

# Business Review

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**Food Prices—  
Slippages in Supplies Explain Only Part of Recent Changes**

**Discount Window—  
Seasonal Borrowing Privileges Will Help Banks and Communities**

**May 1973**

# Slippages in Supplies Explain Only Part of Recent Changes

The recent surge in food prices has come with several unexpected developments over the past year. Shortages in crop supplies appeared last fall as unseasonably wet weather reduced harvests. And with demand up sharply, some of the most important shortages were in soybeans and grains.

Growth in livestock production has remained sluggish, despite higher meat prices. Much of the lack of growth in beef production was due to the severity of the win-

ter. The cattle industry was under stress for several months and suffered heavy losses. But expansion in beef slaughter was also slowed by cattlemen holding back on marketings to expand their breeding herds in anticipation of further increases in demand. Because of low returns to producers over the past several years, pork and broiler production had actually been cut back.

Meanwhile, with the poor world showing in grain crops and the

opening of trade with Communist countries, foreign demand suddenly soared. This was, perhaps, the most unexpected development of all. Where, in the past, most farm exports had been surpluses shipped under concessional sales, Americans found themselves, for the first time, competing in world markets for farm products.

The net effect was a sharp rise in farm prices. And while the rise was dampened by narrowing marketing margins, retail prices soared.

By early this year, food prices were running well ahead of the rate of advance in prices of other consumer items. In February alone, they advanced 2.2 percent, mainly reflecting a 5-percent rise in meat prices.

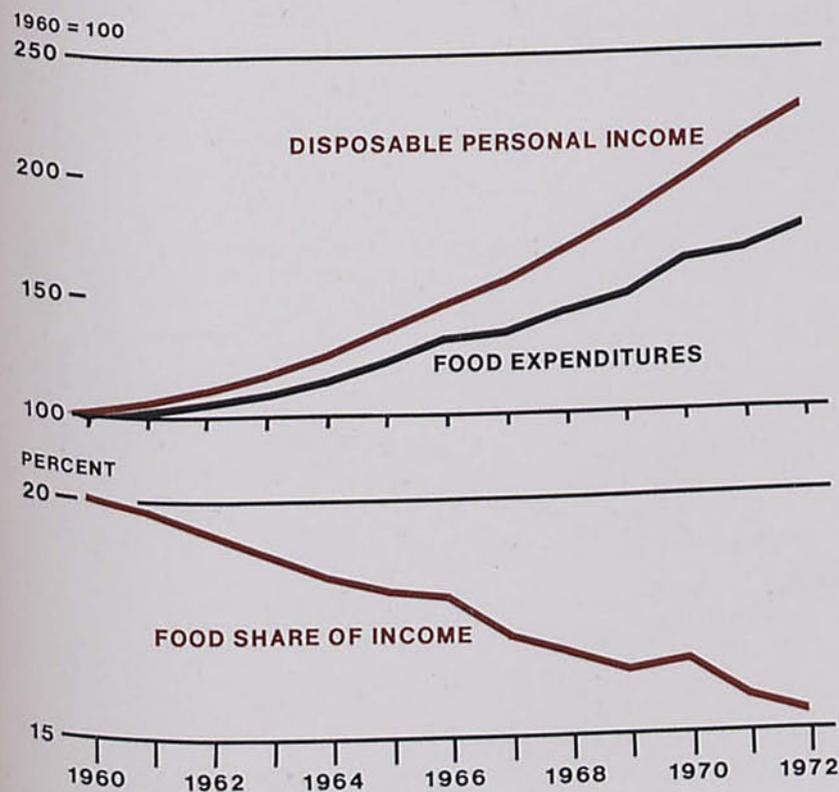
In the wake of this surge, the President moved in March to slow the rise by ordering a ceiling on beef, pork, and lamb prices, except at the farm level. Until then, consumers had shown a stubborn resistance to shifts to less expensive foods. Much of the driving force behind the acceleration in food prices had, in fact, been the persistence of basic shifts in consumer tastes and preferences toward more expensive items.

## Consumers shift to meat

In the past, when prices of particular food items increased sharply, consumers shifted to lower-priced foods. And the effect of such substitutions was a moderation in the rise in food prices overall. That, however, has not been the response in recent months.

Although prices of meats and other fresh foods have been rising rapidly, these items have been in increasing demand. And although processing costs have mounted rap-

As disposable income goes up, food takes a smaller share



1972 preliminary  
SOURCE: U.S. Department of Agriculture

idly, consumers have shown little inclination to give up any of the convenience of foods processed for greater ease in preparation and serving.

Some of this persistence is understandable. Although total spending on food has increased about three-fourths since 1960, it has actually declined as a proportion of all consumer expenditures. Where Americans typically allocated 20 percent of their budgets for food in 1960, with more than twice as much disposable personal income in 1972, they allocated less than 16 percent for food.

So while population has increased 16 percent since 1960, driving up the amount of food bought, the ability to buy has increased faster than the capacity to consume. And as people have become more able to afford the foods they want, they have bought not merely more food but appreciably more expensive foods.

Increased purchases of more expensive foods have, no doubt, been one of the side effects of recent increases in Government food programs. The food stamp and other food distribution programs expanded 13 percent in 1972. Although totaling \$3.5 billion, food bought under these programs accounted for less than 3 percent of the total food expenditures last year. But given the much greater propensity of low-income groups to improve their diets, these outlays probably had considerable influence on purchases of certain items, especially meat.

The reluctance of consumers to give up their choices of food when prices are rising results in demand for food being far more stable than food supplies. And because the demand for many food items has been slow to respond to price advances, even small variations in food supplies have been enough to cause sharp increases in farm prices. Equally important, however, with supplies fairly fixed in the short

run, even minor changes in purchases have been enough to force major changes in prices.

But not until very recently have consumers taken much notice of increases in food prices. This insensitivity was buttressed not only by higher incomes, which allowed consumers to purchase more items that would have been higher priced anyway, but also by the fact that food prices were low compared with other prices.

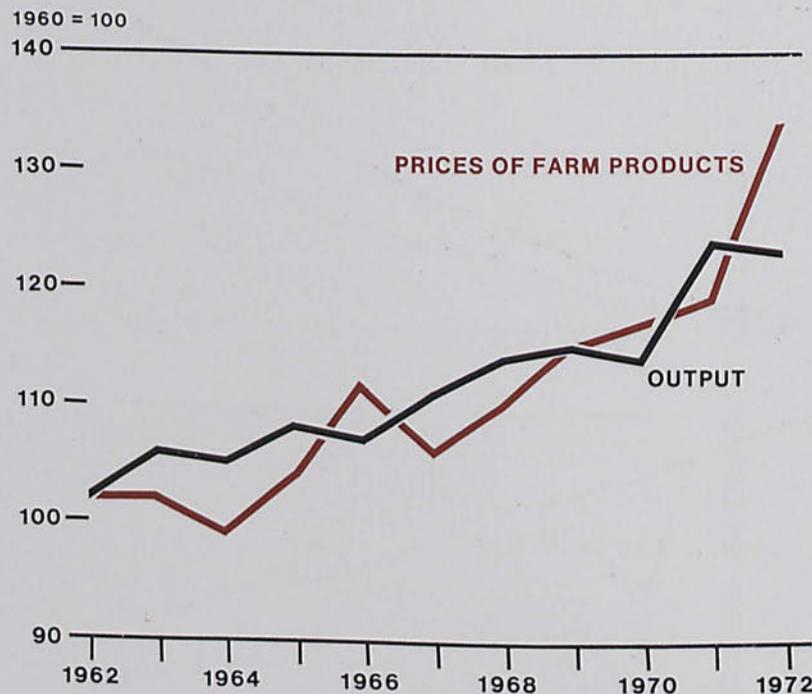
Food prices have been rising rapidly since 1969. But even with their very fast average advance of 5.3 percent in 1969 and 1970, they did not rise as fast as consumer prices as a whole. And with the development of surpluses in several important commodities, the rate of advance slowed to 3 percent in 1971, compared with an increase in all consumer prices of 4.3 percent.

