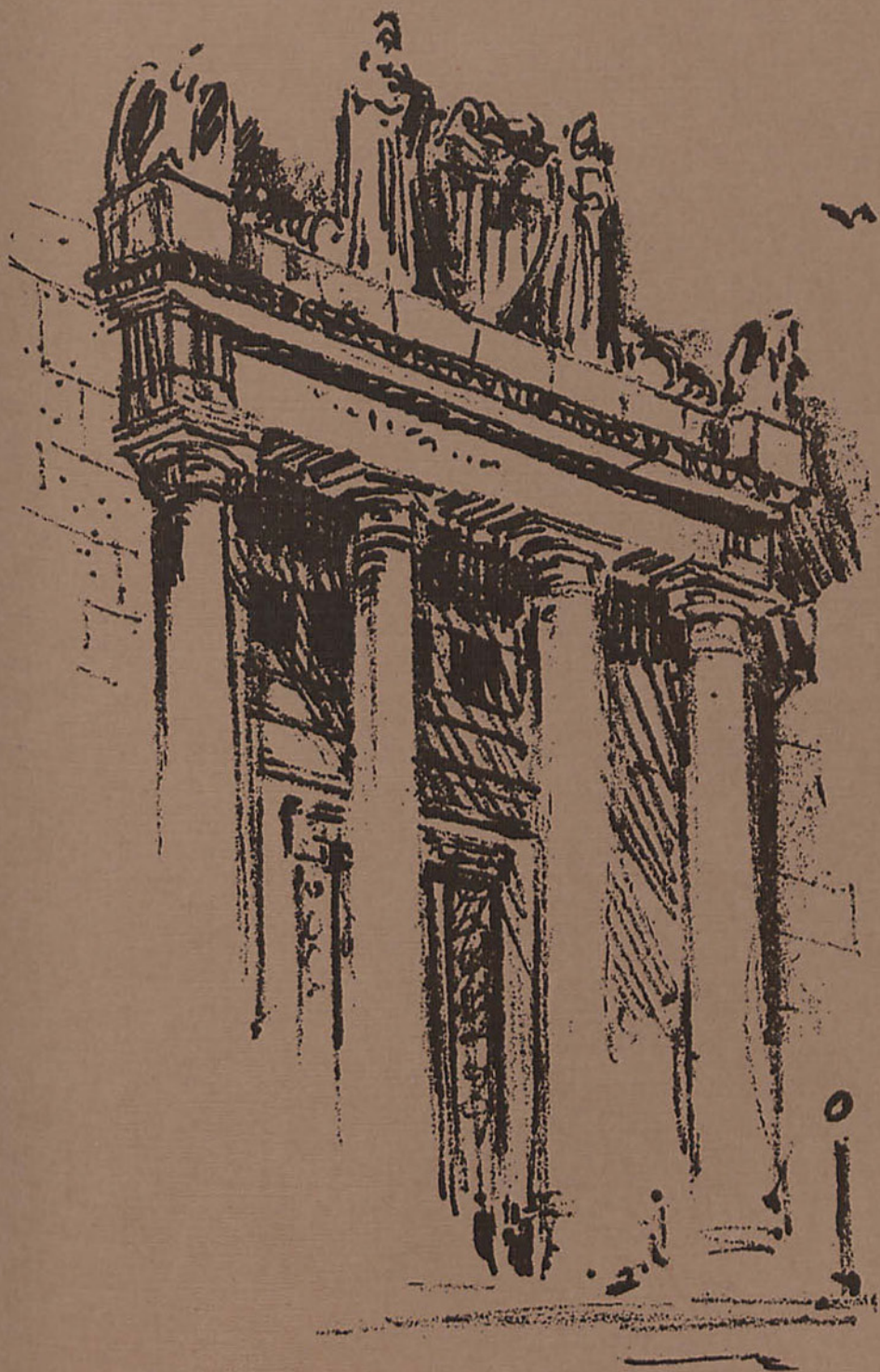


Federal Reserve Bank of Dallas

Business Review



Cattle Feeding—
Banks Participate Heavily
In Industry's Expansion

Functional Cost Analysis—
Functional Profitability
Varies with Size of Bank

November 1971

Banks Participate Heavily In Industry's Expansion

Capital invested in the rapidly growing commercial cattle feeding industry of four states in the Eleventh Federal Reserve District climbed from less than \$150 million in 1960 to about \$800 million at the start of this year. During that time, the number of cattle on feed in Arizona, New Mexico, Oklahoma, and Texas rose from 636,000 head to 2,405,000 head. Texas, with 24 feedlots of capacities for at least 30,000 head each and a total feeding capacity of more than 2 million head, accounted for more than half of the total growth in investment.¹

Some capital was provided by feedlot owners and operators. Most of the capital, however, came from major institutional lenders—commercial banks, production credit associations, insurance companies, and agricultural credit corporations. And a large part of the institutional credit came from the commercial banks. Traditionally a prime source of agricultural credit, banks provide an effective financial linkage between money market centers and such local users of credit as the cattle feeding industry. At the beginning of 1970, banks had extended \$1.5 billion of the nearly \$2.2 billion in outstanding non-real-estate farm loans held by principal institutional lenders in Eleventh District states.

Banks vary, however, in the aggressiveness with which they seek to serve the credit needs of the fed cattle industry. A recent survey of banks in Texas and New Mexico shows that only a small proportion of the banks in these states

were active in supplying credit to the cattle feeding industry at the start of 1971.² Most of these banks were in the High Plains area, although some were in the larger metropolitan areas.

Sources of bank funds

Banks in the Southwest have long relied on local deposits as the main source of funds for supplying agricultural credit. But with the rapid growth of the feedlot industry, particularly in the High Plains of Texas and New Mexico, some banks found local deposits insufficient to meet loan demand and had to look for other sources.

Lending banks sometimes invited other (correspondent) banks to participate in loans, but this practice was limited primarily to the largest banks (those with deposits of more than \$50 million). About a third of these large banks reported servicing cattle feeding loans for correspondent banks, but only a few of the medium-size and small banks (those with deposits between \$10 million and \$50 million and those with deposits less than \$10 million) reported such participations.

Generally, local banks received less than 10 percent of their funds for all types of loans from correspondent banks. Several of the most active banks, however, reported participations accounting for about a fifth of the total loan funds.

Banks that obtained participations in loans usually worked with several correspondent banks. These correspondents ranged from small

banks nearby to large banks in the nation's largest cities.

Less than a tenth of the banks used bankers' acceptances as a source of funds for the industry. And most of these were larger banks, often the same ones that used correspondent loan arrangements. These banks normally used warehouse receipts on cattle to secure feedlot loans. Most medium and small banks did not use bankers' acceptances.

Few banks reported discounting paper with either the Federal Reserve Bank or the Federal Intermediate Credit Bank. Some funds loaned to commercial feedlots were obtained by participation loans with the Small Business Administration.

Special characteristics

Banks already established as suppliers of agricultural credit have been the most active in making cattle feeding loans. But most banks found that commercial cattle feeding operations—as they have developed in the High Plains of Texas and New Mexico—are different from other agricultural operations. Cattle feeding requires a larger investment per firm than most agricultural enterprises. Operating costs are higher. Consequently, cattle feeding has a greater demand for credit.

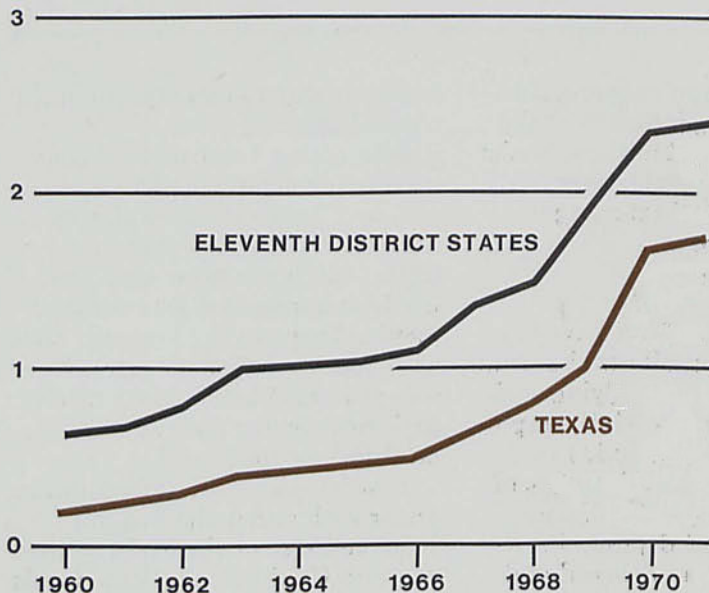
Because feedlots are typically large (capacities for active feedlots average more than 11,500 head in Texas) and need large amounts of operating capital, feedlot loans are larger than the average agricultural loan. Loans by Texas banks to the

1. For a detailed discussion of the development and financing of the fed cattle industry in the High Plains area of Texas, see the *Business Review*, July and September 1969.

