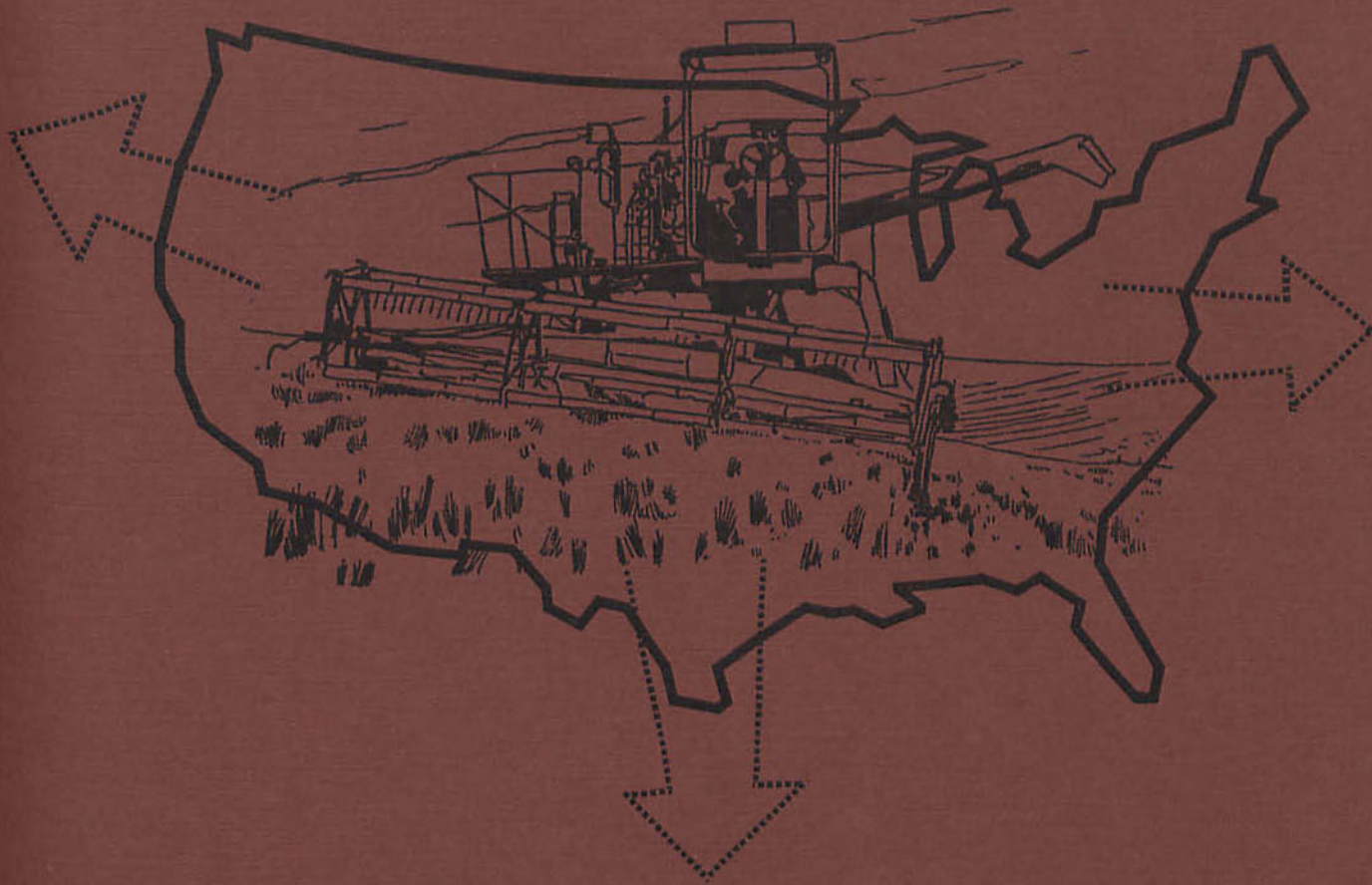


Federal Reserve Bank of Dallas

# Business Review

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Trade Balance—

**Farm Exports Could Be Pushed to Help Offset Rise in Fuel Imports**

September 1973

# Farm Exports Could Be Pushed To Help Offset Rise in Fuel Imports

The nation has shown a deficit in its balance of payments most years since World War II. But until 1971, the nation's merchandise trade balance was positive. And this surplus in trade offset much of the deficit resulting from other factors.

In the past two years, however, the payments deficit has been aggravated by a growing net trade deficit as imports have risen much faster than exports. And as the trade balance has deteriorated, increasing attention has been given to two industries that are especially important to the economy

of the Southwest—petroleum and agriculture.

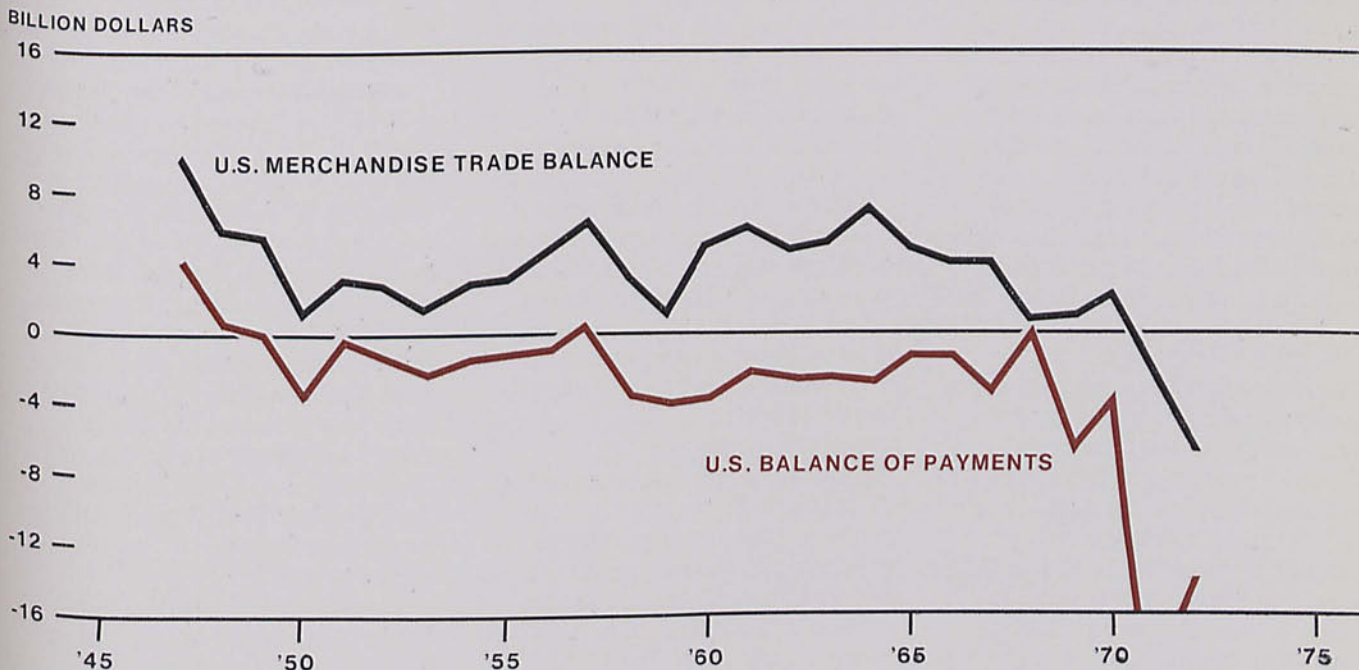
Agriculture has remained a major source of strength in the trade balance, showing growing net surpluses in the face of the general decline. But with large net trade deficits being recorded in petroleum and petroleum products, fuels have been readily identified as a definite present and future problem.