The big change came in 1972. Spurred by farm prices that averaged 12.5 percent higher than the year before, food prices spurted forward 4.3 percent. Meanwhile, the rate of rise in the average price consumers paid for nonfood items slowed to 3 percent.

That was the first time in six years that retail prices of nonfood items rose less than food prices. And yet, not until well into this year were there signs that consumers might be willing to trim back on demands for higher-priced foods.

The difference between this period since early 1972 and the years just before is that inflationary pressures on many consumer items had lessened in 1972. But in foods, the effects of shifts in consumption were being reinforced by unexpected scarcities in some farm commodities. And some of these com-

### Farm prices tend to swing opposite to changes in output . . .



1972 output preliminary  
SOURCE: U.S. Department of Agriculture

modities were those in increasing demand well into 1973.

One of the strongest demands has, of course, been for beef. In a little more than 20 years, Americans have doubled their beef consumption. With per capita consumption having reached 116 pounds in 1972, producers simply could not keep up with the growth in demand. As a result, retail beef prices advanced more than 9 percent during the year.

In the past, consumers might have been expected to switch to pork. But hog production had dropped sharply after a record year in 1971, and pork prices moved up nearly 16 percent in 1972.

### Supplies respond slowly

Other unexpected factors besides the slowness of growth in livestock production have also contributed

to the rise in farm prices. Harvests of fruits, vegetables, feed grains, and soybeans were limited by unfavorable turns in the weather. Also, in some cases, production had been cut back because of low returns to farmers in prior years. Depressed broiler and egg prices, for example, combined with higher feed prices to contribute significantly to the lower production levels since early 1972. And with the opening of trade with Communist countries, farm exports rose.

Plagued with poor growing seasons, the Soviet Union and Mainland China bought unexpectedly large volumes of American farm products. Most of the shipments were in wheat and feed grains, which were thought to be in more plentiful supply than needed.

As grain stocks fell, the costs of feedstuffs were driven up, impact-

ing on the livestock industry as it tried to meet the increased demand for meat. Feed prices early this year averaged more than a third higher than a year before.

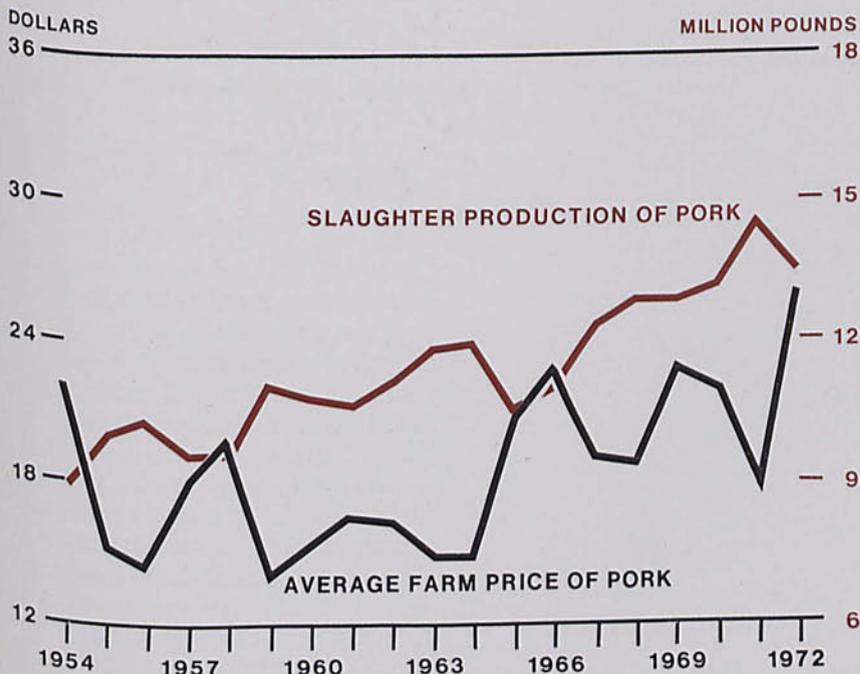
Although demand has been increasing and there have been marked reductions in supplies, results of efforts to expand production cannot be expected until late this year—nearly two years after food prices began to move out of line with other consumer prices. And because factors governing farm production are vastly different from those governing the output of most industries, the outlook for supplies is uncertain even then.

Weather, for example, which is certainly not a factor in the production of most goods, is a primary determinant of farm production. Paced already by biological processes the grower cannot control, production of both crops and livestock is subject to the vagaries of the weather at every stage in the production cycle. Such problems as diseases and insects that constantly threaten growers are also matters of little concern to industrial producers.

But because agricultural production, unlike the production of most goods, cannot be quickly adjusted to fluctuations in demand, the outlook is clouded even beyond 1973. The interaction of shifts in income and food preferences and in exports and farm stocks causes cyclical movements in commodity markets that producers can adjust to only after considerable lag. Because of the volatility of farm prices resulting from the disruption of markets, expected changes in any of the factors governing either supplies or demand keep farmers constantly in the position of trying to anticipate changes by adjusting production.

Since their decisions are uncoordinated, the many producers making up American agriculture tend to respond to high prices or short supplies by increasing output. The result of so many independent

... with movements in the pork market  
Providing a good example

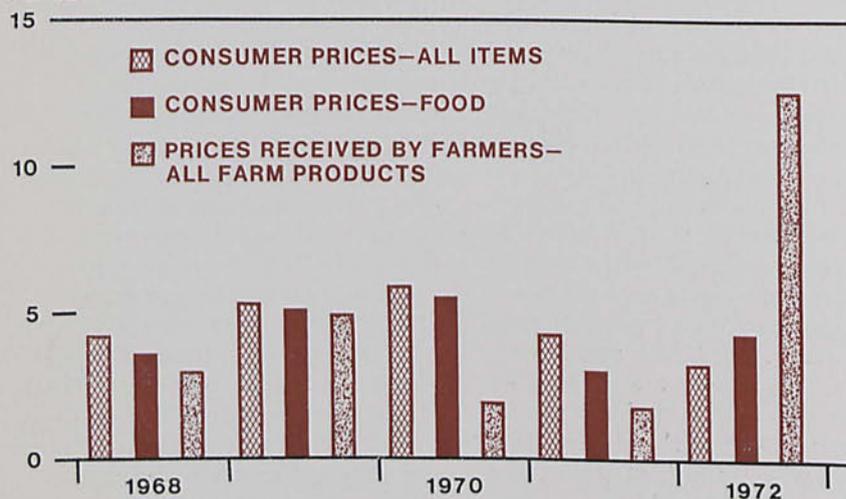


1972 price preliminary

SOURCE: U.S. Department of Agriculture

**Total rise in consumer prices slows in 1972, but farm prices soar**

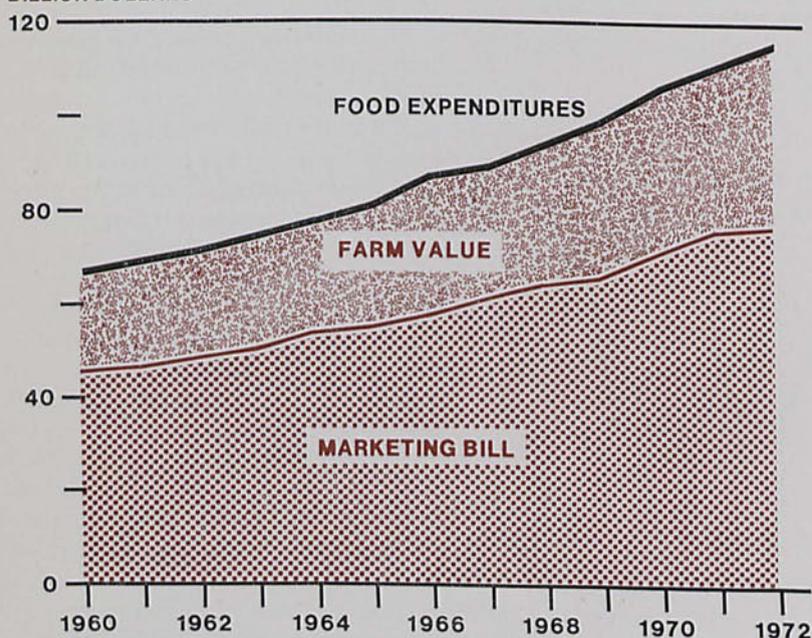
PERCENT CHANGE



SOURCE: Economic Indicators

**Spending on food increases with farm value and marketing bill**

BILLION DOLLARS



1971 and 1972 preliminary

SOURCE: U.S. Department of Agriculture

decisions is often overproduction, which farmers respond to by cutting back sharply on output—allowing the cycle to repeat itself.