2. The survey was conducted by this Bank in cooperation with the Department of Agricultural Economics and Rural Sociology and the Economic Research Service, Texas A&M University, as part of a broader study of cattle feedlot financing in the Southwest.

**Expansion of Texas feedlot operations
accounts for most of the recent rapid growth
in cattle feeding in the Southwest**

MILLION HEAD



SOURCE: U.S. Department of Agriculture

cattle feeding industry averaged nearly \$80,000 at the beginning of this year—almost four times the average size of all agricultural loans made by these banks and more than three times larger than the average of other livestock loans.

Even small banks in Texas made fairly large cattle feeding loans, averaging almost \$35,000. Loans by medium-size banks averaged slightly over \$50,000, and those by large banks averaged over \$100,000.

Because cattle feeding is a highly specialized operation—with most of the investment in livestock and feed rather than fixed assets—loans for cattle feeding are more risky than many other agricultural loans. Price changes in both the feeder and finished cattle markets, losses due to sickness, and changes in prices of feed have a direct bearing on profit margins and an indirect bearing on the soundness of loans. Prices of both feeder cattle

and fed cattle have a history of instability.

General approach

The large size of cattle feeding loans and the risks in making them have caused bankers to take a generally different approach to these loans, making special arrangements for them. The approach is for bankers to review their loan investments in the cattle feeding industry more closely than other types of agricultural loans. Most banks holding a large number of cattle feeding loans employ several people that devote more than half their time to servicing feedlot loans. About two-thirds of the banks that made cattle loans spent more time servicing cattle feeding loans than other types of loans.

Bank representatives performed a variety of tasks, ranging from routinely checking cattle in pens to assisting in marketing decisions. While most bankers reported that they did not make specific market

recommendations, several said they kept abreast of both current feeding practices and market conditions and that they often assisted customers in making marketing decisions.

Some bankers require borrowers to stagger their buying and selling to even out fluctuations in prices of both feeders and finished cattle. Although the bankers surveyed did not require borrowers to hedge part of their risks by using the futures market, some bankers noted that customers did so.

Bankers were concerned about distances between their banks and feedlots. This was particularly true of small banks, which indicated a preference for making loans to borrowers in their trade territories. More than 60 percent of the cattle feeding loans made by banks with deposits of less than \$10 million were made within 50 miles of the bank. Small banks that made cattle loans outside their trade areas usually did so on the basis of an especially strong financial statement.

Large banks—normally in the larger cities—made a fourth of their loans to cattle feeders more than 100 miles from the bank. Large city banks outside the area often depended on country banks to supervise their feedlot loans. In some cases, the country bank was not compensated directly for servicing them. The smaller banks reported that they were compensated indirectly by helping the feedlot industry and, in turn, contributing to the economic development of their communities.

Lending arrangements

Because cattle feeding loans are typically larger than other agricultural loans and usually represent greater risks, most banks make special arrangements for spreading the risk. These include requiring the borrower to maintain a specified minimum (compensating) balance in his checking account, as

well as imposing a slightly higher interest charge than for other types of agricultural loans. At the beginning of this year, banks in Texas and New Mexico required compensating balances on about a third of the cattle feeding loans they made. This practice, of course, raised the effective cost of money to the borrower and increased the interest return to the lender. A *Business Review* study two years ago showed an even larger proportion of banks in the High Plains requiring compensating balances.

The practice of requiring minimum balances did not vary greatly with the size of the bank. The proportion of fed cattle loans requiring compensating balances ranged from 29 percent at the small banks to 36 percent at the large banks. Banks requiring compensating balances received, on average, 20 percent of the loan.

Regarding interest rates on cattle feeding loans, the most common rate charged on such loans

outstanding in Texas and New Mexico at the beginning of the year was 8.5 percent. Rates on cattle feeding loans ranged from 7 percent to 10 percent, with the greatest differences in rates appearing in areas with the greatest concentrations of feedlots.

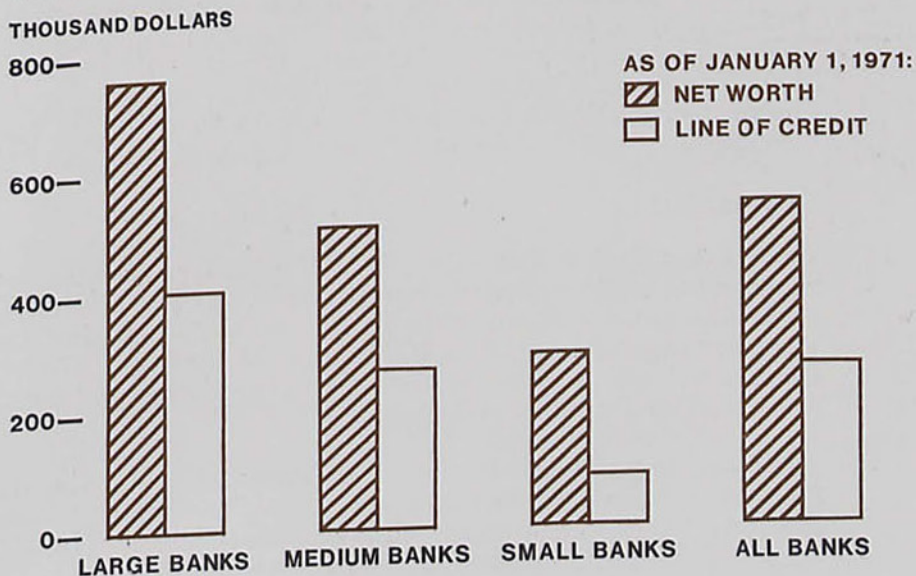
Because of the comparatively large investment required to operate a feedlot, borrowers, on average, had a larger financial base than most other agricultural producers. The average borrower had a net worth of about \$500,000—almost eight times the net worth of the average U.S. farmer.

Borrowers from small banks had an average net worth of \$292,000, compared with \$512,000 for borrowers from medium-size banks and \$773,000 for borrowers from large banks. With the average size of commercial feedlots in the Southwest increasing and the management techniques of large feedlot operators becoming more aggressive, these net worth averages will probably continue to rise.

The line of credit available to borrowers was closely related to their net worth. Credit for cattle feeding averaged about half the borrower's net worth. Small banks gave an average line of credit equal to about a fourth of the average borrower's net worth. Large and medium-size banks gave lines of credit equal to slightly over half the net worth. Even so, the amount of cattle loans outstanding at the beginning of the year averaged only slightly more than half the line of credit established for borrowers. This partly reflected the excess capacity of feedlots at the time and the dim near-term outlook for profits from feeding cattle.

About 70 percent of the banks required that borrowers maintain an equity investment in the feedlot enterprise being financed. The amount of equity required varied considerably, relating apparently to the borrower's net worth, his record in the industry, and the length of time he had done business with the bank. The most com-

Texas and New Mexico banks establish lines of credit to cattle feeders averaging half the borrower's net worth



mon equity requirement was 25 percent. Banks required owner equity of more than 35 percent on less than 10 percent of the loans.

Loans to purchase feed were often made in conjunction with feeder cattle loans. About two-thirds of the loans to purchase feeders included money for feeding expenses.

Impact on the industry

While adjustments in bank procedures and lending arrangements have restricted cattle loans more than other bank loans to farmers, the changes have not prevented the rapid development of cattle

feeding in New Mexico and Texas. Even during periods of tight money, the cattle feeding industry was strong enough to compete successfully for funds.

The industry—with its mass-production techniques and, consequently, its need for large investment and credit at regular intervals—has offered bankers of the Southwest a new challenge. Adjustments in lending practices and support from other lenders are apparently allowing commercial banks to meet the challenge.

