,646	4,577
1970: May.....	10,233	4,671	5,562	7,394	2,659	4,735
June.....	10,265	4,748	5,517	7,391	2,651	4,740
July.....	10,412	4,782	5,630	7,511	2,722	4,789
August.....	10,530	4,816	5,714	7,783	2,926	4,857
September.....	10,658	4,885	5,773	8,088	3,162	4,926
October.....	10,684	4,860	5,824	8,317	3,305	5,012

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	October 1970			January—October	
	October 1970	September 1970	August 1970	1970	1969r
FIVE SOUTHWESTERN STATES ¹	597	558	753	6,620	5,816
Residential building.....	270	269	331	2,568	2,398
Nonresidential building....	201	183	285	2,175	1,921
Nonbuilding construction...	127	107	137	1,877	1,497
UNITED STATES.....	5,453	5,398	6,230	57,364	57,945
Residential building.....	2,302	2,176	2,349	20,611	21,853
Nonresidential building....	1,863	1,944	2,331	20,949	22,020
Nonbuilding construction...	1,289	1,278	1,549	15,803	14,072

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.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS		FIVE SOUTHWESTERN STATES ¹			
	1970, estimated Nov. 1	1969	1968	1970, estimated Nov. 1	1969	1968
Cotton ²	3,353	2,862	3,525	4,723	4,415	5,244
Corn.....	28,329	25,124	26,052	39,478	34,266	36,871
Winter wheat....	54,408	68,856	84,150	167,715	197,619	218,974
Oats.....	28,140	25,460	19,822	36,332	33,058	25,450
Barley.....	4,394	3,290	3,348	35,340	29,096	26,856
Rye.....	736	684	528	1,762	1,664	1,208
Rice ³	22,135	21,646	27,164	42,895	42,420	53,306
Sorghum grain....	356,706	309,800	340,780	411,912	368,740	402,729
Flaxseed.....	1,127	1,300	742	1,127	1,300	742
Hay ⁴	4,211	3,451	4,587	9,637	9,136	10,418
Peanuts ⁵	420,000	389,070	426,300	650,360	610,549	671,476
Irish potatoes ⁶ ..	4,306	4,437	4,382	7,893	8,084	7,624
Sweet potatoes ⁶ ..	1,040	780	960	5,044	5,200	5,120
Pecans ⁵	38,000	23,000	69,000	71,000	73,900	97,000

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

² In thousands of bales.

³ In thousands of bags containing 100 pounds each.

⁴ In thousands of tons.

⁵ In thousands of pounds.

⁶ In thousands of hundredweight.

SOURCE: U.S. Department of Agriculture.

COTTON PRODUCTION

Texas Crop Reporting Districts

(In thousands of bales — 500 pounds gross weight)

Area	1970, indicated Nov. 1	1969	1968	1970 as percent of 1969
	1-N — Northern High Plains.....			380
1-S — Southern High Plains.....	1,450	1,134	1,384	128
2-N — Red Bed Plains.....	155	179	312	87
2-S — Red Bed Plains.....	310	213	372	146
3 — Western Cross Timbers.....	15	15	20	100
4 — Black and Grand Prairies.....	375	258	409	145
5-N — East Texas Timbered Plains.....	25	15	19	167
5-S — East Texas Timbered Plains.....	35	34	41	103
6 — Trans-Pecos.....	138	144	189	96
7 — Edwards Plateau.....	50	49	72	102
8-N — Southern Texas Prairies.....	60	50	57	120
8-S — Southern Texas Prairies.....	50	106	93	47
9 — Coastal Prairies.....	100	93	79	108
10-N — South Texas Plains.....	15	17	25	88
10-S — Lower Rio Grande Valley.....	195	307	242	64
State.....	3,353	2,862	3,525	117

SOURCE: U.S. Department of Agriculture.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Oct. 1970 from	
	October 1970p	September 1970	October 1969r	Sept. 1970	Oct. 1969
Total nonagricultural wage and salary workers..	6,359,000	6,358,200	6,302,900	0.0	0.9
Manufacturing.....	1,130,000	1,140,700	1,196,700	-.9	-5.6
Nonmanufacturing.....	5,229,000	5,217,500	5,106,200	.2	2.4
Mining.....	228,400	229,100	232,100	-.3	-1.6
Construction.....	397,400	408,300	415,500	-2.7	-4.4
Transportation and public utilities.....	469,700	469,300	453,700	.1	3.5
Trade.....	1,491,000	1,485,300	1,441,100	.4	3.5
Finance.....	325,300	325,700	313,000	-.1	3.9
Service.....	1,029,400	1,031,300	992,300	-.2	3.7
Government.....	1,287,800	1,268,500	1,258,500	1.5	2.3

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

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	October 1970	September 1970	October 1969r	Percent change from	
				September 1970	October 1969
FOUR SOUTHWESTERN STATES					
Louisiana.....	7,242.3	7,123.5	6,387.9	1.7	13.4
New Mexico.....	2,714.2	2,639.4	2,254.4	2.8	20.4
Oklahoma.....	345.9	359.2	360.7	-3.7	-4.1
Texas.....	606.2	600.9	612.0	.9	-1.0
Gulf Coast.....	3,576.0	3,524.0	3,160.8	1.5	13.1
West Texas.....	711.4	701.8	631.2	1.4	12.7
East Texas (proper)....	1,730.9	1,701.5	1,516.2	1.7	14.2
Panhandle.....	211.7	209.5	160.5	1.1	31.9
Rest of state.....	86.9	85.3	79.9	1.9	8.8
UNITED STATES.....	835.1	825.9	773.0	1.1	8.0
UNITED STATES.....	10,025.5	9,878.6	9,188.5	1.5	9.1

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

TOTAL OIL WELLS DRILLED

Area	First quarter 1970	Fourth quarter 1969	Percent change, first quarter 1970 from	
			Fourth quarter 1969	First quarter 1969
FOUR SOUTHWESTERN STATES				
Louisiana.....	1,862	2,191	-15.0	7.3
Offshore.....	273	365	-25.2	-2.5
New Mexico.....	75	140	-46.4	-19.4
Oklahoma.....	198	225	-12.0	5.9
Texas.....	96	106	-9.4	95.9
Offshore.....	386	476	-18.9	-11.3
UNITED STATES.....	1,107	1,244	-11.0	13.9
Offshore.....	1	3	-66.7	-75.0
UNITED STATES.....	1,106	1,241	-10.9	14.3
UNITED STATES.....	3,298	4,367	-24.5	.5

SOURCE: American Petroleum Institute.

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	October 1970p	September 1970	August 1970	October 1969
TEXAS				
Total industrial production.....	181.4	181.4	178.4r	177.2r
Manufacturing.....	197.2	198.5	196.6r	201.0
Durable.....	200.4	205.3	208.4	226.9r
Non-durable.....	195.1	193.9	188.8r	183.8r
Mining.....	142.1	140.4	135.0r	127.3r
Utilities.....	274.3	274.3	274.3r	261.9r
UNITED STATES				
Total industrial production.....	162.3	166.1	169.0r	173.1
Manufacturing.....	160.2	164.2	167.9r	173.9r
Durable.....	153.9	160.5	166.5r	177.3
Non-durable.....	168.2	168.7	169.8r	169.5r
Mining.....	135.4	139.5	137.2r	130.2
Utilities.....	240.0	238.5	235.8r	226.0r

p — Preliminary.

r — Revised.

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

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