These factors influencing supply and demand bring wide swings in farm prices. Recent movements in hog prices provide a case in point. The average price farmers received for hogs at the start of 1973 was more than twice the price they received two years before. At 15 cents a pound, the price in early 1971 was less than the cost of production. Producers were discouraged from raising hogs, and supplies fell off. But at 38 cents in March, hogs looked highly profitable this year. Their profitability has, no doubt, encouraged fresh efforts to produce them, and the outlook could again be for burdensome supplies and another drop in prices.

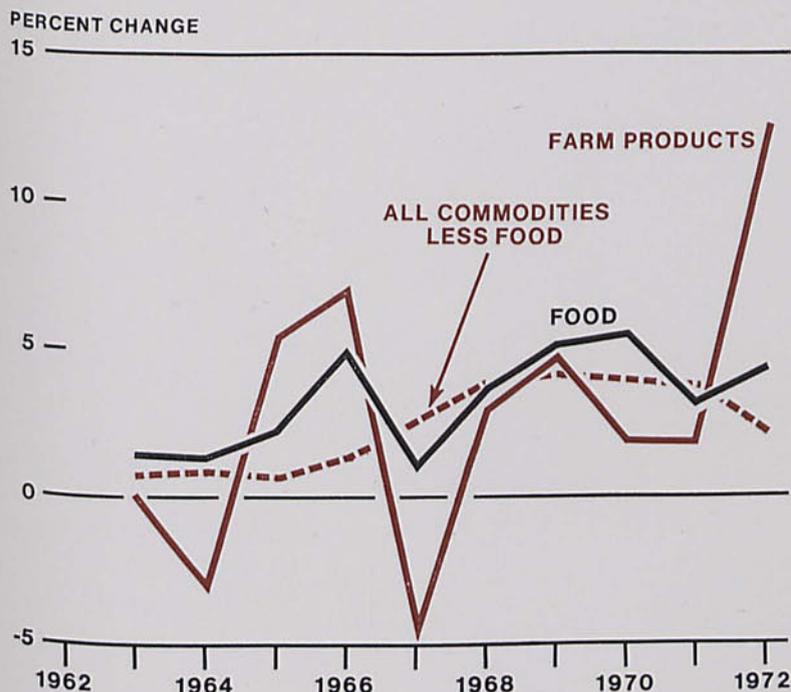
Such cyclical variations are especially characteristic of livestock production and prices. With supplies shifting against highly inelastic demand, even a small drop in supplies brings a sharp rise in prices. And the result is often increased production and sharply lower prices. The time for these countermovements varies with the life cycle of the commodity, from at least three years for beef to less than six months for broilers.

**Price rises cushioned**

Changes in the prices farmers receive, however, only partially affect the prices consumers pay—and usually after some lag. Since farm prices account for well under half the price of an average food purchase, any change in farm prices is dampened by the much larger costs of marketing. And since costs of assembling, processing, transporting, and distributing food are so important in the determination of final prices, changes in farm prices are weakened in their transmission to consumers.

As a result, farmers have not shared consistently in the almost uninterrupted rise in food prices

Prices of food change more than prices of other commodities, but less than farm values



SOURCE: Economic Indicators

over the past 20 years. In fact, while the increase in population has created additional demand for food and the increase in disposable income has worked basic changes in the selections shoppers make, the resulting higher prices have often been moderated by weak farm prices. Food prices rose 5.5 percent in 1970, for example, and 3 percent in 1971. But in both years, the prices farmers received rose less than 2 percent.

This dampening effect is often strong enough to insulate consumers from the volatility of farm prices. Unlike most consumer prices, which have been showing a long uptrend, farm prices can actually decline.

In 1966, farm prices soared 7 percent over the year before but the average for all consumer prices rose less than 3 percent. The next year, when farm prices fell almost

5 percent, consumer prices continued their moderate rise, advancing nearly 3 percent.

There was much the same situation in 1964. The difference was only in degree. Farm prices were off moderately that year, and the change in consumer prices was also moderate, but on the rise.

**The marketing system**—Between the farmer and the consumer lies a vastly complex marketing system of some 600,000 separate businesses that accounts for the very considerable difference between the amounts consumers pay for food and the amounts farmers receive. And part of the rising cost of food must be attributed to the growing importance of this marketing system to the types of food people buy.

Consumers have long paid for more convenience in their foods. Much of this is to be expected

merely from the division of labor involved in feeding the nation. Very little food, in fact—mostly only fresh fruits and vegetables—moves from the farmer to the consumer without significant changes.

And as a result, this marketing system not only moves large amounts of food from the farm gate to the checkout counter but also increasingly transforms commodities into precut, frozen, and often precooked foods before they reach the shelves at supermarkets.

While this practice of almost nationwide participation in the preparation of meals helps reduce waste and maintain quality, it also adds significantly to the costs of food. Last year, when sharply rising farm prices brought the farmer's share of expenditures on domestic food to \$39 billion, marketing costs reached \$77 billion.

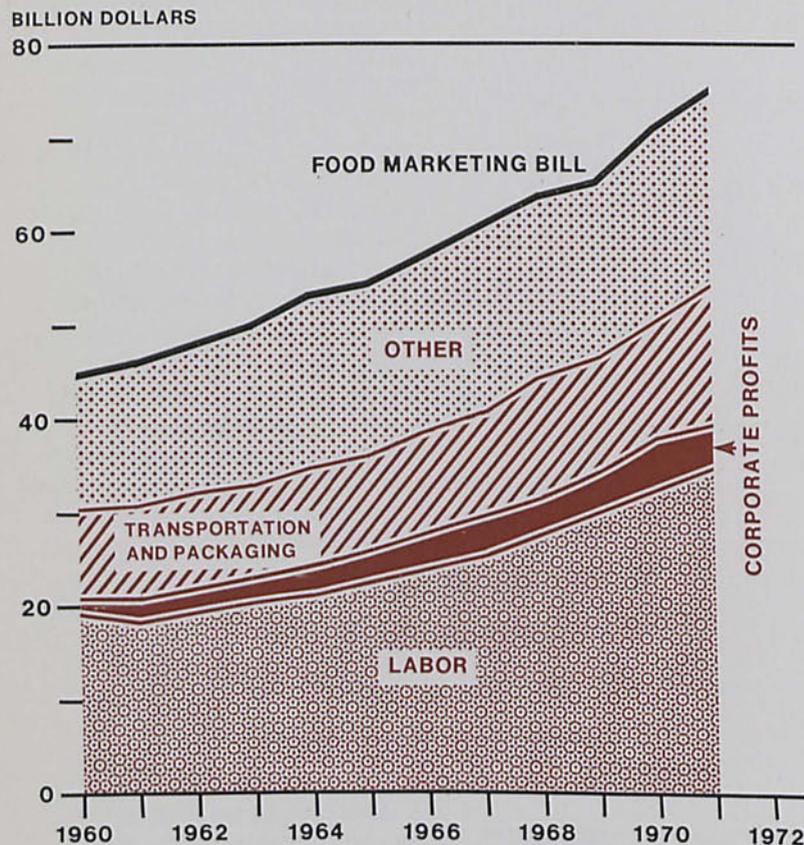
Rising income has also allowed people to eat out more, and their tendency to do so cannot be ignored in an evaluation of changes in food prices. More than a fifth of the weight assigned to food in the consumer price index represents food eaten away from home.