—Carl G. Anderson, Jr.
Charles M. Wilson

New member banks

The Village National Bank, Houston, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business October 4, 1971, as a member of the Federal Reserve System. The new member bank has capital of \$320,000, surplus of \$320,000, and undivided profits of \$160,000. The officers are: A. W. Schmidt, President, and E. F. Kinkead, Jr., Cashier.

The Valley National Bank, McAllen, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business October 12, 1971, as a member of the Federal Reserve System. The new member bank has capital of \$400,000, surplus of \$400,000, and undivided profits of \$200,000. The officers are: John C. Jones, Jr., Chairman of the Board; Shelley H. Collier, Jr., President; H. Ray Lewis, Vice President and Cashier; and Ceasar H. Salinas, Assistant Cashier.

New par banks

The Citizens Bank & Trust Company, Arcadia, Louisiana, 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, October 4, 1971. The officers are: John D. Poland, Chairman of the Board; Willis R. Mancil, President; Joe T. Reeves, Vice President (Inactive); and Leroy Perritt, Assistant Vice President and Cashier.

The Southwestern Bank, Stafford, 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, October 13, 1971. The officers are: Donald E. Vickery, President, and Jack McBride, Cashier.

Functional Profitability Varies with Size of Bank

The profitability of various bank functions has become increasingly important with the growth of full-service banking. One tool for measuring the profitability of different operations is functional cost analysis, a program developed by the Federal Reserve System.

This program was described in the August issue of the *Business Review*, which also discussed the usefulness of the program, given certain limitations. This article summarizes data derived from the program from 1966 through 1970, the period for which aggregate reports have been published. The article also provides comparative data on participating banks in the Eleventh Federal Reserve District in 1970.

Comparisons are made over time for banks of three sizes—

- Small—those with deposits up to \$50 million
- Medium—those with deposits between \$50 million and \$200 million
- Large—those with deposits of \$200 million or more

Banks participating in the program are furnished feedback data allowing comparisons between their operations and an average developed from a group of banks of comparable deposit size.

Participation is open to all member banks. Of the 951 banks participating throughout the nation last year, 665 were small banks, 261 were medium-size banks, and 77 were large banks. (Average bank totals reported in this article exceed 951, however, because of fringe-bank overlaps.) In the Eleventh District, 59 banks participated, including 39 small banks, 18 medium-size banks, and two large banks. (Because of the

small participation, a report on large banks in the Eleventh District is not available. However, a report was published that includes data from eight banks outside the Eleventh District with data for the two District banks.)

The report on the program in 1970 provides fairly comprehensive data broken down by function, allowing individual banks to pinpoint areas of their operations that fall below the "norm" in profitability for their deposit size. Reports published by the different Federal Reserve districts also serve to point up regional differences in the profitability of various functions.

Functional trends

Functional cost analysis over the past five years indicates substantial differences in the functional volume, income, expenses, and profits of banks in the three sizes. Although relative positions of the size groups could change over time, several trends are indicated.

Of the three sizes of banks, medium-size banks have consis-

tently earned the highest average return (after federal taxes) on the funds available to them. Small banks consistently had the highest average income on available funds, but lower average expenses allowed medium-size banks to turn in the best performance. Although large and medium-size banks showed higher net yields on their portfolios, both groups held larger proportions of their funds in cash and accounts due from other banks—nonearning assets.

The cost of money has been lowest at medium-size banks. Small banks maintained the largest proportion of time deposits, which entailed high interest expense, and large banks used more funds from nondeposit sources, which were also more expensive than demand deposits.

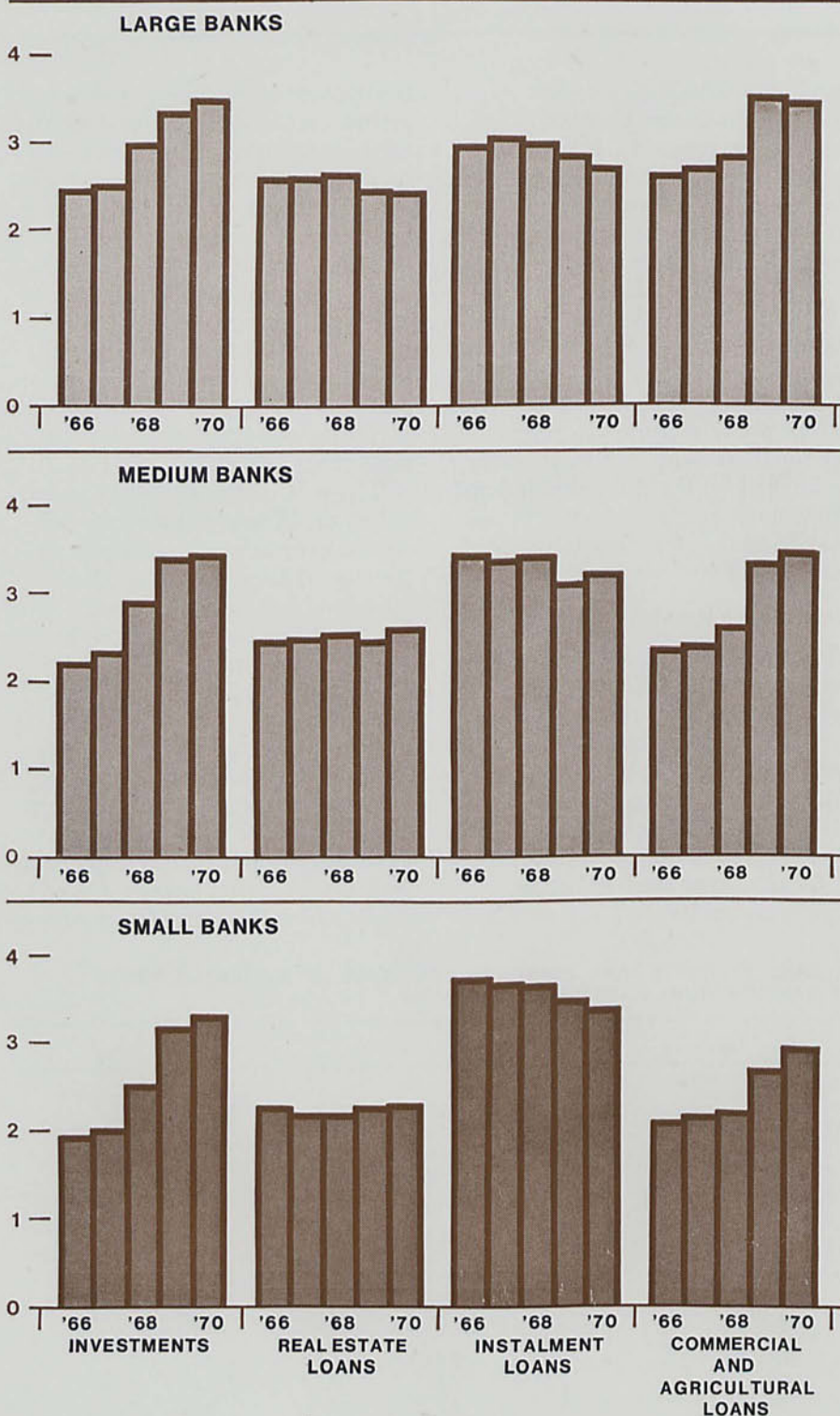
In the structure of their portfolios, small banks have held the largest proportion of U.S. Government securities, real estate mortgage loans, agricultural loans, and instalment loans. Large banks maintained the largest proportion

**INCOME, EXPENSES, AND EARNINGS PER \$1,000 OF AVAILABLE FUNDS
AT PARTICIPATING BANKS IN THE NATION**

Item and year	Small banks	Medium banks	Large banks
Income			
1966	\$56.25	\$54.99	\$52.82
1967	58.76	56.73	55.11
1968	62.65	61.25	61.10
1969	68.46	67.45	68.22
1970	72.85	71.63	71.57
Expenses			
1966	39.21	37.03	36.26
1967	41.48	38.92	38.11
1968	43.65	40.95	42.27
1969	46.60	44.52	47.47
1970	50.26	48.25	50.53
Earnings (after federal taxes)			
1966	9.21	9.40	8.63
1967	9.31	9.33	8.82
1968	9.27	9.62	8.86
1969	10.60	10.85	9.77
1970	11.58	11.76	10.53

**Profits at Participating Banks in the Nation—
Net Yield After Cost of Money**

PERCENT



of cash and cash balances due from other banks. They also maintained the largest proportion of commercial loans.