Since no quick or easy solution has been found to moderate the expected growth in fuel imports, focus on these two industries has intensified. Of the industrial com-

ponents making up the nation's merchandise trade, agriculture seems to offer very real possibilities for the expansion in exports needed to help balance the rapid increase in fuel imports. Not only is world demand for farm products expected to rise rapidly, but the United States has a comparative, if not absolute, advantage among nations in the world in its ability to expand agricultural production to meet any rise in foreign demand.

Of course, any exhaustive study of expected future trends in the nation's balance of payments must

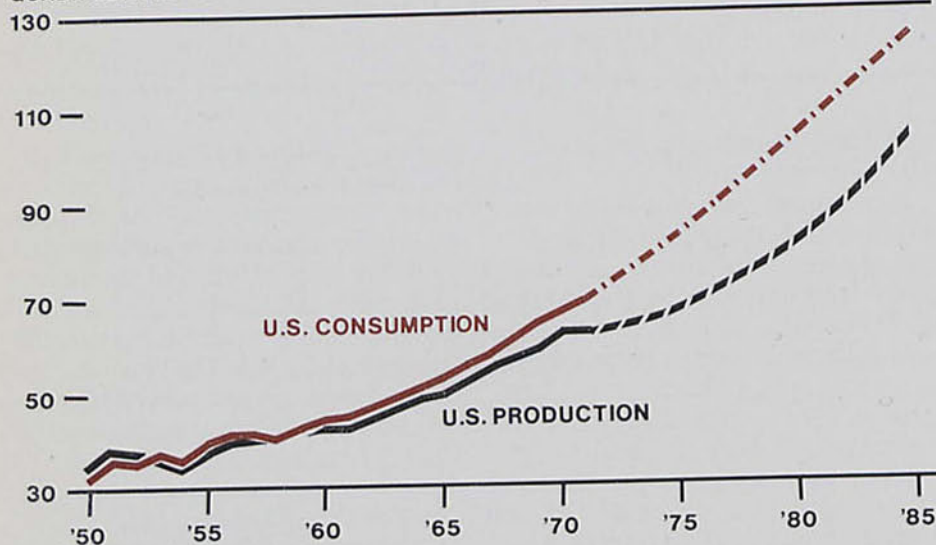
Deficit also develops in trade balance



SOURCE: U.S. Department of Commerce

## Energy consumption outrunning production

QUADRILLION BTU'S



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

consider all of its components and their interaction. A narrower focus necessarily sacrifices some of this interaction in order to concentrate attention on a smaller number of components of more immediate interest. And in view of this nation's strength in agriculture, it seems logical to ask whether, by itself, an increase in farm exports could provide the funds to pay for the expected increase in fuel imports.

### Potential for fuel imports

The nation has been relying on fuel imports since it began consuming more energy than it produced about 20 years ago. The energy gap widened significantly in the late 1950's but held fairly constant through most of the 1960's as U.S. energy production expanded to keep just about apace with consumption. In 1970, however, the gap widened sharply as domestic production dropped off for the first time since the 1957-58 recession.

And indications are that it will widen still further.

There has been little success so far with efforts to curb fuel consumption in this country. And the outlook through 1985 is for energy demands to continue rising—and probably faster than in the 1960's.

Efforts have also been made to encourage more exploration for domestic oil and gas. But it will still be years before these efforts are reflected in gains in production. Meanwhile, environmental and other constraints hamper growth in output of fuel, as well as the development of nuclear energy.

Unless policies can be initiated to stimulate faster growth in domestic production, approximately 30 percent of the energy consumed in the United States in 1985 may have to be imported. That will be in contrast to only about 12 percent in 1970.

Just how heavily fuel imports will weigh on the nation's trade

balance depends, of course, on not only the volume of imports but also their prices. Prices, in turn, depend partly on the origin of the imports.

In the past, most of the fuel coming into this country has been petroleum from other countries in the Western Hemisphere, mainly Canada and Venezuela. But for several years now, the proportion coming from the Eastern Hemisphere has been rising. Last year, nearly 30 percent came from the Eastern Hemisphere, principally from Arab countries. And with some 70 percent of the world's proved oil reserves in Africa and the Middle East, this trend toward more imports from Arab countries is apt to continue—with possibly higher prices.

Tanker costs from the Middle East are, of course, much higher than costs for shipments from within the Western Hemisphere. Also, with the Middle Eastern countries controlling most of the

world's reserves, a seller's market puts them in a position to command higher prices. With world demand running as high as it is, these countries could raise crude prices simply by holding back on production.

The payments problem of imports from the Middle East is further complicated by the size of populations in these countries and the historic composition and habits of their people. Unlike Canada and Venezuela, Arab countries have limited needs for American goods. As a result, the shift toward the Middle East as a source of fuel supplies diminishes the possibility that dollars spent for oil imports will flow directly back into the United States in payment for American exports to these countries.

The Soviet Union is another possible source of oil. That country is reported to have considerable oil potential and, having shown interest in American products, offers possibilities for bilateral trade. But

exports of Soviet oil are not apt to be enough to ease upward pressures on world prices.

If Americans continue to increase their foreign purchases of more expensive refined products, average import prices may be boosted even further. And this could be accelerated if expansion of domestic refining capacity is restrained either by environmental concerns or by constraints of taxing or pricing policies.

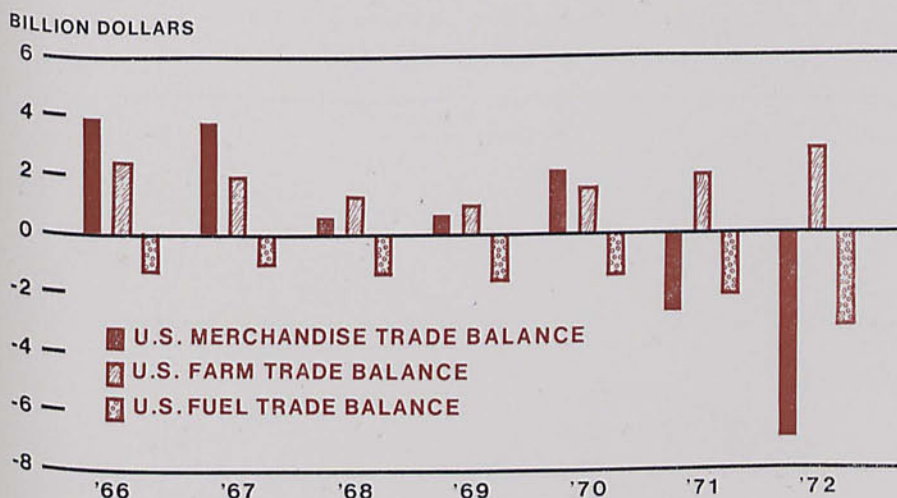
To stimulate the production needed to hold back growth in imports, domestic prices may have to rise even faster than import prices. But consumer resistance to increases in prices is to be expected, as, possibly, are the environmental concerns that constrain the growth of both refining capacity needed for the high-sulfur crudes coming from overseas and the mining and drilling operations needed to step up domestic production.