The labor involved typically causes prepared foods and restaurant meals to cost much more than the equivalent nourishment in homecooked meals. But the service costs included in restaurant prices keep changes in farm prices from affecting the costs of eating out as much as the costs of preparing meals at home. Prices of restaurant meals increased nearly twice as fast as grocery prices in recent years.

**Costs of marketing**—While part of the increase in food costs is the result of changes in the types of food people buy, not all the increase can be laid merely to the fact that people have been buying more such food. Some of the increase is due to the sharply rising costs of processing these foods.

The biggest part of the cost of marketing foods goes for labor. Direct labor costs of processing and

## Labor costs rise faster than other marketing costs



distributing food totaled about \$37 billion in 1972. Accounting for close to a third of the nation's total food bill, that was nearly twice as much as a decade before.

Some of the increase was due to the greater number of workers required to meet the demand. But much of it was due to higher wages, salaries, and benefits to employees. Wages in the food processing and distribution industries have been rising rapidly for several years. Although the rate of rise slowed to 5.9 percent in 1972, the August-to-August rate in 1971 was 7.3 percent.

While retailers and restaurateurs pay a large part of this cost, the largest part is paid by processors. And except where they have been

offset by gains in productivity, higher labor costs have been reflected in wider spreads between consumer prices and farm prices. By and large, food distributors—whether processors, wholesalers, retailers, or restaurateurs—have only partially offset their rising costs by boosting productivity.

To labor costs must be added the costs of packaging, which become increasingly important as more foods are processed. For foods such as breakfast cereals and some canned fruits and vegetables, containers can cost as much as the labor used in processing the food.

Transportation adds further to the nation's food bill. Costs of shipping foods from production areas all across the country into com-

paratively few population centers have climbed rapidly in recent years. Where the movement of food by rail and truck cost only slightly more than \$4 billion in 1961, it cost \$6 billion in 1971.

By comparison, profits of companies marketing food add very little to the total bill. Usually about 1 percent of sales, after-tax profits averaged slightly less than that in 1972. This decline kept the percentage return on food sales well below the return to most industries.

### Outlook remains cloudy

Several nonfarm factors continue to influence food prices and possibly cloud the outlook for them. One is the Phase III program. Guidelines for economic control

could be dampening the markup in consumer prices, as was probably the case with the Phase II program.

Another is the devaluation of the dollar. With the change in the value of the dollar in world markets, the tendency is for the nation's export position to improve and prices of imports to rise. As regards food, either tendency would be in the direction of higher domestic prices.

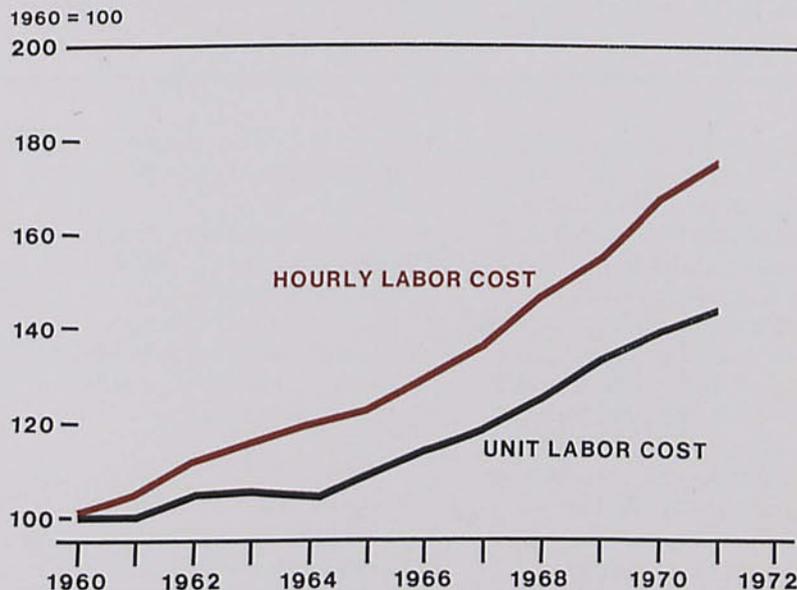
But the most important factor in the near term is still apt to be consumer demand. Whatever the net effect of other future developments—a possible dampening from the Phase III program, a drain on supplies from continued export demand, and higher import prices—consumer demand will almost certainly be the primary determinant of food prices in 1973.

Although food supplies are expected to increase this year, the gains are not apt to be sizable. And as the economy moves ahead, reaching higher levels of employment and spending, consumer incomes will continue to rise. If consumers follow patterns of recent years and use their additional purchasing power for more food of higher quality, additional pressures on supplies will tend to press further on food prices.

The pattern of food prices and expenditures set over the past several years suggests that last year's trends can probably be extended through at least the end of 1973. Such a projection shows food prices advancing even faster than the 5.5-percent increase in 1970, possibly averaging as much as 10 percent higher than in 1972.

Much of the increase is expected in the first six months, with most of it coming from higher farm prices. Moderately larger supplies of poultry, fish, dairy products, and vegetables are expected later this year. But because of the sluggish response of livestock production,

### Wages in food industries increase faster than productivity



1970 and 1971 preliminary  
SOURCE: U.S. Department of Agriculture

meat supplies will probably be very tight until near the end of the year. By then, a small increase in pork production can be expected and, with slight gains in beef production, supplies of meat are likely to expand.

Generally, however, pressures on food prices may be slow to abate. Because of the considerable delays involved in increasing production of most farm commodities, recent policy moves to increase food supplies are not apt to affect prices until late in the year or maybe even until 1974.

And since food prices include more marketing costs than commodity values, retail food prices will not change as much as farm prices. The rapid rise in farm prices since last year has squeezed marketing margins. Where the marketing bill increased 9 percent in 1970 and 6 percent in 1971, it increased only slightly more than 2 percent

in 1972. This suggests that even when farm prices eventually turn down, these margins will widen, dampening the effects of lower farm prices on retail food prices.

While patterns of supply and demand have major impacts on food prices at the farm level, prices at the retail level are affected even more by costs of transporting, processing, and marketing food. And the uptrend in these costs has not abated.

Most families will, nevertheless, very probably continue upgrading their consumption of food. Although the increase in family expenditures on food can be slowed by careful shopping and substitutions of lower-priced foods of comparable nutritional values, more and more people appear willing to pay the additional costs for better and more convenient products.

—Carl G. Anderson, Jr.

# Seasonal Borrowing Privileges Will Help Banks and Communities

Federal Reserve Regulation A, governing the discount mechanism, has been revised to formalize a "seasonal borrowing privilege." The revision marks a major change in the handling of seasonal discount credit without changing the basic objectives of the regulation. It is intended, in fact, to improve the ability of the Federal Reserve System to respond to the needs of individual banks and communities while helping to smooth the administration of monetary policy.

This change was made in response to a growing awareness that many small and medium-size banks face recurring seasonal fluctuations in the supply and demand for funds. Because most of these banks do not have direct access to major money markets, they are forced to internally manage their assets in anticipation of seasonal changes in the availability of funds and the demand for them. The resulting strategies of asset management have often been detrimental to the long-term positions of the banks and their service areas.

Preliminary analysis by the Board of Governors of the Federal Reserve System indicates that fully a third of all member banks face the dual problems of limited access to money markets and seasonality of available funds. The proportion was found to be even higher in the Eleventh District—45 percent.

The new seasonal borrowing privilege is aimed at alleviating some of the problems of these banks while furthering the underlying principles of Regulation A—

- To provide credit to member banks to accommodate commerce, industry, and agriculture

- To assist in the maintenance of a sound and orderly financial system
- To meet temporary requirements for funds so orderly adjustments can be made
- To maintain an awareness by Federal Reserve banks of the general character and needs of their member banks

## Seasonality of funds

The funds available to a bank are defined as deposits less loans. Seasonality of available funds can depend on significant seasonal increases in loan demand, deposit withdrawal, or (as is often the case) a combination of the two.