Most non-fund-using activities showed net losses, regardless of bank size. Large banks, however, usually had the smallest net losses and, in some cases, showed net profits on these items.

Available funds

The major determinants of a bank's profitability are its cost of acquiring funds and its income from the use of funds. Of the three sizes of banks, medium-size banks have consistently shown the highest earnings (after federal taxes) per \$1,000 of available funds. This has been the case since comparative figures were first compiled—for 1966. Small banks have had the highest income per \$1,000 of available funds, but their expenses have also been higher than those of medium-size banks.

Large banks had the lowest expenses per \$1,000 of available funds in 1966 and 1967. But with the rising costs of time deposits and funds from nondeposit sources, their expenses rose substantially in 1968, 1969, and 1970. Also, their income on total available funds usually averaged lower than that of the other two bank sizes throughout this five-year period.

Small banks in the Eleventh District showed lower expenses and higher incomes in 1970 than banks of comparable size nationwide. Medium-size banks in the District, however, showed lower earnings than small banks in the District or medium-size banks in the nation. The difference was due to the smaller incomes on available funds at medium-size banks in the District.

Portfolio performance

One obvious determinant of a bank's profitability is the performance of its portfolio of investments and loans. The rate of return

COMPARATIVE LOAN FUNCTION AT PARTICIPATING BANKS, 1970

Item	Small banks		Medium banks		Large banks
	Eleventh District	United States	Eleventh District	United States	United States
Real estate loans					
Average size in portfolio	\$10,260	\$11,148	\$19,169	\$13,917	\$19,021
Volume serviced per employee	\$1,636,000	\$2,179,000	\$1,134,000	\$2,464,000	\$2,408,000
Number serviced per employee	189	210	145	194	150
Instalment loans					
Average size in portfolio	\$1,031	\$1,078	\$1,094	\$989	\$873
Volume serviced per employee	\$410,000	\$449,000	\$454,000	\$413,000	\$350,000
Number serviced per employee	398	417	416	418	402
Commercial and agricultural loans					
Average size in portfolio	\$6,034	\$5,350	\$17,090	\$10,316	\$26,671
Volume serviced per employee	\$1,257,000	\$1,287,000	\$1,858,000	\$1,567,000	\$1,934,000
Number serviced per employee	208	241	109	152	73

on portfolios differs—both over time and between sizes of banks. Instalment loans were most profitable for small banks in 1970, for example, while commercial and agricultural loans were most profitable for medium-size banks and investments were most profitable for large banks.

But that was a marked change from five years before. Although instalment loans were still the most profitable item for small banks in 1966, they were then also the most profitable portfolio item for large and medium-size banks. That was the case through 1968. But in 1969, investments were more profitable for medium-size banks and commercial and agricultural loans were more profitable for large banks.

As in the nation, commercial and agricultural loans were the most profitable for medium-size banks in the District last year. But investments were slightly more profitable

for small banks in the District than instalment loans.

Cost of making loans

The profitability of a loan depends, of course, on the expenses a bank incurs in making and servicing the loan. And some of this expense is the cost of personnel to service loans. Employees at small banks in the nation serviced, on average, more real estate loans and commercial and agricultural loans than employees at large banks, but both the volume and number of instalment loans serviced per employee were greater at small banks than at large ones.

Data for the past five years show average real estate loans and average commercial and agricultural loans were largest at large banks. Also, as might be expected, the smallest of these loans were at small banks. The average size of instalment loans, however, was inversely related to bank size.

Small banks generally serviced more loans per employee than large or medium-size banks. Except for instalment loans, however, the average loan increased with bank size. This could indicate, of course, that more employee time was needed to make and service large loans.

Banks in the District followed a similar pattern in 1970—with minor exceptions. Where the average instalment loan was largest at small banks nationwide, it was largest at medium-size banks in the District. Also, the average size of real estate loans and commercial and agricultural loans was substantially larger at medium-size banks in the District than in the nation.

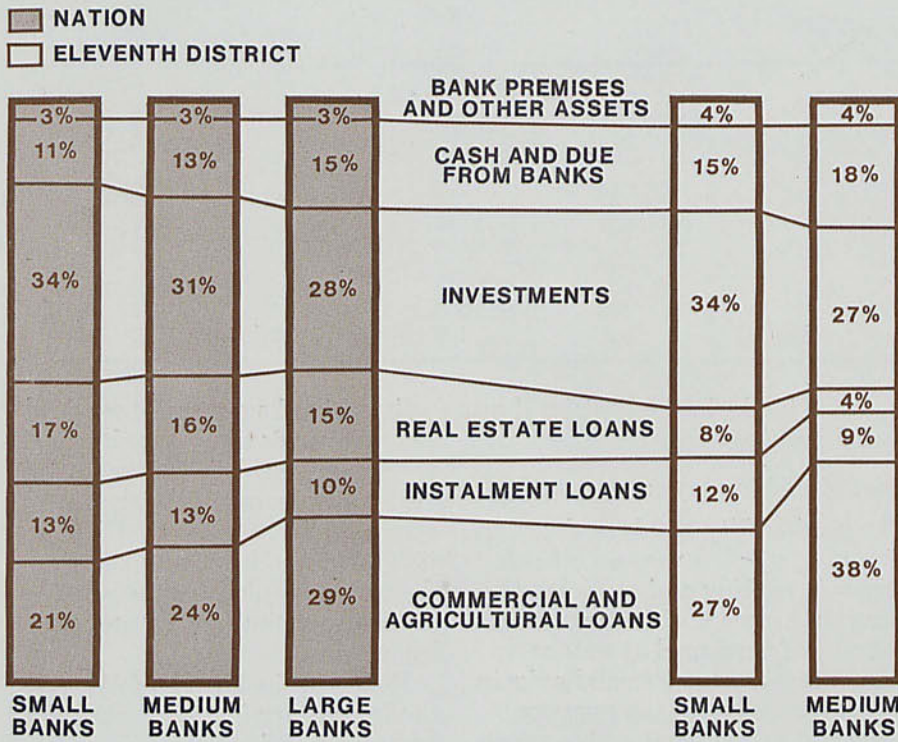
Portfolio distribution

Banks of different sizes tend to distribute their portfolios differently. Across the nation, both small and medium-size banks held more funds in investments than in

PORTFOLIO DISTRIBUTION AT PARTICIPATING BANKS, 1970

Item	Small banks		Medium banks		Large banks
	Eleventh District	United States	Eleventh District	United States	United States
Investments					
Percent of total portfolio	41.66%	40.20%	35.14%	37.33%	33.85%
Yield on invested funds	3.99	3.32	3.47	3.45	3.48
Real estate loans					
Percent of total portfolio	10.27	20.27	5.00	19.56	18.90
Yield on invested funds	3.62	2.38	3.01	2.58	2.38
Instalment loans					
Percent of total portfolio	15.32	15.40	11.25	15.07	11.61
Yield on invested funds	3.87	3.41	3.22	3.21	2.65
Commercial and agricultural loans					
Percent of total portfolio	32.74	24.13	48.61	28.04	35.64
Yield on invested funds	3.55	2.94	3.58	3.48	3.46

Distribution of Assets at Participating Banks, 1970



any one loan category in 1970. Large banks, however, held more funds in the form of commercial and agricultural loans. All banks, regardless of size, held the smallest proportion of their funds in the form of instalment loans. This was despite the fact that, for small banks, instalment loans showed the highest net profit.

Investments were the most important component of portfolios of small banks in the Eleventh District, and real estate loans were the least important. Unlike banks nationwide, medium-size banks in the District held the largest proportion of their funds in commercial and agricultural loans and the smallest proportion in real estate loans.

Funds held in cash and accounts due from other banks declined slightly for all bank sizes over the five-year period. Small banks typically held fewer funds in this form than large or medium-size banks.

On average, banks in the Eleventh District held more funds in this form than banks of comparable size across the nation.

The difference is probably due to the prominence of Texas banks in the District. Being in a unit-banking state, Texas banks tend to establish correspondent relations with other banks and hold balances in those institutions. Also, many banks in the District do not manage their cash positions as closely as banks near large money market centers.

Small banks, in the District and the nation, consistently held larger proportions of their funds in U.S. Government securities than banks in either of the other two categories. The general category of investments was also consistently largest as a share of total portfolios at small banks.