On balance, the combination of higher prices and greater volume of

imports could boost the cost of net fuel imports to around \$34 billion by 1985—compared with \$2.1 billion in 1970. If so, imports of fuel alone in 1985 would be nearly as large as receipts from all U.S. merchandise exports in 1968. (Implicit in this outcome is an assumed increase in the cost of fuel imports of 3 percent a year.)

With appropriate incentives for domestic exploration for additional fuels (principally oil and gas) and development of additional petroleum refining capacity, growth in the nation's dependence on imports could be slowed—particularly after the midseventies, when current efforts to increase production have had time to begin taking effect. The National Petroleum Council, for example, has estimated that with stronger price incentives and removal of environmental restraints on domestic industries producing energy, the rise in the net cost of fuel imports could be held to \$7.5 billion in 1985. That would

### Recent net farm exports almost equal net fuel imports



SOURCES: U.S. Department of Agriculture  
U.S. Department of Commerce

be at 1970 prices, however. If prices rose 3 percent a year, even this sharply reduced level of imports would cost \$11 billion in 1985.

The further development of nuclear, solar, or coal energy supplies could also reduce this nation's needs for foreign oil. But it will take time and incentives to develop the capacity needed to supply more energy from these sources—particularly where new technology has to be developed. Scientists hope that, eventually, most domestic energy needs can be drawn from a nuclear fusion process that will permit consumption without reliance on depletable resources.

In the meantime, the United States will have to consider appropriate policies and actions, including those designed to increase merchandise exports, to pay for the increase in oil and gas imports. And farm sales represent one of the important components of foreign trade that could be expanded enough to make a material offset to the rise in fuel imports.

#### Potential for farm exports

Export markets have always been important to American farmers, and farmers have been shipping more of their products abroad over the years. Foreign sales had been trending upward for more than 20 years when they suddenly surged over the past year, leaving domestic supplies unexpectedly short.

Several factors were reflected in this unexpected bulge in exports. Aside from the longer-term growth in world demand for food and feed, there was, of course, the opening of trade with the Soviet Union that resulted in an enormous drain on U.S. grain bins. But there were also droughts in several of the world's major crop-producing areas, as well as a sharp drop in Peruvian exports of fish meal, a source of protein used in feed for livestock. With

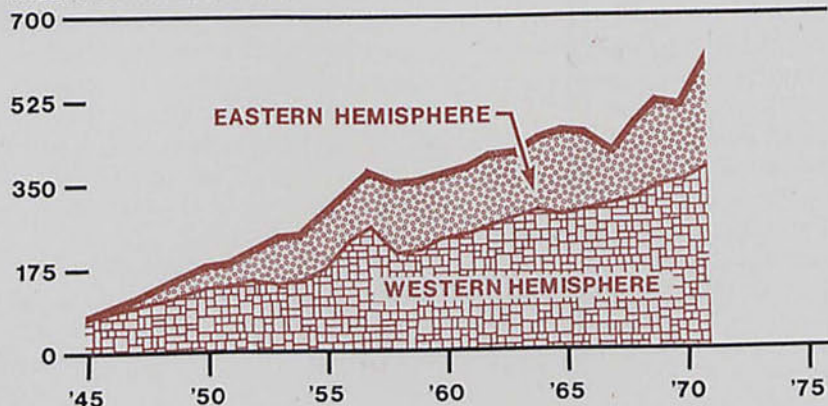
supplies of fish meal short, world demand for soybeans soared.

As farm shipments increased far more than expected, domestic supplies suddenly turned short. Furthermore, the stage of the cattle cycle combined with continued growth in feedlot operations to increase demands for feed. About 40 million additional acres of cropland have since been put into pro-

duction in the United States. Because some of this additional acreage, which had been set aside under Government crop programs, was not released early enough for proper planting, production may not reach its full potential until next year. But by then—especially if weather in other important growing areas has returned to normal—U.S. production may be ample to

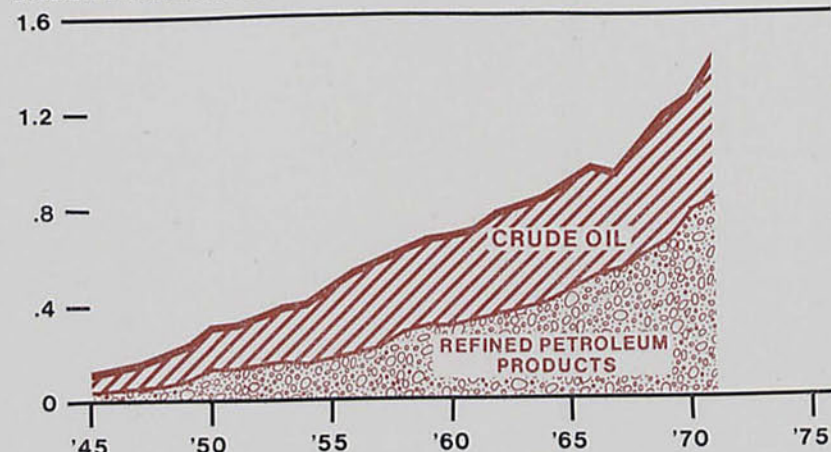
### More U.S. oil imports expected to come from Eastern Hemisphere . . .

MILLION BARRELS A YEAR



### . . . and refined products to make up more of total

BILLION BARRELS A YEAR



SOURCE: U.S. Bureau of Mines

meet the upward trend in foreign export demand and still satisfy domestic consumption requirements.

Most of the nation's farm shipments have usually been to developed countries. The biggest markets for U.S. farm products have been in Canada, Japan, and West Europe. But exports to less developed countries are also growing. And with the opening of new trade

relations with the Soviet Union and other Communist countries, shipments likely can be expected to rise still higher.

To help meet the increase in world demand, the United States is better endowed with resources for agricultural production than any other country. With only 7 percent of the world's land mass, it has more than 12 percent of the

cultivated land and nearly 9 percent of the pastureland. More importantly, in roughly the Corn Belt, it has about half the world's farmland with long summers of adequate rainfall. And in the old Cotton Belt across the southern states, it has a third of the world's humid semitropic farmland.