Because of the patterns of agricultural production, credit needs, and marketings, seasonality has usually been associated with rural banks—or at least agricultural banks. But while the incidence of seasonality is higher at these banks, large proportions of urban banks and banks that are primarily nonagricultural also have significant seasonal dips in available funds. A seasonal pattern of avail-

able funds is apt to develop in any situation where much of the local economy is based on a seasonal industry—such as tourism, say—where a large part of the deposits of an individual bank are strongly influenced by seasonal factors.

Analysis of banks with less than \$250 million in deposits suggests two-fifths of the banks outside metropolitan areas and one-fourth of the banks within such areas have seasonal fund patterns that probably qualify them for the new borrowing privilege. In fact, because of their typically larger size, the metropolitan banks that may qualify account for more than half the estimated seasonal borrowing needs.

The size of the banks—and, in some cases, their location—prohibits judicious use of national money markets, creating the need for other external sources of funds.

## New borrowing privilege

In response to this situation, the Board of Governors has broadened elements of seasonal borrowing in Regulation A to make such bor-

## ILLUSTRATION OF A BANK'S POTENTIAL SEASONAL CREDIT NEED

(Million dollars)

Month	Seasonal pattern		Net fund availability		Potential seasonal borrowing <sup>1</sup>
	Average deposits	Average loans	Total (Deposits less loans)	Difference from peak month	
January	\$10.1	\$5.7	\$4.4	\$0.1	\$0.0
February	10.1	5.7	4.4	.1	.0
March	9.9	5.4	4.5	.0	.0
April	9.9	5.5	4.4	.1	.0
May	9.8	5.9	3.9	.6	.1
June	9.7	6.1	3.6	.9	.4
July	9.8	6.1	3.7	.8	.3
August	9.6	6.2	3.4	1.1	.6
September	9.9	5.9	4.0	.5	.0
October	10.1	5.7	4.4	.1	.0
November	10.2	5.7	4.5	.0	.0
December	10.2	5.8	4.4	.1	.0

1. Difference in net fund availability between peak availability month and specified month, less 5 percent of average deposits for the preceding year and subject to possible adjustments

rowing a formal privilege. Federal Reserve banks are authorized to establish a seasonal borrowing privilege for any member bank with a seasonal need for funds. The privilege must be renewed from year to year. Eligibility for the seasonal borrowing privilege is based on three explicit qualifications. The seasonal need must—

- Result from recurring loan-deposit patterns
  - Persist for at least eight consecutive weeks
  - Exceed a threshold level of 5 percent of the average deposits for the previous year
- Two additional qualifications are implicit in the revision. The bank must—
- Lack generally reliable access to other sources of funds
  - Use seasonal funds furnished by the Federal Reserve bank to meet the needs of its customers

Banks planning to take advantage of the change in Regulation A will be expected to arrange for seasonal credit with the Federal Reserve bank in advance of their actual needs. The Federal Reserve bank can extend credit for only up to 90 days. If a bank's seasonal needs are for a longer period, the Reserve bank will ordinarily consider extensions of credit under the seasonal credit arrangement.

Like other bank credit, credit extended under the seasonal borrowing privilege must be secured with acceptable collateral. The amount and acceptability of the collateral can be established before the actual need for credit arises.

Although preliminary analysis of the need for seasonal credit

identified only certain banks as potentially qualified, other banks are not excluded. Because of differences in reporting, variations in asset management, and the very newness of the program, some banks that could qualify may not have been identified. Any banker that believes his bank is subject to major seasonal influences or feels there is a latent seasonal demand for funds in his service area can discuss the situation with the loan officer at his Federal Reserve bank.

Needs will be determined on an individual basis. Since no two banks are apt to have exactly the same seasonal needs, the general formula for determining eligibility is only a starting point. Some banks, in fact, may not be eligible for special borrowing privileges even though the formula shows the availability of funds to them is seasonal. Seasonality must be based on local demand-supply situations, and the bank's needs must be based on the needs of the community it serves.

For these reasons, the Federal Reserve bank may require additional information before approving an application. In such case, however, the requirement will be only to ensure that the Federal Reserve bank's response to the application is appropriate to the needs of both the member bank and its community.

#### Reason for the change

It was no accident that the regulation governing the discount mechanism was designated "Regulation A." Initially, the discount

mechanism was the primary tool for implementing monetary policy. As the nation's economy, and especially its financial markets, expanded and became more complex, Federal Reserve open market operations became more important and the discount window played a smaller role in national monetary policy.

As a result, Regulation A was reexamined in 1955. But banks were in a fairly liquid position then, and there was no apparent need for major changes. Certainly, the need for a seasonal borrowing privilege had not become noticeable. The concept of Federal Reserve banks as lenders of last resort may, in fact, have become pervasive. Even when banks faced credit needs, they appeared reluctant to approach their Federal Reserve banks, turning instead to other sources of funds.

It has since become clear, however, that not all banks had access to other sources of funds. Also, depending on the general economic and financial conditions, many sources were not reliable, especially for smaller banks.

Many small banks manage their operations without outside help. And the results are often less than optimal allocations of resources for both the bank and its community. Because of seasonal pressures, these banks have not been able to serve longer-term consumer and investment demands.

The Federal Reserve is aware that while its open market operations provide an efficient instrument of policy for the economy as a whole, the effects of these opera-

#### SOURCES OF MEMBER BANK CREDIT AT FEDERAL RESERVE BANKS

(Percentage of total)

Source	1920-27	1928-33	1934-44	1945-50	1951-59	1960-68	1969-70	1971-72
Open market operations . . .	37.0%	65.0%	96.0%	97.0%	95.0%	95.0%	93.9%	95.0%
Discount window . . . . .	59.0	33.0	1.0	1.0	2.0	1.0	1.6	.5
Float . . . . .	4.0	2.0	3.0	2.0	3.0	4.0	4.5	4.5
Total credit . . . . .	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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tions are not always felt equally at all banks.

A reappraisal of the discount mechanism began in 1965. The objectives were threefold: to assess changes that might be made to revitalize the discount mechanism, to improve service to banks and their service areas, and to make more effective use of the discount mechanism in implementing monetary policy. The seasonal borrowing privilege was one of the major results of this reappraisal.

Careful consideration over the past three years of the possible usefulness of the seasonal borrowing privilege led to the conclusion that this privilege could be very helpful in achieving these objectives. The new privilege provides a service of significant proportions. Preliminary estimates indicate that if all qualified banks make use of this new privilege, average annual seasonal borrowings could approach \$600 million—nearly twice as much as the average discount level for all banks in 1972. Borrowings could be even higher in periods of peak demand.

Average potential borrowing by banks in the Eleventh District was estimated at more than \$125 million—compared with an average discount level in 1972 of \$14 million. During June, the month of peak demand in the Southwest, seasonal borrowing may be half again greater than the annual average.

Once a bank qualifies for the seasonal borrowing privilege, it is expected to have greater flexibility in handling its assets and in serving its community. Since the bank will not have to keep as much of its portfolio in short-term or liquid assets in anticipation of seasonal demands, it can service more local credit needs. It can also serve these needs under more appropriate

terms than might be the case if it were totally dependent on its own resources for the satisfaction of seasonal demands.

Because arrangements for use of the seasonal borrowing privilege should be worked out in advance, the Federal Reserve banks will be in a better position to anticipate the timing and likely volume of advances through the discount window. This advance knowledge should be useful in System assessments of overall needs for reserves, which are provided principally through open market operations.

#### **Reassertion of intent**

There has been some concern that bankers might not understand the administration of the discount mechanism. Due, perhaps, to the inadequacy of communications to member banks concerning the availability of funds at the discount window, many bankers seem to have viewed the window as an uncertain source of credit. Efforts to implement a program of seasonal borrowing privileges, then, are in line with System efforts not only to improve the operations of member banks and help them serve their communities but also to dispel any misconceptions that may have developed regarding use of the discount window.