The volume of liquidity loans (Federal funds sold, commercial paper, brokers' loans, bankers'

acceptances, purchased certificates of deposit, and Commodity Credit certificates of interest) did not vary significantly with bank size until 1970, when large banks showed a substantial increase in this category. The volume of these loans at large banks more than doubled that year, rising from 2.09 percent of all assets at these banks in 1969 to 5.06 percent. The increase probably reflected greater activity in the Federal funds market over the year and the upturn in the stock market.

Over the five-year period, real estate loans, instalment loans, and agricultural loans consistently claimed a larger share of the funds at small banks than at large and medium-size banks. Commercial and other loans took the largest share of funds at large banks.

Liability management

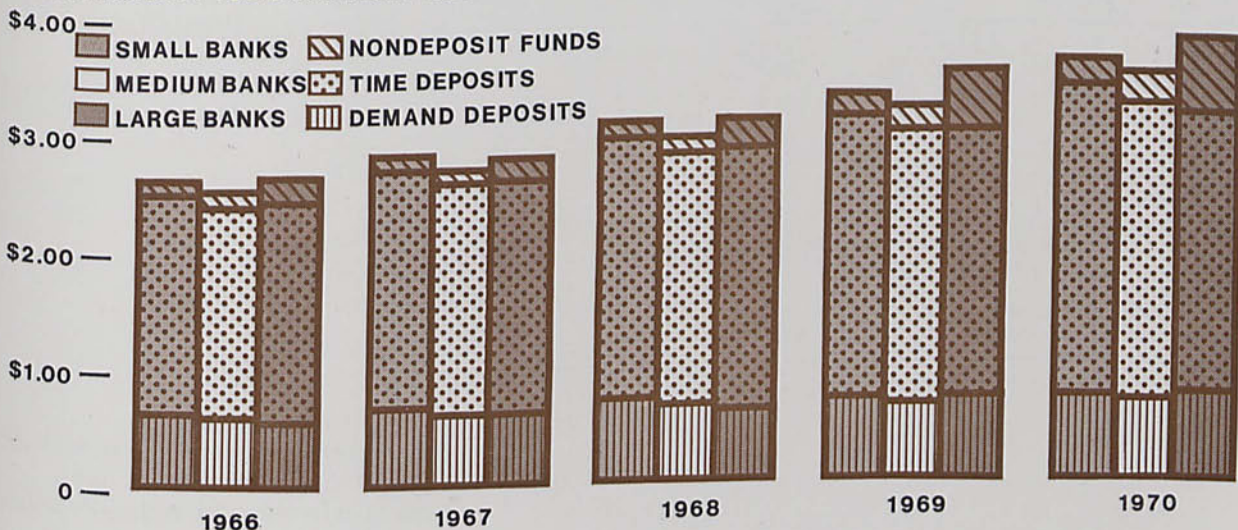
Also important to the profitability of bank operations is the "cost of money"—the cost to a bank of acquiring the funds it loans and invests. The functional cost analysis program uses a "pool of funds" approach to a breakdown of expenses. Expenses—less any income from service charges—are allocated to the deposit and capital functions to derive the cost of money. Individual costs are calculated for each deposit type and source of funds. From these costs, an average cost of money is derived.

Because of interest expenses, time deposits cost the most to acquire. In 1969 and 1970, however, the cost of acquiring net capital funds (including funds from nondeposit sources) rose substantially, especially for large banks. This was because of the generally tight credit conditions in those two years and the high interest rates.

Throughout the study period, the cost of acquiring funds was consistently lower for medium-size banks than for other banks. This was because banks of that size

Average Cost of Money at Participating Banks in the Nation

COST PER \$100 OF TOTAL AVAILABLE FUNDS



usually obtained the largest part of their funds from demand deposits, which cost less than other sources of funds.

Small banks typically held a larger proportion of time deposits (which cost more) than demand deposits. And of the time deposits held by small banks, larger proportions were in CD's and other time deposits that cost more.

Large banks used more funds from nondeposit sources, which also cost more than demand deposits. During the period of high interest rates in 1969-70, the costs of acquiring net capital funds rose substantially for large banks.

While the cost of money to medium-size banks was about the same in the District as in the nation, the cost to small banks was lower in the District. The difference was probably due to banks in the District acquiring more of their funds from demand deposits.

Although medium-size banks in the District also held more demand deposits than banks of comparable size in the nation as a whole, they also held a larger proportion of higher-costing funds from non-deposit sources.

COST OF FUNDS AT PARTICIPATING BANKS

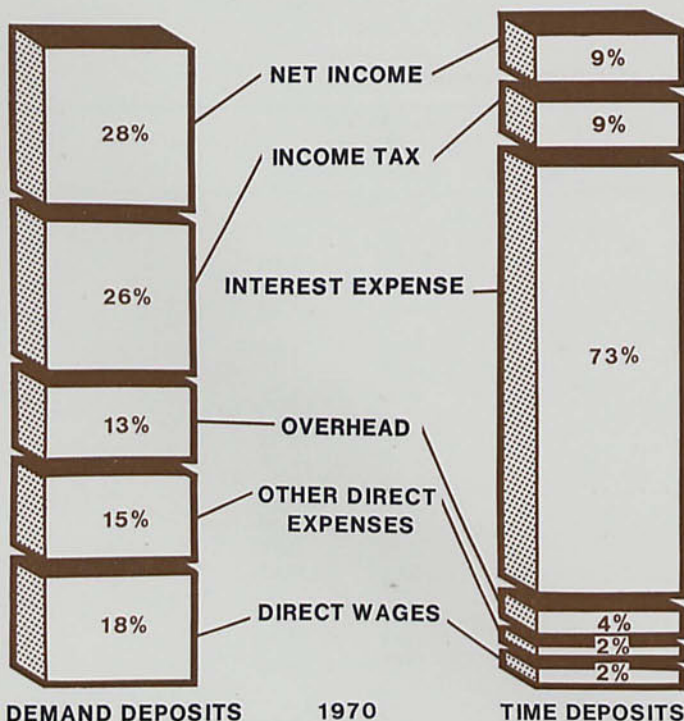
Area, year, and bank size	Cost per \$100 of total available funds		
	Demand deposits	Time deposits	Nondeposit funds
United States			
1966			
Small banks	\$1.47	\$4.09	\$1.66
Medium banks	1.33	4.24	1.49
Large banks	1.25	4.56	2.09
1967			
Small banks	1.57	4.31	1.69
Medium banks	1.42	4.41	1.43
Large banks	1.39	4.65	1.79
1968			
Small banks	1.74	4.53	2.03
Medium banks	1.56	4.62	1.78
Large banks	1.53	4.84	2.71
1969			
Small banks	1.76	4.83	2.60
Medium banks	1.61	4.88	2.67
Large banks	1.73	5.08	4.73
1970			
Small banks	1.89	5.26	2.82
Medium banks	1.70	5.39	2.92
Large banks	1.87	5.69	4.36
Eleventh District			
1970			
Small banks	1.57	5.49	3.70
Medium banks	1.30	5.96	5.00

SOURCES OF AVAILABLE FUNDS AT PARTICIPATING BANKS, 1970

Item	Small banks		Medium banks		Large banks
	Eleventh District	United States	Eleventh District	United States	United States
Demand deposits	47.0%	40.4%	47.4%	42.2%	41.7%
Regular checking accounts	45.3	36.7	45.7	38.3	37.1
Special checking accounts .....	.1	1.4	.1	1.5	1.1
Other demand deposits	1.7	2.3	1.7	2.4	3.5
Time deposits	42.4	49.1	38.1	46.0	40.7
Regular savings accounts	11.5	22.1	7.7	23.3	20.4
Club accounts and school savings .....	.1	.3	.0	.3	.2
Certificates of deposit and other time deposits	30.8	26.8	30.4	22.4	20.1
Other liabilities and borrowed money	1.7	1.6	5.7	2.8	8.5
Capital funds	8.0	7.8	7.3	7.7	7.3
Valuation reserves .....	.7	.9	1.2	1.1	1.1
Preferred stock, notes, and debentures .....	.2	.2	.2	.3	.7
TOTAL LIABILITIES AND CAPITAL	100.0%	100.0%	100.0%	100.0%	100.0%

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

Distribution of Deposit Income at Small Banks in the Nation



A comparison of the distribution of income shows marked differences in incomes from time deposits and those from demand deposits. Wages and other overhead items were the major expenses associated with demand deposits, while interest costs were the major expenses associated with time deposits. Although income taxes took more of the dollars derived from demand deposits, the net income from these deposits was still substantially higher than income from time deposits.