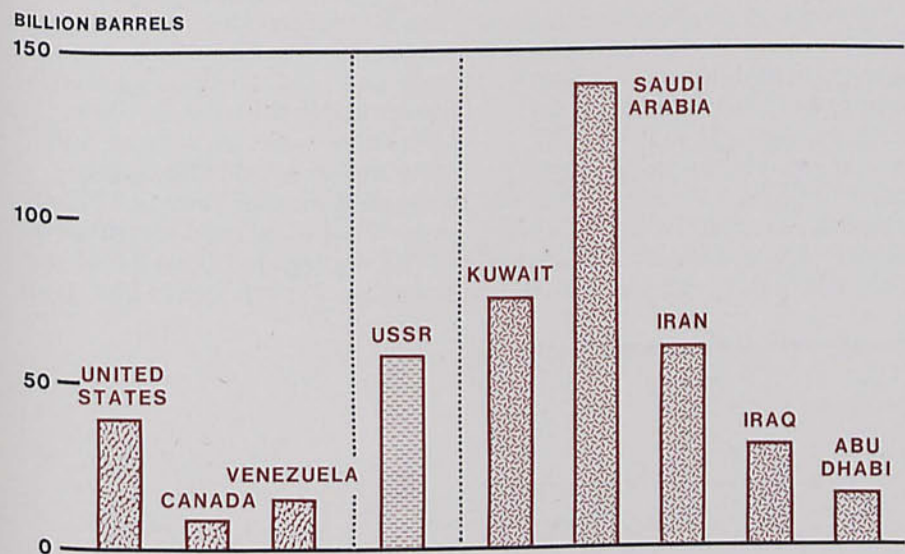
Combinations of temperate climates and fertile soil make these two regions suitable for the production of many crops, especially feed grains and soybeans—the crops in most demand. Together with other productive agricultural areas—such as the upper Prairie States, where short summers of adequate rainfall provide abundant grain harvests, and the dry southwestern and Rocky Mountain states, which provide the base for extensive cattle operations—these regions give the United States an absolute advantage in agriculture that parallels the Middle East's advantage in petroleum.

To the advantages of climate and soil can be added the rapid gains in productivity characterizing American agriculture. These gains have long provided expanding domestic markets with plentiful supplies of farm products while still making large amounts of products available for export.

Growth in productivity has been achieved mainly through technological advances and improvements in the organization of resources that encourage the substitution of capital for labor. Until this year, however, lack of effective markets prevented even faster gains in productivity that could have been achieved if returns to agriculture had been better.

With gains in production already outstripping the rise in domestic consumption, until this year, inputs to agriculture have been increased only slightly since 1960. Now, with incomes rising world-

Middle East has 70 percent of world's crude oil reserves



SOURCE: World Oil

wide and markets strengthening, there are new opportunities for the application of unused agricultural capacity. And with the use of this capacity, even faster gains in productivity can be expected.

Continued advances in technology—including more productive varieties and more efficient cultural practices—along with increased use of fertilizer and other capital inputs, will doubtlessly push yields much higher over the next few years. And production gains—of possibly as much as 50 percent by 1985—will be far more than needed to meet the projected growth in domestic consumption, leaving an ever-widening margin of capacity for meeting export demand.

Such increases in output would reflect the addition of some 50 to 60 million acres of cropland that has been held out of production. Altogether, this land, which includes the 40 million acres recently

released, totals about 15 percent of the nation's cropland. Almost all of this vast reserve will probably be needed to meet the rise in demand for farm products.

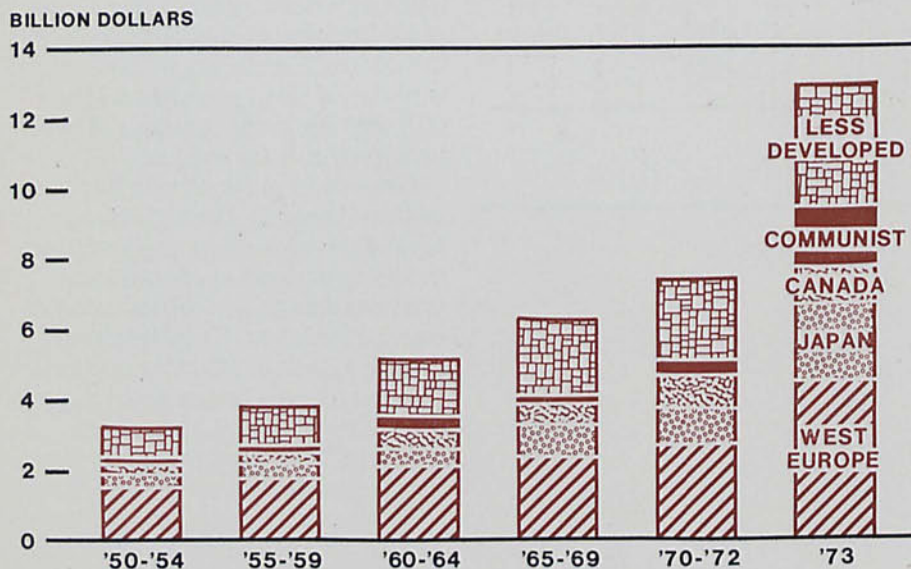
With the gains to be expected in productivity and more land going into use, rapid strides can be made in production of both crops and livestock. And if projections are anywhere close to accurate, farm output should be ample to meet the rise in domestic demand and still provide large amounts of farm products for export through at least 1985.

If livestock production increases over the next 12 years at about the same rate as in the past 12 years, output in 1985 will be more than a fourth higher than it is today. Poultry and beef production will most likely lead the advance, rising much faster than the nation's population. Pork production will probably rise in line with population.

Because of continued strengthening in export markets, growth in crop production will probably be even faster than over the past 12 years. By 1985, production should be more than two-fifths higher than today. Leading the advance will be soybean production, which is apt to double, and the output of feed grains, which could increase almost half again. Production of wheat and cotton will probably increase a fifth, and rice a third.

Even with the rest of the world also increasing its agricultural output, this country's share of total world trade in farm products should rise significantly between now and 1985. Demand for food is governed, in the main, by three factors—population, income, and production. World population is expected to reach close to 5 billion by 1985—a 35-percent increase over 1970. During that time, individual incomes are projected to rise about

### U.S. farm export markets expand rapidly in 1973



SOURCES: U.S. Department of Agriculture  
Federal Reserve Bank of Dallas

three-fourths. But on a per capita basis, agricultural production will have risen only about 9 percent.

Reflecting these projected changes, world trade in agricultural products is expected to advance some 60 percent. And since gains in per capita production in less developed countries will be needed to make up local deficiencies in output, surplus farm production will be concentrated in only a few countries—one of the most important of which will still be the United States.

So while diminished domestic stocks make for uncertainty in the nation's export farm markets right now, the longer-term outlook is for rapidly expanded shipments abroad. Overall, U.S. participation in world markets by 1985 should at least match the projected 60-percent increase in total world agricultural trade. If so, this country's farm exports could, in con-

stant dollars, be worth nearly 60 percent more than in recent years.