The new seasonal borrowing privilege is expected to make a major contribution in these areas. The discount mechanism is the Federal Reserve System's policy tool for responding to the unique problems of individual banks and their service areas. It is also a complement to the more general instruments of policy—the conduct of open market operations and the setting of reserve requirements.

—Dale L. Stansbury

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### **New member banks**

The San Felipe 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 March 30, 1973, as a member of the Federal Reserve System. The new member bank has capital of \$500,000, surplus of \$450,000, and undivided profits of \$300,000. The officers are: S. Marcus Greer, Chairman of the Board; Robert B. Sale, Jr., President; S. Ronald McLeod, Senior Vice President; Julian C. Green, Jr., Vice President and Cashier; and Melvin Corley, Assistant Cashier.

The Love Field National Bank, Dallas, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business April 4, 1973, 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: Michael A. Myers, Chairman of the Board; V. P. Schumacher, President; William J. Cox, Executive Vice President; and N. J. Alexander, Cashier.

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## Statistical Supplement to the Business Review

Total credit at weekly reporting banks in the Eleventh District rose substantially in the four weeks ended April 18. The increase was accommodated mainly through a sizable inflow of deposits, although the banks also increased their net borrowings in the Federal funds market.

Total loans expanded considerably, mainly due to larger than usual demands by businesses for loans to rebuild depleted inventories and to meet April tax dates. In line with recent gains in retail sales, consumer loan demand also was much larger than usual. The rate of increase in real estate loans slackened somewhat, although demand was about in line with the average for the corresponding periods of other recent years.

The banks added to their holdings of securities in the four weeks, as a reduction in U.S. Government securities was more than offset by an increase in other securities, particularly municipal issues.

Total deposits expanded considerably, primarily reflecting a rapid increase in large negotiable CD's outstanding. Demand deposits rose slightly. With ample funds available through the sale of CD's and through purchases in the Federal funds market, District banks moderately reduced their borrowings in both the Eurodollar and commercial paper markets.

Seasonally adjusted total employment in the five southwestern states posted its sixth consecutive monthly increase in March, reaching a level 3.8 percent above a year before. This growth was outpaced by an expanding labor force, however, and the unemployment rate edged up slightly to 3.7 percent

from February's 3.6 percent. In March 1972, the unemployment rate was 4.4 percent.

Employment in both manufacturing and nonmanufacturing showed modest gains in the month. The largest increase was in finance, up 0.6 percent. In construction, transportation and public utilities, and government, employment advanced 0.3 percent. Mining employment was down 0.1 percent, the only decline. All industries reported year-to-year increases, with the largest being an 8.4-percent gain in construction employment.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio rose 31 percent in March. All four centers reported increases, ranging from 9 percent for Dallas to 57 percent for Houston. The level of registrations was 28 percent higher than in March 1972. Cumulative registrations for the first three months of 1973 were 23 percent greater than for the same period in 1972.

Crude oil producers in the Eleventh District states are unable to meet the demands of buyers, even though wells have been allowed to produce at the maximum capacity consistent with conservation since early last year. Imports of crude from the Middle East are helping to bridge the gap between supply and demand in Texas and are allowing refineries to operate nearer capacity.

The President's recent energy message laid the foundation for a new national oil policy designed to minimize future energy scarcity and dependence on foreign imports by encouraging domestic production and refining. The current

shortage has spurred some crude price increases in the District, but existing price ceilings will hold these to modest levels. Rising prices for natural gas are providing much of the incentive for the pick-up in drilling activity in the District states.

Department store sales in the Eleventh District were 12 percent greater in the four weeks ended April 21 than in the comparable period in 1972. Cumulative sales through that date were 10 percent more than in the corresponding period a year before.

Agricultural conditions are generally favorable in the Eleventh District states. Winter wheat is progressing well, grazing is good, and an above-average grain crop seems likely. Prolonged cold and wet weather has delayed spring planting, however, and the freeze in early April caused moderate damage to spring vegetables and the fruit crop.

Cattle feeding remains strong, with 3.4 million head on feed in the District states on April 1—up 18 percent from a year earlier. The rate of occupancy in Texas feedlots is slightly above 75 percent and is near levels maintained in 1972.

The index of prices received by Texas farmers and ranchers advanced 7 percent in the month ended March 15 to a level 35 percent above a year before. Livestock prices increased nearly 10 percent in the month to a level 44 percent higher than a year earlier, and crop prices rose about 3 percent to a level 22 percent higher.

Cash receipts from farm marketings in the five District states to  
*(Continued on back page)*

## CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

### Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Apr. 18, 1973	Mar. 21, 1973	Apr. 19, 1972	LIABILITIES	Apr. 18, 1973	Mar. 21, 1973	Apr. 19, 1972
Federal funds sold and securities purchased under agreements to resell.....	1,152,310	992,015	857,166	Total deposits.....	13,561,605	13,393,258	12,260,058
Other loans and discounts, gross.....	9,392,873	9,258,637	7,749,796	Total demand deposits.....	7,024,075	6,994,436	7,017,842
Commercial and industrial loans.....	4,172,179	4,118,359	3,532,562	Individuals, partnerships, and corporations....	4,883,857	4,742,583	4,693,150
Agricultural loans, excluding CCC certificates of interest.....	275,467	261,912	186,343	States and political subdivisions.....	551,641	644,104	465,367
Loans to brokers and dealers for purchasing or carrying:				U.S. Government.....	246,844	269,175	315,240
U.S. Government securities.....	42	1,167	1,160	Banks in the United States.....	1,193,571	1,197,508	1,403,785
Other securities.....	57,132	65,321	62,661	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions.....	3,720	2,202	4,458
U.S. Government securities.....	4,976	5,477	4,809	Commercial banks.....	43,872	37,172	36,730
Other securities.....	523,415	510,562	463,144	Certified and officers' checks, etc.....	100,570	101,692	99,112
Loans to nonbank financial institutions:				Total time and savings deposits.....	6,537,530	6,398,822	5,242,216
Sales finance, personal finance, factors, and other business credit companies.....	196,519	179,661	143,710	Individuals, partnerships, and corporations:			
Other.....	710,321	703,332	560,403	Savings deposits.....	1,183,188	1,200,986	1,156,158
Real estate loans.....	1,291,179	1,275,408	965,547	Other time deposits.....	3,487,900	3,325,071	2,681,073
Loans to domestic commercial banks.....	40,678	33,132	27,161	States and political subdivisions.....	1,722,901	1,735,148	1,287,897
Loans to foreign banks.....	64,805	54,264	35,053	U.S. Government (including postal savings)....	28,723	29,208	7,149
Consumer instalment loans.....	1,004,712	987,851	848,574	Banks in the United States.....	91,448	85,939	87,039
Loans to foreign governments, official institutions, central banks, and international institutions.....	0	0	0	Foreign:			
Other loans.....	1,051,448	1,062,191	918,669	Governments, official institutions, central banks, and international institutions.....	13,250	11,250	21,800
Total investments.....	4,115,174	4,028,821	3,614,478	Commercial banks.....	10,120	11,220	1,100
Total U.S. Government securities.....	982,507	1,059,204	1,063,662	Federal funds purchased and securities sold under agreements to repurchase.....	2,481,318	2,301,751	2,072,347
Treasury bills.....	186,256	270,624	191,154	Other liabilities for borrowed money.....	372,306	233,358	41,413
Treasury certificates of indebtedness.....	0	0	0	Other liabilities.....	500,115	484,125	448,917
Treasury notes and U.S. Government bonds maturing:				Reserves on loans.....	160,762	159,146	140,265
Within 1 year.....	132,559	123,900	168,750	Reserves on securities.....	13,951	13,452	17,158
1 year to 5 years.....	507,676	512,314	511,594	Total capital accounts.....	1,174,310	1,163,915	1,101,845
After 5 years.....	156,016	152,366	192,164				
Obligations of states and political subdivisions:				<b>TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....</b>	<b>18,264,367</b>	<b>17,749,005</b>	<b>16,082,003</b>
Tax warrants and short-term notes and bills.....	281,307	255,948	166,688				
All other.....	2,538,877	2,472,692	2,127,878				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans.....	96,723	10,445	21,705				
All other (including corporate stocks).....	215,760	230,532	234,545				
Cash items in process of collection.....	1,429,253	1,407,193	1,686,573				
Reserves with Federal Reserve Bank.....	901,095	839,299	1,040,863				
Currency and coin.....	109,451	110,814	99,733				
Balances with banks in the United States.....	401,751	378,009	450,534				
Balances with banks in foreign countries.....	12,361	15,481	11,295				
Other assets (including investments in subsidiaries not consolidated).....	750,099	718,736	571,565				
<b>TOTAL ASSETS.....</b>	<b>18,264,367</b>	<b>17,749,005</b>	<b>16,082,003</b>				