Other bank departments

Full-service banking can require a bank to engage in activities that are not fund-using in a banking sense—activities that do not use funds as loans or investments. When such expenses as occupancy and advertising costs are charged to these functions, they may show a loss. This, in fact, was the case at most banks. With very few exceptions, almost all functions that are not fund-using showed losses over the past five years—and this was true regardless of bank size.

Nonbanking activity—such as insurance and real estate agencies, travel bureaus, farm management operations—showed net earnings only at large banks. And even there, earnings were made only in the past three years. Trust departments at large banks showed net

**NET EARNINGS AS PERCENTAGE OF TOTAL EXPENSES
OF OTHER DEPARTMENTS AT PARTICIPATING BANKS, 1970**

Departments	Small banks		Medium banks		Large banks
	Eleventh District	United States	Eleventh District	United States	United States
Computer service ...	-18.9%	-17.1%	-23.8%	-14.2%	-7.5%
Trust	-39.1	-35.3	-31.3	-23.0	-2.0
Safe deposit	-459.5	-368.5	-703.7	-475.5	-544.2
Nonbanking	-82.4	-52.8	84.0	-40.0	25.3

earnings until 1969, but in 1970 they showed small losses. Except for safe-deposit rentals (which were expensive services for any size bank to offer), large banks lost less on nonbanking services than other size banks. This was the showing for all five years.

There was much the same situation at banks in the Eleventh District last year. The only significant variation from national patterns was that except for nonbanking departments, medium-size banks in the District fared considerably worse than their counterparts across the nation.

On the basis of this analysis, there is no reason to say that nonfund-using activities should be discontinued. In building a full-service operation, a bank may have to carry the cost of unprofitable functions for the sake of the growth and profitability of other functions.

Development of computer service, for example, can be very expensive, especially in its early stages. In the longer run, however, new efficiencies may evolve, as well

as lower costs. Trust departments and safe-deposit functions complement other bank operations and may help attract customers to other, more profitable services. Convenient one-stop banking may be the key to a bank's rapid overall growth.

A comprehensive measure

The functional cost analysis program, then, provides participating banks a vast amount of information on the income, expenses, and earnings of banks of various sizes—far more, in fact, than could be presented here. Reports provide individual banks, for example, with tables that detail break-even points on their consumer installment loans. With such a table, a bank can determine the size loan required for it to break even at various annual charges. Reports also provide detailed information on the output and cost of employees in various bank functions. They show specific costs of demand deposit functions at different size banks and operating costs of time deposit functions.

Also, the Federal Reserve System is constantly revising the program to provide still more insight into the sources of profitability in bank functions. By tailoring the functional cost analysis program to the needs of increasingly complex bank operations, the system provides participating banks with a unified cost accounting program that can be extremely valuable to a full-service bank in measuring and comparing its profitability.

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Statistical Supplement to the Business Review

Total nonagricultural wage and salary employment in the five southwestern states rose again in September, advancing 0.5 percent over the level for August. Comparison with the seasonal variations in other recent years indicates this rise could continue through the rest of the year. Overall, employment in the first nine months of the year was higher than in the same period in 1970, despite the decline at midyear. Employment in September was 0.8 percent higher than a year before.

In manufacturing, employment was still lower than a year earlier, even though a modest 0.3-percent gain over August was reported. After declining almost 5.5 percent last year, manufacturing employment was fairly stable for the first nine months of this year—although at the lowest level since 1968.

Nonmanufacturing employment was 0.5 percent higher than in August and, continuing a modest rise over the past few years, 1.6 percent higher than in September 1970. This slow rise in the number of jobs outside manufacturing—a rise that has tended to offset the decline in manufacturing employment—was due in September almost entirely to increases in government hiring. Government increased its employment 3.0 percent. Employment in construction, transportation and public utilities, finance, and services was off from 0.4 to 0.9 percent. In mining and trade, employment was essentially unchanged. Compared with a year before, however, all but three industry groups showed strong employment gains. Mining was down 1.2 percent, construction 2.6 percent, and transportation and public utilities 0.1 percent.

Unseasonably cool, wet weather has caused field activities over much of the Eleventh District to lag behind last year. The October 1 cotton report showed prospects for District states down nearly 300,000 bales since September 1. But the same weather had brightened prospects for the 1972 wheat crop, significantly improved range feed conditions, and ensured good small-grain pastures for this fall and winter. Livestock conditions are also improved throughout the District.

Beef production in states of the District was 11 percent higher in August than a year before. Feedlot placements in Texas and Arizona were at record levels in August, but marketings of fed cattle during the month exceeded placements, leaving both states with 3 percent fewer cattle on feed September 1 than on August 1.

Credit at weekly reporting commercial banks in the Eleventh District rose considerably in the five weeks ended October 27. The increase—in line with a substantial expansion in deposits—was accounted for mainly by a sizable gain in bank holdings of securities other than those of the U.S. Government.

The less than usual rise in loans resulted primarily from weakness in business and security loans. Business made substantial use of their bank credit lines in the second half of September, and much of the decline could have reflected partial repayment of these funds. Although real estate loans increased slightly less than in the corresponding period last year, demand for mortgage funds was still considerably greater than the

average for the same periods over the previous five years.

With slack loan demand and considerable inflows of funds, banks added substantially to their holdings of securities. Most of this expansion was accounted for by acquisitions of municipal issues. Holdings of U.S. Government securities also increased, however, even though a sizable volume of Treasury bills was liquidated during the period.

Total bank deposits expanded markedly in October, reflecting primarily a large contraseasonal inflow of demand deposits. Time and savings deposits also rose slightly more than usual, mainly because of a rise in large negotiable CD's outstanding. Reporting banks showed moderate increases in their borrowings from non-deposit sources in October.

The seasonally adjusted Texas industrial production index moved up 0.4 percent in September—to 181.0 percent of the 1957-59 base. All the advance was due to gains in manufacturing. Mining output slipped 0.8 percent from August, and utilities were unchanged.

Only three industry groups manufacturing durable goods failed to increase their output in September. The largest increase was in the production of primary metals, up 7.2 percent. Production of electrical machinery showed a 3.1-percent rise. This advance—in an industry that had shown signs of weakness for several months—brought the output of electrical machinery to a level only 0.3 percent lower than in September 1970.

The largest drop in the manufacturing of durable goods was in
(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Oct. 27, 1971	Sept. 22, 1971	Oct. 28, 1970	LIABILITIES	Oct. 27, 1971	Sept. 22, 1971	Oct. 28, 1970
Federal funds sold and securities purchased under agreements to resell.....	486,353	1,214,238	557,000	Total deposits.....	11,219,524	11,033,079	9,993,714
Other loans and discounts, gross.....	7,033,190	7,011,139	6,243,185	Total demand deposits.....	6,403,442	6,274,815	5,812,742
Commercial and industrial loans.....	3,225,233	3,252,758	2,962,681	Individuals, partnerships, and corporations.....	4,562,579	4,386,249	4,040,053
Agricultural loans, excluding CCC certificates of interest.....	128,374	121,493	103,057	States and political subdivisions.....	250,216	257,209	247,876
Loans to brokers and dealers for purchasing or carrying:				U.S. Government.....	136,214	236,306	132,587
U.S. Government securities.....	512	512	507	Banks in the United States.....	1,323,629	1,270,532	1,278,036
Other securities.....	56,083	54,019	33,241	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions.....	3,359	2,137	2,853
U.S. Government securities.....	6,184	5,682	1,779	Commercial banks.....	31,200	33,241	23,709
Other securities.....	444,688	429,785	426,121	Certified and officers' checks, etc.....	96,245	89,141	87,628
Loans to nonbank financial institutions:				Total time and savings deposits.....	4,816,082	4,758,264	4,180,972
Sales finance, personal finance, factors, and other business credit companies.....	126,438	137,143	203,558	Individuals, partnerships, and corporations:			
Other.....	502,803	484,769	418,428	Savings deposits.....	1,069,793	1,065,072	931,595
Real estate loans.....	873,424	855,208	643,392	Other time deposits.....	2,641,117	2,572,961	2,342,857
Loans to domestic commercial banks.....	18,676	16,467	5,445	States and political subdivisions.....	1,011,033	1,021,053	784,319
Loans to foreign banks.....	34,751	31,259	9,239	U.S. Government (including postal savings)....	13,559	26,140	36,243
Consumer instalment loans.....	799,032	792,040	744,793	Banks in the United States.....	57,180	56,638	66,073
Loans to foreign governments, official institutions, central banks, and international institutions.....	0	0	0	Foreign:			
Other loans.....	816,992	830,004	690,944	Governments, official institutions, central banks, and international institutions.....	22,300	15,300	18,765
Total investments.....	3,198,583	3,094,553	2,779,982	Commercial banks.....	1,100	1,100	1,100
Total U.S. Government securities.....	1,001,335	984,791	946,172	Federal funds purchased and securities sold under agreements to repurchase.....	1,394,709	1,685,217	908,727
Treasury bills.....	77,591	108,301	135,952	Other liabilities for borrowed money.....	360,515	376,073	376,064
Treasury certificates of indebtedness.....	0	0	0	Other liabilities.....	120,883	119,899	127,670
Treasury notes and U.S. Government bonds maturing:				Reserves on loans.....	35,003	34,639	16,520
Within 1 year.....	153,989	156,875	172,943	Total capital accounts.....	1,083,106	1,070,700	1,027,572
1 year to 5 years.....	642,574	589,651	553,260				
After 5 years.....	127,181	129,964	84,017	TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....	14,282,484	14,397,353	12,535,086
Obligations of states and political subdivisions:							
Tax warrants and short-term notes and bills...	117,393	57,138	50,943				
All other.....	1,923,565	1,904,233	1,594,868				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in:							
Federal agency loans.....	19,537	15,834	100,050				
All other (including corporate stocks).....	136,753	132,557	87,949				
Cash items in process of collection.....	1,432,270	1,243,645	1,072,264				
Reserves with Federal Reserve Bank.....	1,111,524	837,268	827,915				
Currency and coin.....	99,036	94,789	91,101				
Balances with banks in the United States.....	425,722	414,904	475,605				
Balances with banks in foreign countries.....	12,365	9,302	8,105				
Other assets (including investments in subsidiaries not consolidated).....	483,441	477,515	479,929				
TOTAL ASSETS.....	14,282,484	14,397,353	12,535,086				