Because production of wheat, cotton, and rice is so widespread, the outlook for these crops may not be as bright as for other farm products. Since the Soviet Union and East Europe will try to grow most of their own wheat, wheat exports from the United States may increase only moderately between now and 1985. Some increases in rice shipments can probably be expected. But cotton growers in the United States will still face the uncertainties of competition from both synthetic fibers and cotton grown in other countries.

Among crop exports, the most favorable outlook is for soybeans, which is not only a highly versatile crop but also the most economical source of protein available. Growth in soybean shipments could easily keep up with gains in production, possibly doubling by 1985. And

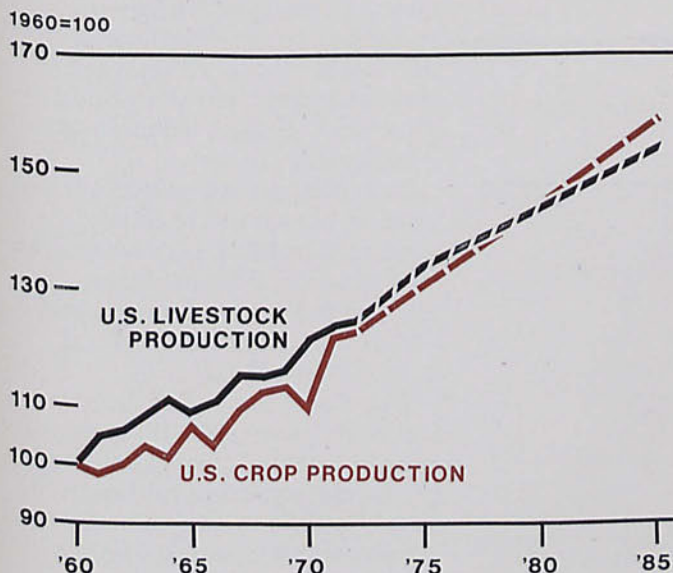
because increasing world affluence has created additional demand for fed cattle, the outlook is almost as good for feed grains.

Compared with crop exports, livestock shipments will be small but still higher than in recent years. And for the longer run, there is a possibility that livestock feeding might expand still further in the United States, providing meat that could be exported instead of feed grains.

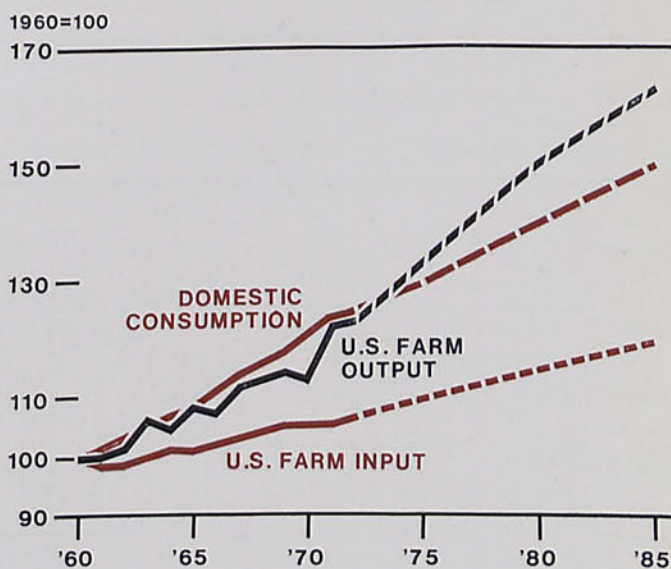
Against these exports must be counted considerable farm imports that will hold down the net contribution of agricultural sales to the balance of payments. Farm imports, rising about \$250 million a year, reached a level of more than \$6 billion in 1972. This upward trend is almost certain to continue.

Much of the increase in purchases of foreign farm goods is apt to be in either those that are highly labor-intensive, such as fruits and

Farm production expected to rise sharply



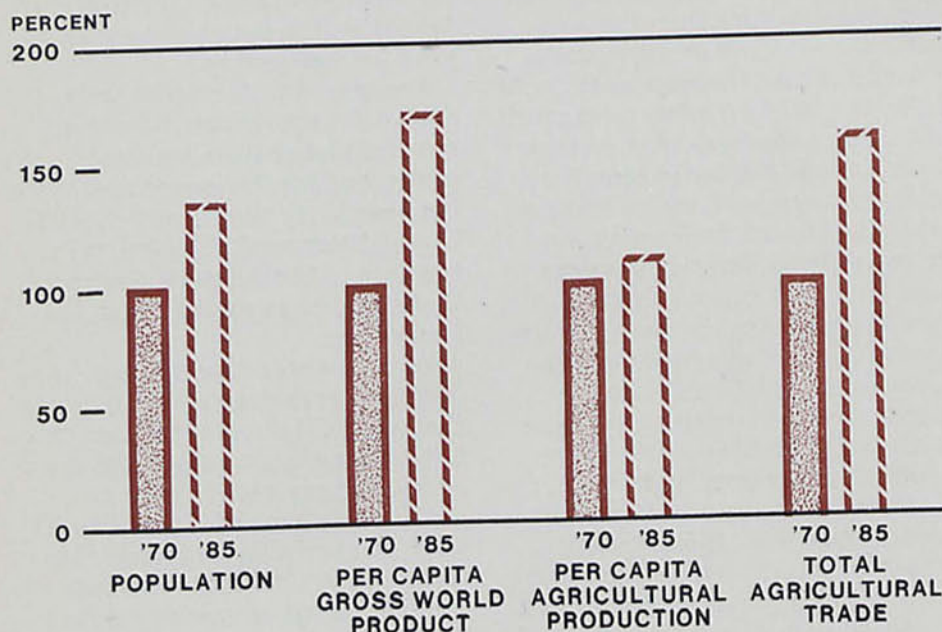
... far exceeding domestic consumption



SOURCES: U.S. Department of Agriculture  
Federal Reserve Bank of Dallas

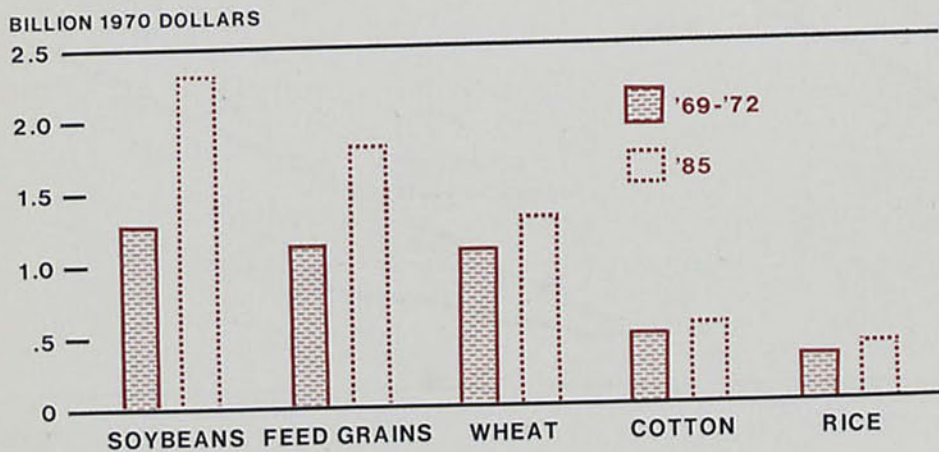


## World farm trade to expand 60 percent by 1985



SOURCES: International Monetary Fund and World Bank  
U.N. Food and Agriculture Organization  
Federal Reserve Bank of Dallas

## Soybeans and feed grains to lead advance in U.S. farm exports



SOURCES: U.S. Department of Agriculture  
Federal Reserve Bank of Dallas

vegetables, or those with regulated prices, such as dairy products. And if trade is to be liberalized—a move that would benefit U.S. exports—other American farm products will have to be subjected to foreign competition. The adverse effect on the farm balance from such imports would be small, however, compared with the possible gains in exports.