## DEMAND AND TIME DEPOSITS OF MEMBER BANKS

### Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	DEMAND DEPOSITS			TIME DEPOSITS	
	Total	Adjusted <sup>1</sup>	U.S. Government	Total	Savings <sup>2</sup>
1971: March.....	11,207 <sup>r</sup>	7,848	205	9,548	2,292
1972: March.....	12,118	8,515	300	10,978	2,430
April.....	12,470	8,696	314	10,938	2,640
May.....	12,268	8,530	384	11,075	2,660
June.....	12,320	8,553	280	11,233	2,688
July.....	12,529	8,694	289	11,304	2,714
August.....	12,420	8,824	226	11,441	2,717
September.....	12,619	8,933	254	11,492	2,744
October.....	12,866	9,034	264	11,618	2,770
November.....	12,844	9,321	222	12,009	2,786
December.....	13,439	9,688	289	12,261	2,812
1973: January.....	13,636	9,802	317	12,501	2,815
February.....	13,270	9,516	379	12,811	2,817
March.....	13,203	9,454	395	13,038	2,848

1. Other than those of U.S. Government and domestic commercial banks, less cash items in process of collection  
r—Revised

## CONDITION STATISTICS OF ALL MEMBER BANKS

### Eleventh Federal Reserve District

(Million dollars)

Item	Mar. 28, 1973	Feb. 28, 1973	Mar. 29, 1972
<b>ASSETS</b>			
Loans and discounts, gross.....	18,065	17,755	15,484
U.S. Government obligations.....	2,525	2,493	2,461
Other securities.....	5,832	5,723	4,902
Reserves with Federal Reserve Bank.....	1,380	1,552	1,529
Cash in vault.....	321	309	289
Balances with banks in the United States.....	1,246	1,353	1,257
Balances with banks in foreign countries <sup>a</sup> .....	13	15	13
Cash items in process of collection.....	1,585	1,829	1,514
Other assets <sup>a</sup> .....	1,336	1,346	1,114
<b>TOTAL ASSETS<sup>a</sup>.....</b>	<b>32,303</b>	<b>32,375</b>	<b>28,563</b>
<b>LIABILITIES AND CAPITAL ACCOUNTS</b>			
Demand deposits of banks.....	1,645	1,692	1,759
Other demand deposits.....	11,431	11,828	10,354
Time deposits.....	13,138	12,970	11,001
Total deposits.....	26,214	26,490	23,114
Borrowings.....	2,790	2,603	2,222
Other liabilities <sup>a</sup> .....	1,066	1,057	1,297
Total capital accounts <sup>a</sup> .....	2,233	2,225	1,930
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS<sup>a</sup>.....</b>	<b>32,303</b>	<b>32,375</b>	<b>28,563</b>

a—Estimated

## RESERVE POSITIONS OF MEMBER BANKS

### Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Apr. 4, 1973	4 weeks ended Mar. 7, 1973	5 weeks ended Apr. 5, 1972
Total reserves held.....	1,753,796	1,742,461	1,837,852
With Federal Reserve Bank.....	1,468,761	1,459,789	1,582,808
Currency and coin.....	285,035	282,672	255,044
Required reserves.....	1,747,194	1,742,232	1,843,459
Excess reserves.....	6,602	229	5,607
Borrowings.....	95,053	63,968	782
Free reserves.....	-88,451	-63,739	-6,389

# 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 <sup>1</sup>				DEMAND DEPOSITS <sup>1</sup>			
	March 1973 (Annual-rate basis)	Percent change			March 31, 1973	March 1973	Annual rate of turnover	
		February 1973	March 1972	3 months, 1973 from 1972			February 1973	March 1972
ARIZONA: Tucson	\$11,986,848	2%	26%	29%	\$336,068	35.1	35.9	31.4
LOUISIANA: Monroe	4,959,480	10	30	27	123,140	41.5	40.5	35.9
Shreveport	15,587,256	5	14	19	306,441	51.1	49.1	49.6
NEW MEXICO: Roswell <sup>2</sup>	1,150,452	10	4	3	44,953	24.8	21.4	26.1
TEXAS: Abilene	3,126,228	7	19	17	135,581	23.1	21.6	23.1
Amarillo	9,433,824	11	37	28	216,134	44.2	40.9	38.9
Austin	13,331,724	-1	12	8	444,515	28.6	28.5	28.7
Beaumont-Port Arthur-Orange	7,830,024	-2	15	13	280,214	28.0	28.8	25.6
Brownsville-Harlingen-San Benito	2,973,240	12	20	15	113,095	26.2	23.5	26.5
Bryan-College Station	1,337,392	0	5	10	55,982	23.7	23.6	25.5
Corpus Christi	7,745,196	-4	5	8	278,498	27.5	28.3	27.6
Corsicana <sup>2</sup>	615,456	2	23	27	41,023	15.1	15.5	14.7
Dallas	169,573,344	2	15	14	2,871,634	58.2	56.8	58.0
El Paso	10,816,368	1	16	17	324,709	34.9	35.7	33.6
Fort Worth	33,185,892	5	16	15	860,184	39.1	37.8	37.2
Galveston-Texas City	3,601,848	2	26	17	127,600	28.2	27.4	23.7
Houston	163,029,492	7	20	20	3,301,959	49.3	45.8	46.5
Killeen-Temple	2,234,616	-2	18	22	112,314	19.9	20.2	18.7
Laredo	1,382,724	9	24	19	57,748	23.9	22.0	24.3
Lubbock	8,163,276	17	44	29	212,698	38.5	33.1	31.3
McAllen-Pharr-Edinburg	3,150,240	7	27	21	164,409	19.6	18.7	18.3
Midland	2,535,456	0	14	15	154,244	16.3	15.9	14.7
Odessa	2,057,640	4	7	9	98,877	21.2	20.1	18.0
San Angelo	1,869,168	-9	13	18	83,578	22.5	24.5	22.1
San Antonio	25,563,768	1	16	14	891,638	28.3	27.7	27.1
Sherman-Denison	1,577,064	6	7	11	80,192	19.8	18.6	20.0
Texasarkana (Texas-Arkansas)	1,966,452	-1	10	11	89,188	21.9	22.1	22.3
Tyler	2,980,568	2	11	21	124,728	24.0	23.8	23.1
Waco	4,403,760	-4	15	19	149,687	28.7	29.4	27.5
Wichita Falls	3,359,700	6	14	11	136,164	24.6	22.8	23.2
Total—30 centers	\$521,508,496	4%	17%	17%	\$12,217,195	42.5	40.8	40.7

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

## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	Apr. 18, 1973	Mar. 21, 1973	Apr. 19, 1972
Total gold certificate reserves	236,172	480,092	479,113
Loans to member banks	213,869	126,683	0
Other loans	0	0	0
Federal agency obligations	57,219	55,629	37,031
U.S. Government securities	3,318,590	3,121,989	3,192,264
Total earning assets	3,589,673	3,304,301	3,229,295
Member bank reserve deposits	1,485,961	1,424,540	1,676,364
Federal Reserve notes in actual circulation	2,265,558	2,224,959	2,110,078

## VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	March 1973	February 1973	January 1973	January—March	
				1973	1972
<b>FIVE SOUTHWESTERN STATES<sup>1</sup></b>					
Residential building	1,110	826	945	2,882	2,460r
Nonresidential building	532	460	455	1,450	1,276r
Nonbuilding construction	439	248	380	1,067	670r
Nonbuilding construction	138	117	110	365	514
<b>UNITED STATES</b>					
Residential building	8,644	6,839	6,795	22,267	18,795r
Nonresidential building	4,643	3,277	3,195	11,143	8,909r
Nonbuilding construction	2,707	2,229	2,420	7,333	5,673r
Nonbuilding construction	1,294	1,333	1,180	3,791	4,212r

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

r—Revised

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

SOURCE: F. W. Dodge Division, McGraw-Hill Information Systems Company

## BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)						
	NUMBER		March 1973		Percent change		
	March 1973	3 mos. 1973	March 1973	3 mos. 1973	March 1973	March 1972	3 months, 1973 from 1972
<b>ARIZONA</b>							
Tucson	551	1,680	\$7,947	\$52,597	-59%	-76%	-22%
<b>LOUISIANA</b>							
Monroe-West	90	238	2,238	5,924	34	54	-25
Shreveport	430	1,252	4,622	33,626	-51	7	157
<b>TEXAS</b>							
Abilene	95	204	3,754	9,603	368	37	130
Amarillo	154	395	3,613	13,170	45	22	88
Austin	597	1,508	34,555	67,071	102	42	6
Beaumont	201	485	1,916	7,775	-28	-10	66
Brownsville	117	289	1,004	7,324	-81	-38	95
Corpus Christi	388	976	4,272	18,718	-33	-67	-14
Dallas	1,616	4,174	33,532	89,142	49	46	-32
Denison	26	60	310	484	93	131	-40
El Paso	498	1,495	13,109	36,402	8	54	-38
Fort Worth	477	1,080	18,498	37,507	58	179	107
Galveston	62	176	2,335	3,317	373	488	44
Houston	2,179	7,035	90,448	217,320	66	4	33
Laredo	72	173	7,712	8,541	2,168	1,361	110
Lubbock	190	490	11,456	23,506	135	133	73
Midland	98	255	652	4,374	-78	-89	-50
Odessa	136	292	1,406	3,977	3	118	56
Port Arthur	145	277	793	1,663	108	76	59
San Angelo	100	249	637	2,920	-23	-38	32
San Antonio	2,266	5,358	25,176	61,568	56	56	38
Sherman	38	99	499	1,467	-4	-3	-26
Texasarkana	53	148	547	1,088	122	13	54
Waco	244	594	6,648	14,698	248	124	106
Wichita Falls	99	241	2,155	6,089	5	54	45
Total—26 cities	10,922	29,223	\$279,834	\$729,871	41%	14%	11%

## DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	March 1973	February 1973	March 1972r	Percent change from	
				February 1973	March 1972
<b>FOUR SOUTHWESTERN STATES</b>					
STATES.....	6,751.3	6,789.6	6,854.4	-0.6%	-1.5%
Louisiana.....	2,370.2	2,392.8	2,422.9	-1.0	-2.2
New Mexico.....	276.3	295.0	308.4	-6.3	-10.4
Oklahoma.....	553.6	548.8	592.4	.9	-6.6
Texas.....	3,551.2	3,553.0	3,530.7	-1.1	.6
Gulf Coast.....	711.7	716.2r	693.9	-6	2.6
West Texas.....	1,796.1	1,783.4r	1,741.7	.7	3.1
East Texas (proper).....	244.7	246.1r	219.7	-6	11.4
Panhandle.....	59.3	62.5r	70.7	-5.1	-16.1
Rest of state.....	739.4	744.8r	804.7	-7	-8.1
<b>UNITED STATES.....</b>	<b>9,316.4</b>	<b>9,372.8</b>	<b>9,456.2</b>	<b>-6%</b>	<b>-1.5%</b>

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

## LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States<sup>1</sup>

(Seasonally adjusted)

Item	Thousands of persons			Percent change Mar. 1973 from	
	March 1973p	February 1973	March 1972r	Feb. 1973	Mar. 1972
Civilian labor force.....	8,864.6	8,837.7	8,604.8	0.3%	3.0%
Total employment.....	8,533.8	8,518.6	8,223.4	.2	3.8
Total unemployment.....	330.7	319.0	381.4	3.7	-13.3
Unemployment rate.....	3.7%	3.6%	4.4%	.1	-7
<b>Total nonagricultural wage and salary employment....</b>					
Manufacturing.....	7,023.9	7,008.5	6,707.3	.2	4.7
Durable.....	1,231.2	1,229.9	1,169.4	.1	5.3
Nondurable.....	682.2	682.0	637.2	.0	7.1
Nonmanufacturing.....	549.1	547.9	532.1	.2	3.2
Mining.....	5,792.6	5,778.6	5,537.9	.2	4.6
Construction.....	234.3	234.5	232.8	-.1	.6
Transportation and public utilities.....	489.9	488.2	451.8	.3	8.4
Trade.....	477.9	476.3	464.2	.3	3.0
Finance.....	1,676.1	1,674.4	1,593.3	.1	5.2
Service.....	376.1	374.0	352.2	.6	6.8
Government.....	1,144.6	1,141.9	1,092.6	.2	4.8
	1,393.7	1,389.4	1,350.9	.3%	3.2%

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas  
 2. Actual change  
 p—Preliminary  
 r—Revised  
 NOTE: Details may not add to totals because of rounding.  
 SOURCES: State employment agencies  
 Federal Reserve Bank of Dallas (seasonal adjustment)

## INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	March 1973p	February 1973	January 1973	March 1972
<b>TEXAS</b>				
Total industrial production.....	136.3	136.9	133.1r	129.9r
Manufacturing.....	139.8	140.9	135.8r	132.0
Durable.....	154.5	154.1	149.0	138.7
Nondurable.....	129.3	131.3	126.3r	127.2
Mining.....	117.4	117.7	115.8r	116.5r
Utilities.....	175.1	173.1	173.5r	161.9r
<b>UNITED STATES</b>				
Total industrial production.....	121.7	120.9	119.9	111.2r
Manufacturing.....	121.0	120.2	119.2r	109.7r
Durable.....	117.2	116.1	114.9r	103.4r
Nondurable.....	126.6	126.2	125.3	118.8r
Mining.....	108.6	108.6	108.5r	108.5
Utilities.....	153.6	151.6	150.8r	139.7

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

## PLANTED ACREAGES

Five Southwestern States<sup>1</sup>

(Thousand acres)

Crop	Indicated March 1, 1973	1972	1971	Percent change 1973 from 1972
Cotton.....	6,791	7,324	6,664	-7%
Upland.....	6,695	7,228	6,562	-7
American Pima.....	96	96	102	0
Peanuts.....	447	440	440r	.2
Rice.....	1,091	992	994	10
Sorghums.....	9,338	8,469	9,566r	10
Soybeans.....	2,425	2,122	1,979r	14
Winter wheat <sup>2</sup> .....	11,058	10,392	9,173r	6%

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas  
 2. Indicated December 1, 1972  
 r—Revised  
 SOURCE: U.S. Department of Agriculture

taled nearly \$1.4 billion for the first two months of the year, more than a fifth higher than for the same period in 1972. The increase was due mainly to higher prices for both crop and livestock marketings. These higher average prices and the step-up in production planned by farmers and ranchers should boost farm incomes this year at least moderately above 1972 levels.

The seasonally adjusted Texas industrial production index eased

slightly in March, falling 0.4 percent from the revised February level. Both manufacturing and mining activity slowed slightly, while utilities output continued to rise.

A drop in production of nondurable goods was responsible for the decline in manufacturing. Only two nondurable groups—textile mill products and printing and publishing—showed month-to-month increases. Sharp drops were reported in the production of food and food products, apparel, and paper and

paper products. Durable goods production showed a slight gain, largely on the strength of an increase in output of fabricated metal products.

Mining activity declined slightly in March as production of both crude petroleum and natural gas fell. However, the output of metal, stone, and earth minerals and natural gas liquids increased. Utilities gained 1.1 percent in March as distribution of both electricity and natural gas rose.