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	Sept. 29, 1971	Aug. 25, 1971	Sept. 30, 1970
ASSETS			
Loans and discounts, gross.....	14,050	13,648	11,982
U.S. Government obligations.....	2,293	2,347	2,110
Other securities.....	4,368	4,291	3,533
Reserves with Federal Reserve Bank.....	1,522	1,562	1,405
Cash in vault.....	288	291	269
Balances with banks in the United States.....	1,206	1,185	1,454
Balances with banks in foreign countries ^a	12	11	11
Cash items in process of collection.....	1,371	1,360	1,426
Other assets ^a	978	959	944
TOTAL ASSETS^a.....	26,088	25,654	23,134
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,696	1,749	1,800
Other demand deposits.....	9,704	9,695	9,193
Time deposits.....	8,226	9,610	8,184
Total deposits.....	21,226	21,054	19,177
Borrowings.....	1,788	1,574	963
Other liabilities ^a	1,177	1,139	1,181
Total capital accounts ^a	1,897	1,887	1,813
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^a.....	26,088	25,654	23,134

^a—Estimated

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	Oct. 27, 1971	Sept. 22, 1971	Oct. 28, 1970
Total gold certificate reserves.....	538,687	490,264	352,640
Discounts for member banks.....	78,395	36,040	2,450
Other discounts and advances.....	0	0	0
U.S. Government securities.....	3,128,476	3,024,791	2,680,937
Total earning assets.....	3,206,871	3,060,831	2,683,387
Member bank reserve deposits.....	1,716,543	1,460,866	1,356,603
Federal Reserve notes in actual circulation....	2,081,632	2,080,440	1,847,644

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	5 weeks ended Oct. 6, 1971	4 weeks ended Sept. 1, 1971	5 weeks ended Oct. 7, 1970
RESERVE CITY BANKS			
Total reserves held.....	848,695	831,626	783,743
With Federal Reserve Bank.....	791,066	774,002	728,425
Currency and coin.....	57,629	57,624	55,318
Required reserves.....	847,075	844,014	779,708
Excess reserves.....	1,620	-12,388	4,035
Borrowings.....	15,275	4,268	2,314
Free reserves.....	-13,655	-16,656	1,721
COUNTRY BANKS			
Total reserves held.....	886,034	885,831	793,952
With Federal Reserve Bank.....	688,101	685,758	606,819
Currency and coin.....	197,933	200,073	187,133
Required reserves.....	868,771	860,128	772,874
Excess reserves.....	17,263	25,703	21,078
Borrowings.....	703	7,350	4,270
Free reserves.....	16,560	18,353	16,808
ALL MEMBER BANKS			
Total reserves held.....	1,734,729	1,717,457	1,577,695
With Federal Reserve Bank.....	1,479,167	1,459,760	1,335,244
Currency and coin.....	255,562	257,697	242,451
Required reserves.....	1,715,846	1,704,142	1,552,582
Excess reserves.....	18,883	13,315	25,113
Borrowings.....	15,978	11,618	6,584
Free reserves.....	2,905	1,697	18,529

BANK DEBITS, END-OF-MONTH DEPOSITS, AND DEPOSIT TURNOVER

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS ¹				DEMAND DEPOSITS ¹			
	September 1971 (Annual-rate basis)	Percent change			September 30, 1971	Annual rate of turnover		
		September 1971 from August 1971	September 1970	9 months, 1971 from 1970		September 1971	August 1971	September 1970
ARIZONA: Tucson	\$7,841,376	-1%	2%	18%	\$287,074	27.5	28.6	33.5
LOUISIANA: Monroe	3,374,484	-9	24	20	100,769	33.2	36.5	30.5
Shreveport	13,144,548	0	44	23	267,304	47.7	47.7	37.4
NEW MEXICO: Roswell ²	1,045,380	-2	22	8	41,111	25.2	25.0	22.6
TEXAS: Abilene	2,294,604	-9	10	9	109,213	20.9	23.0	20.5
Amarillo	7,018,044	5	14	9	166,584	40.6	38.3	38.2
Austin	11,242,500	-5	34	22	351,164	32.7	32.8	26.0
Beaumont-Port Arthur-Orange	6,601,212	-5	9	9	259,459	25.4	26.6	25.6
Brownsville-Harlingen-San Benito	1,876,380	10	10	15	87,703	22.1	20.5	23.5
Corpus Christi	6,329,436	-3	7	26	263,535	23.9	23.8	24.1
Corsicana ²	439,896	-10	9	11	32,750	13.3	14.7	12.7
Dallas	145,243,596	7	13	11	2,354,872	60.2	56.6	58.1
El Paso	9,467,280	9	27	17	261,468	34.7	31.8	31.0
Fort Worth	27,627,504	9	21	22	710,159	39.0	42.3	35.6
Galveston-Texas City	3,366,744	-7	13	7	117,569	28.8	25.6	26.0
Houston	124,540,500	3	24	13	2,689,105	45.1	43.4	40.7
Laredo	1,064,856	-1	16	13	41,458	25.0	24.3	23.6
Lubbock	5,681,664	-8	10	13	181,398	30.8	34.2	28.7
McAllen-Pharr-Edinburg	1,814,292	5	19	14	110,332	16.7	15.8	16.0
Midland	2,269,284	5	8	7	141,193	16.0	15.4	15.8
Odessa	1,771,068	1	9	4	96,203	18.1	17.5	17.3
San Angelo	1,432,992	-7	17	19	74,198	19.1	20.4	18.3
San Antonio	21,572,820	-2	25	19	722,689	29.0	29.5	26.5
Sherman-Denison	1,172,556	-1	7	7	70,244	16.6	16.9	16.5
Texarkana (Texas-Arkansas)	1,611,432	1	8	7	74,687	21.5	21.0	20.7
Tyler	2,480,832	-1	13	7	108,100	23.3	23.8	22.6
Waco	3,514,128	-6	24	11	133,160	26.0	27.8	23.9
Wichita Falls	2,647,296	-6	14	14	122,693	21.2	22.4	19.9
Total—28 centers	\$418,486,704	2%	18%	14%	\$9,976,194	41.2	40.2	38.5

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

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes)