Although this country's farm exports are increasing as economic relations shift worldwide, growth in trade is still hindered by conflicts between the domestic and foreign policies of all countries. In agriculture, as in petroleum, these policies are closely related—and generally at odds with conditions of free trade.

If there is no change in U.S. agricultural policies and the world economy continues to expand at about the rate projected, U.S. farm exports will probably be around \$18 billion by 1985. With agricultural imports projected at \$11 billion, the net trade balance in farm products should reach \$7 billion.

Changes are being made, however. And along with other changes at work on the international scene, they could lead to a liberalization of agricultural trade that would allow net U.S. farm balances to go considerably higher.

One of the most important international changes is, of course, the rapid expansion of effective world food markets. With consumer incomes rising, expansion of markets for livestock products has been especially rapid.

But also important is the growing disenchantment with farm policies that restrict the flexibility of producers' responses to changes in supply and demand. Countries in the European Common Market have been particularly dissatisfied with their programs that allow farm surpluses to build up while prices continue to go higher.

There has also been disenchantment in the United States. For American farmers to participate more fully in world markets, changes will be needed to give the forces of supply and demand freer rein in seeking international price levels. These changes will become increasingly important as American farmers try to compete in the expanding markets for soybeans, grains, and livestock.

Benefits of more free trade could be substantial. With more liberal trade policies, U.S. agricultural exports could reach \$25 billion by 1985. Although imports would also rise—though maybe only to about \$12 billion—the net trade balance in farm products would still be \$13 billion. That would be nearly twice again the balance to be expected with no liberalization of policies.

Some of this increase would come from more sales of livestock products. Most of it, however, would be due to greater crop shipments—especially feed grains and soybeans, the two crops in which the United States has a marked advantage.

A negotiating strategy for the United States aimed at achieving market orientation in farm trade would require that restrictions on farm imports be slowly removed as other countries were induced to ease their restrictions against U.S. products. For trade to become truly market-oriented, export subsidies and price supports would also have to be removed—at home and abroad.

Although a Government farm program might be helpful for several years in moderating short-term depressions of farm prices when supplies became excessive during the changeover to a freer market system, price supports could not be used indefinitely. Rigid price supports hinder resource adjustments—both in agri-

culture and without—preventing the market orientation needed for farmers to participate more fully in the growth of world markets.

### Prospects for a tradeoff

Net farm exports came close to equaling net fuel imports in 1970. But trends to be expected from the continuation of current policies would leave this near-balance badly upset in just a few years.

Without major policy changes—an indecisiveness that would allow net fuel imports to reach \$34 billion by 1985 and prevent net farm exports from exceeding \$7 billion—the balance could be tipped to a deficit of about \$27 billion in only 12 years. On the basis of other trends in the nation's balance of payments, that would be a deficit that would not likely be made up from other trade sources.

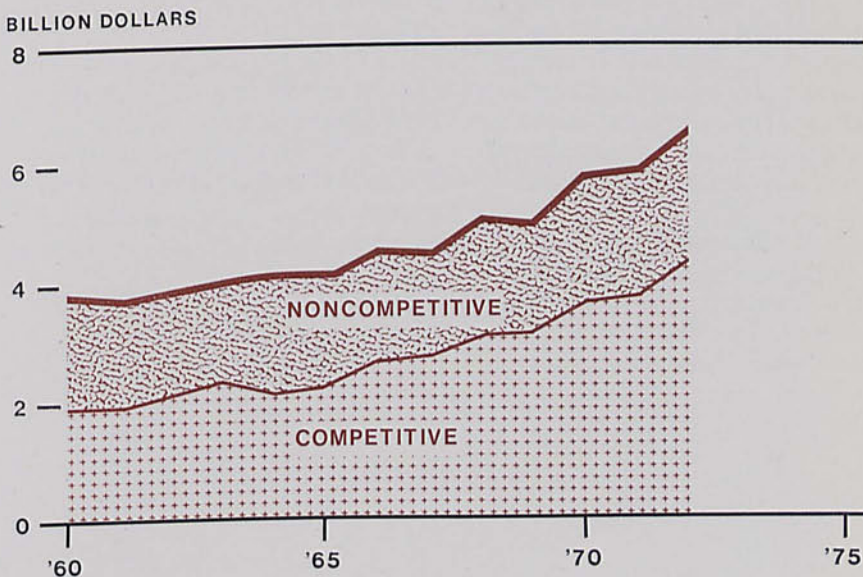
Modifications in policies could change the outlook significantly.

With appropriate policies to stimulate domestic fuel production and encourage the development of other energy sources, the National Petroleum Council estimates that fuel imports projected for 1985 could be cut by more than two-thirds, holding foreign purchases to about \$11 billion. And with a liberal trade policy supported by appropriate domestic agricultural production policies, net farm exports could be nearly doubled, pushed possibly to \$13 billion.

Under these most favorable circumstances, the United States likely could balance its increased farm shipments against the lower level of fuel imports. Whether this combination of conditions can be achieved, however, depends on policy considerations that are beyond ordinary economic determination.

Given the world's persistent need for more food and this country's absolute advantage in farm

### Most growth in U.S. farm imports in competitive products



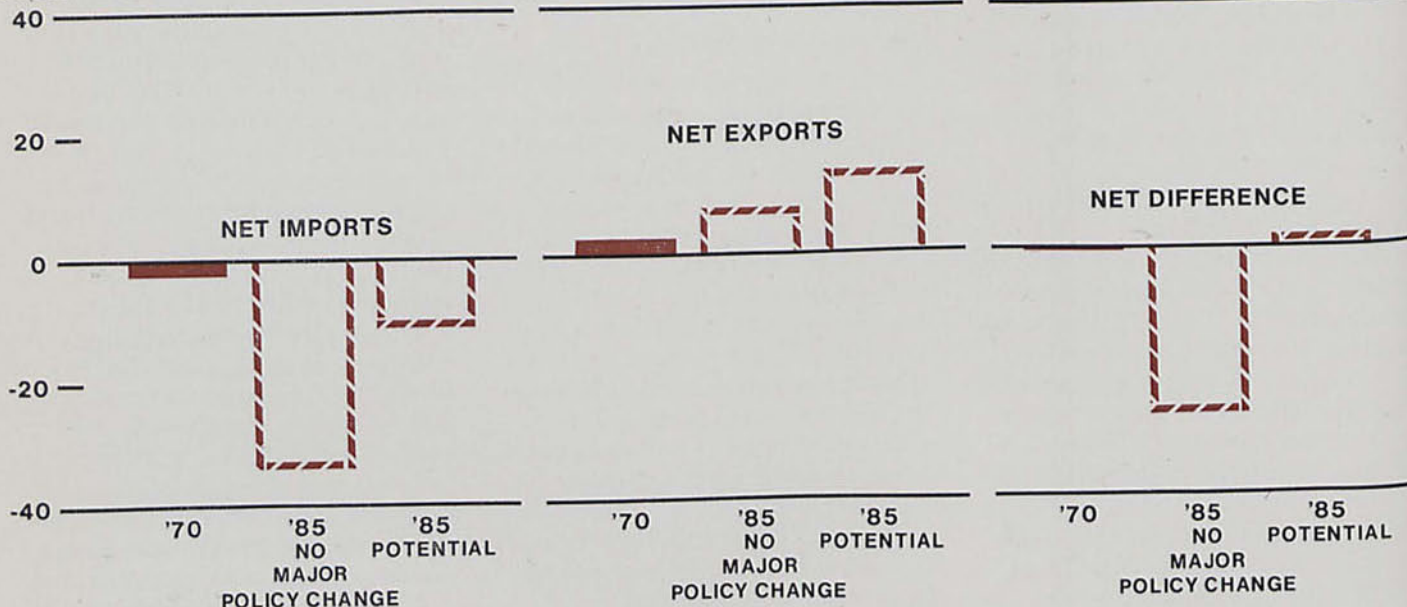
SOURCE: U.S. Department of Agriculture

**U.S. fuel imports could cost \$11 to \$34 billion in 1985**

**... while farm trade surplus could reach \$7 to \$13 billion**

**... leaving the difference possibly as high as \$27 billion**

BILLION DOLLARS



SOURCES: National Petroleum Council  
U.S. Department of Agriculture  
Federal Reserve Bank of Dallas

production, it seems apparent that more liberal trade policies are to be expected. But also given the seemingly unyielding growth in domestic demand for energy and the continued environmental constraints on domestic production of energy, it seems unlikely that fuel imports can be held to anything like their minimum level.

Efforts are being made, however, to encourage the search for more domestic oil and gas. And as the United States becomes more dependent on the Middle East for

oil, the incentive for expansion of domestic production will increase still further.

On balance, then, it appears that while farm exports may not fully offset fuel imports, changes in farm and fuel policies are very apt to lead in that direction. The opportunity for closer balance is, at least, visible.

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### **New par bank**

The Kirby State Bank, San Antonio, Texas, an insured nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, August 13, 1973. The officers are: Lawrence W. Keller, Jr., President, and Alfred P. Berger, Jr., Vice President and Cashier.

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## Statistical Supplement to the Business Review

Total credit at weekly reporting banks in the Eleventh District increased slightly in the four weeks ended August 22. Heavy purchases of Government and other securities were financed mainly by sizable inflows of deposits.

Total loans fell sharply, primarily reflecting a substantial decline in business loan demand. Construction activity in the District was brisk, however, and demand for real estate loans remained high, reflecting in part increased costs of labor and materials. Consumer loans at District banks were also strong, as borrowers apparently used bank credit to finance purchases of automobiles and other durable goods.

With the decline in the overall demand for loans, banks used their inflow of deposits to purchase securities. District banks added a substantial volume of Government issues—mainly Treasury bills—to their investment portfolios. Other increases in security holdings were primarily in municipal issues.

Total deposits expanded rapidly, as both demand and time and savings deposits increased markedly. With the sharp decline in loan demand, however, banks were less aggressive in issuing large CD's and outstandings fell. District banks increased their borrowing in the Eurodollar market. Bank-related commercial paper remained relatively unchanged.

Department store sales in the Eleventh District were 13 percent higher in the four weeks ended August 25 than in the comparable period last year. Cumulative sales through that date were also 13 percent greater than in the corresponding period in 1972.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio declined 6 percent in July but were 8 percent higher than in July 1972. Cumulative registrations for the first seven months of 1973 were 17 percent greater than for the same period in 1972. Dallas had a year-to-year gain of 19 percent for the seven months, Fort Worth had 17 percent, Houston had 16 percent, and San Antonio had 10 percent.

Seasonally adjusted total employment in the five southwestern states rose to a new high in July, following an upward revision in the number of people employed in June. Total employment was 3.4 percent higher than a year before. And with a slight increase in the labor force, the unemployment rate dropped from 4.0 percent to 3.8 percent in July.

Nonagricultural employment was up 0.4 percent. Manufacturing production was essentially unchanged, as gains in the production of durable goods were offset by declines in nondurables. The advance in nonmanufacturing employment was paced by new hirings for construction and government jobs. All categories of industry were well above their employment levels of a year earlier.

The seasonally adjusted Texas industrial production index fell 0.8 percent in July but remained 6.0 percent higher than a year before. All major components of the index except utilities contributed to the decline.

A 2.1-percent reduction in non-durable goods production contributed significantly to an overall decline in manufacturing output.

Petroleum refining, apparel, and printing and publishing showed the biggest cutbacks. Output of chemicals and allied products and paper products increased.

Durable goods manufacturing edged down 0.1 percent. Transportation equipment and furniture and fixtures had the biggest decreases. However, electrical machinery, lumber and wood products, and primary metals showed increases.

As a result of a small decline in crude oil production, mining activity was off 0.1 percent. Natural gas production was up slightly. Output of utilities rose, led by an increase in the distribution of gas. There was also a small increase in the distribution of electricity.

A two-tier system of crude prices will be used under Phase IV. Designed to offer incentives for production over 1972 rates of output, the system will allow crude oil from new production to be sold at uncontrolled prices. And as a bonus, producers will be allowed to sell an amount of old crude at free market prices equal to the new crude developed since 1972.

Crop prospects in states of the Eleventh District generally improved in August, as favorable growing conditions helped compensate for the late start this spring. Production of most crops was expected to surpass 1972 levels because of both increased acreages and projected near-record yields.