Area and type of index	September 1971p	August 1971	July 1971	September 1970
TEXAS (1957-59=100)				
Total industrial production	181.0	180.3	175.9r	180.2r
Manufacturing	199.8	197.8	193.8r	195.6
Durable	197.2	195.4	194.8	205.3
Nondurable	201.5	199.4	193.1r	189.2
Mining	135.2	136.3	130.5r	141.2r
Utilities	286.0	286.1	286.1r	274.5r
UNITED STATES (1967=100)				
Total industrial production	105.3	104.8	106.1	106.5
Manufacturing	103.3	103.1	104.8	104.8
Durable	96.8	96.3	99.3	100.7
Nondurable	112.8	112.9	113.0	110.7
Mining	107.3	105.6	105.8	110.9
Utilities	139.3	137.4	137.8	133.9

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

BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)					
	NUMBER		Percent change			
	Sept. 1971	9 mos. 1971	Sept. 1971	9 mos. 1971	Sept. 1971 from Aug. 1971	9 months, 1971 from 1970
ARIZONA						
Tucson	433	5,598	\$6,473	\$68,757	55%	-13%
LOUISIANA						
Monroe-West						
Monroe	94	904	1,301	15,062	-15	12
Shreveport	553	4,822	28,642	71,880	262	1,399
TEXAS						
Abilene	59	484	1,906	9,978	248	277
Amarillo	126	1,264	6,318	24,813	372	257
Austin	563	4,666	35,522	136,804	264	342
Beaumont	120	1,401	3,152	15,211	153	355
Brownsville	152	1,000	1,829	8,432	-13	1,111
Corpus Christi	402	7,036	8,683	51,345	86	953
Dallas	1,420	16,316	37,269	241,888	-9	-27
Denison	29	317	78	2,391	-64	-19
El Paso	609	4,496	15,387	92,451	68	-22
Fort Worth	407	3,805	15,829	97,884	99	43
Galveston	51	613	129	8,678	-59	-91
Houston	2,600	33,506	33,199	486,593	-44	-42
Laredo	58	481	466	6,223	46	66
Lubbock	164	1,816	2,890	56,293	-35	67
Midland	55	618	325	8,376	-45	-26
Odessa	76	766	521	6,261	-45	-65
Port Arthur	80	700	1,264	5,396	167	635
San Angelo	72	600	508	9,135	-19	28
San Antonio	1,542	14,592	11,792	93,167	30	67
Sherman	50	530	413	4,662	43	-4
Texarkana	44	373	226	6,789	-53	-14
Waco	306	2,736	2,384	19,548	159	145
Wichita Falls	97	728	2,838	17,288	63	379
Total—26 cities	10,162	110,168	\$219,344	\$1,565,305	28%	46%

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District
(Averages of daily figures. Million dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1969: September	10,497	4,867	5,630	7,272	2,685	4,587
1970: September	10,658	4,885	5,773	8,088	3,162	4,926
1971: April	11,555	5,274	6,281	9,575	3,736	5,839
May	11,348	5,216	6,132	9,516	3,688	5,828
June	11,354	5,224	6,130	9,573	3,691	5,882
July	11,507	5,314	6,193	9,588	3,696	5,892
August	11,468	5,246	6,222	9,615	3,714	5,901
September	11,571	5,311	6,260	9,735	3,769	5,966

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	September 1971	August 1971	July 1971	January—September	
				1971	1970r
FIVE SOUTHWESTERN STATES¹					
Residential building.....	419	390	445	3,394	2,279
Nonresidential building....	179	226	236	2,059	1,970
Nonbuilding construction....	216	173	250	1,411	1,749
UNITED STATES.....					
Residential building.....	3,196	3,255	3,357	25,891	18,498
Nonresidential building....	2,246	2,120	2,621	19,571	19,155
Nonbuilding construction....	1,372	2,337	1,691	15,552	14,674

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

(Thousand bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	1971, estimated Oct. 1	1970	1969	1971, estimated Oct. 1	1970	1969
Cotton ²	3,209	3,214	2,859	4,741	4,561	4,409
Corn.....	33,120	32,391	25,124	44,316	43,554	34,266
Winter wheat....	31,416	54,408	68,856	115,014	169,437	196,824
Oats.....	5,994	29,032	25,460	11,466	38,304	33,058
Barley.....	1,320	4,224	3,290	22,784	33,954	29,096
Rye.....	378	566	684	1,158	1,502	1,664
Rice ³	23,350	20,782	21,646	43,486	41,179	42,115
Sorghum grain...	330,534	329,616	309,800	394,328	386,051	368,740
Flaxseed.....	70	1,125	1,300	70	1,125	1,300
Hay ⁴	3,776	4,037	3,451	9,817	9,811	9,119
Peanuts ⁵	463,500	429,930	389,070	707,660	640,196	610,549
Irish potatoes ⁶ ...	3,779	4,593	4,437	7,026	8,075	8,084
Sweet potatoes ⁶ ...	788	1,040	780	4,188	5,205	5,200
Pecans ⁵	25,000	38,000	23,000	87,000	69,700	73,900
Soybeans.....	4,185	4,424	7,598	44,223	45,413	41,618

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

2. Thousand bales

3. Thousand bags containing 100 pounds each

4. Thousand tons

5. Thousand pounds

6. Thousand hundredweight

SOURCE: U.S. Department of Agriculture

transportation equipment, which fell 3.7 percent from August. Still the weakest industry group in the index, producers of transportation equipment showed total output off 21.2 percent from the level a year before.

There were some downward movements in industries producing nondurable goods. Production of paper and allied products fell 2.2 percent from August, and the output of petroleum refineries and related plants fell 2.7 percent.

Major movements in the production of nondurable goods, however, were generally upward. Although the output of leather and leather products still trailed production a year before by 12.8 percent, a quick advance of 6.4 percent was registered for September. Output

of chemical and allied products was up 3.8 percent from August.

Oil allowables in Texas and Louisiana were cut again for November. With purchasers expecting to buy less crude than in October, the allowable in Texas was reduced for the seventh consecutive month—from 63.2 percent of maximum efficient production in October to 62.5 percent in November. In Louisiana, the drop was from 70 percent to 69 percent.

The allowable in Oklahoma was unchanged, but in New Mexico, where progress was made against the flaring problems that had restricted production, allowables were raised. For fields in the southeastern part of the state, where the limit on wells had been

70 barrels a day, the allowable for November and December was raised to 75 barrels.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio were 3 percent higher in September than in August. Registrations were 22 percent greater than in September 1970, and cumulative registrations for the first nine months of 1971 were 11 percent greater than for the same period a year earlier.

Department store sales in the Eleventh District were 5 percent greater in the four weeks ended October 30 than in the corresponding period a year before. Cumulative sales through that date were 7 percent more than a year before.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Sept. 1971 from	
	September 1971p	August 1971	September 1970r	Aug. 1971	Sept. 1970
Total nonagricultural wage and salary workers...					
Manufacturing.....	1,121,000	1,118,100	1,156,600	.3	-3.1
Nonmanufacturing.....	5,229,900	5,203,100	5,145,100	.5	1.6
Mining.....	228,600	228,500	231,400	.0	-1.2
Construction.....	383,300	386,600	393,500	-.9	-2.6
Transportation and public utilities.....	451,300	453,100	451,800	-.4	-1.1
Trade.....	1,499,800	1,498,200	1,466,400	.1	2.3
Finance.....	333,400	335,500	322,600	-.6	3.3
Service.....	1,029,100	1,034,800	1,014,800	-.6	1.4
Government.....	1,304,400	1,266,400	1,264,600	3.0%	3.1%

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

p—Preliminary

r—Revised

SOURCE: State employment agencies

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	September 1971	August 1971	September 1970r	Percent change from	
				August 1971	September 1970
FOUR SOUTHWESTERN STATES.....					
Louisiana.....	2,575.9	2,629.6	2,602.1	-2.1	-1.0
New Mexico.....	320.3	330.3	339.1	-3.0	-5.6
Oklahoma.....	602.0	605.7	610.8	-.6	-1.5
Texas.....	3,318.1	3,363.3	3,546.4	-1.4	-6.4
Gulf Coast.....	670.0	685.2	729.0	-2.2	-8.1
West Texas.....	1,599.0	1,603.0	1,680.3	-.3	-4.8
East Texas (proper)....	215.0	221.2	217.8	-.8	-1.3
Panhandle.....	71.0	71.9	77.4	-1.3	-8.3
Rest of state.....	763.1	782.0	841.9	-2.4	-9.4
UNITED STATES.....	9,482.1	9,615.0	9,848.7	-1.4%	-3.7%

r—Revised

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