As of August 1, winter wheat production was placed at over 280 million bushels, 88 percent higher than in 1972. The grain sorghum crop was estimated at more than

*(Continued on back page)*

## CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Aug. 22, 1973	July 25, 1973	Aug. 23, 1972	LIABILITIES	Aug. 22, 1973	July 25, 1973	Aug. 23, 1972
Federal funds sold and securities purchased under agreements to resell.....	947,045	824,792	948,629	Total deposits.....	13,333,464	13,189,212	12,299,829
Other loans and discounts, gross.....	9,946,081	9,719,604	8,126,998	Total demand deposits.....	6,649,087	6,581,554	6,642,554
Commercial and industrial loans.....	4,352,716	4,422,717	3,625,408	Individuals, partnerships, and corporations....	4,813,100	4,675,285	4,730,117
Agricultural loans, excluding CCC certificates of interest.....	280,006	265,105	188,709	States and political subdivisions.....	405,462	445,402	386,807
Loans to brokers and dealers for purchasing or carrying:				U.S. Government.....	70,912	146,629	81,800
U.S. Government securities.....	821	822	1,165	Banks in the United States.....	1,209,546	1,155,362	1,312,871
Other securities.....	44,925	43,322	93,235	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions.....	3,362	3,673	2,789
U.S. Government securities.....	7,466	7,805	5,694	Commercial banks.....	52,846	54,053	36,838
Other securities.....	481,535	491,611	453,719	Certified and officers' checks, etc.....	95,859	101,150	91,332
Loans to nonbank financial institutions:				Total time and savings deposits.....	6,684,377	6,607,658	5,657,275
Sales finance, personal finance, factors, and other business credit companies.....	153,813	171,374	129,968	Individuals, partnerships, and corporations:			
Other.....	646,904	613,621	661,439	Savings deposits.....	1,146,924	1,159,957	1,154,668
Real estate loans.....	1,371,310	1,358,093	1,083,357	Other time deposits.....	3,602,304	3,579,515	2,937,792
Loans to domestic commercial banks.....	28,053	30,053	16,365	States and political subdivisions.....	1,805,200	1,743,657	1,429,924
Loans to foreign banks.....	63,572	60,768	32,538	U.S. Government (including postal savings)....	23,267	31,304	26,881
Consumer instalment loans.....	1,058,758	1,038,005	907,874	Banks in the United States.....	83,862	80,505	93,010
Loans to foreign governments, official institutions, central banks, and international institutions.....	520	552	0	Foreign:			
Other loans.....	1,155,682	1,215,756	927,527	Governments, official institutions, central banks, and international institutions.....	24,800	12,600	13,900
Total investments.....	3,940,221	3,860,880	3,605,184	Commercial banks.....	20	120	1,100
Total U.S. Government securities.....	958,742	919,985	993,212	Federal funds purchased and securities sold under agreements to repurchase.....	2,472,358	2,380,640	1,979,174
Treasury bills.....	207,595	133,954	158,934	Other liabilities for borrowed money.....	202,649	228,794	51,935
Treasury certificates of indebtedness.....	0	0	0	Other liabilities.....	560,895	527,217	450,516
Treasury notes and U.S. Government bonds maturing:				Reserves on loans.....	166,161	163,919	139,763
Within 1 year.....	137,788	153,920	136,008	Reserves on securities.....	13,982	13,819	18,184
1 year to 5 years.....	446,637	467,258	490,847	Total capital accounts.....	1,230,580	1,216,466	1,132,033
After 5 years.....	166,722	164,853	207,423	TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....	17,980,089	17,720,067	16,071,434
Obligations of states and political subdivisions:							
Tax warrants and short-term notes and bills....	125,031	105,766	84,172				
All other.....	2,594,441	2,565,626	2,293,071				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans.....	8,520	8,406	15,135				
All other (including corporate stocks).....	253,487	261,097	219,594				
Cash items in process of collection.....	1,463,689	1,302,072	1,394,412				
Reserves with Federal Reserve Bank.....	651,768	691,517	901,559				
Currency and coin.....	124,089	120,368	106,962				
Balances with banks in the United States.....	391,679	386,474	372,515				
Balances with banks in foreign countries.....	17,070	13,088	12,629				
Other assets (including investments in subsidiaries not consolidated).....	798,447	801,272	602,546				
TOTAL ASSETS.....	17,980,089	17,720,067	16,071,434				

## 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
1971: July.....	11,507	7,955	256	9,588	2,434
1972: 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
April.....	13,237	9,550	331	13,249	2,855
May.....	13,136	9,502	341	13,336	2,859
June.....	13,218	9,551	279	13,374	2,884
July.....	13,259	9,567	261	13,396	2,868

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

## CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	July 25, 1973	June 27, 1973	July 26, 1972
ASSETS			
Loans and discounts, gross.....	18,691	18,976	15,719
U.S. Government obligations.....	2,266	2,283	2,287
Other securities.....	5,906	5,932	5,225
Reserves with Federal Reserve Bank.....	1,369	1,239	1,507
Cash in vault.....	342	345	309
Balances with banks in the United States.....	1,221	1,289	1,242
Balances with banks in foreign countries <sup>a</sup> .....	15	18	13
Cash items in process of collection.....	1,558	1,605	1,655
Other assets <sup>a</sup> .....	1,481	1,519	1,118
TOTAL ASSETS <sup>a</sup> .....	32,849	33,206	29,075
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,586	1,613	1,739
Other demand deposits.....	11,248	11,519	10,657
Time deposits.....	13,413	13,394	11,383
Total deposits.....	26,247	26,526	23,779
Borrowings.....	3,041	3,126	1,929
Other liabilities <sup>a</sup> .....	1,243	1,258	1,402
Total capital accounts <sup>a</sup> .....	2,318	2,296	1,965
TOTAL LIABILITIES AND CAPITAL ACCOUNTS <sup>a</sup> .....	32,849	33,206	29,075

<sup>a</sup>—Estimated

## RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Aug. 1, 1973	4 weeks ended July 4, 1973	4 weeks ended Aug. 2, 1972
Total reserves held.....	1,818,526	1,758,533	1,896,013
With Federal Reserve Bank.....	1,513,643	1,461,612	1,620,152
Currency and coin.....	304,883	296,921	275,861
Required reserves.....	1,804,716	1,770,282	1,877,451
Excess reserves.....	13,810	11,749	18,562
Borrowings.....	131,982	93,590	2,952
Free reserves.....	118,172	105,339	15,610

# 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>			
	July 1973 (Annual-rate basis)	Percent change			July 31, 1973	July 1973	Annual rate of turnover	
		June 1973	July 1972	7 months, 1973 from 1972			June 1973	July 1972
ARIZONA: Tucson	\$13,314,755	6%	41%	33%	\$339,129	38.5	36.8	30.0
LOUISIANA: Monroe	4,725,445	0	25	22	115,784	40.6	40.0	34.7
Shreveport	16,281,994	-3	36	20	334,146	50.2	52.9	39.8
NEW MEXICO: Roswell <sup>2</sup>	1,154,353	-10	25	15	50,842	22.7	25.8	21.2
TEXAS: Abilene	3,196,366	-1	25	20	148,714	22.0	22.6	20.7
Amarillo	9,705,433	-12	29	27	221,154	43.4	48.1	39.6
Austin	15,510,914	9	26	13	452,872	31.8	27.7	26.6
Beaumont-Port Arthur-Orange	8,518,771	5	25	16	283,393	30.2	28.3	25.2
Brownsville-Harlingen-San Benito	2,987,137	-13	27	23	117,882	25.0	27.6	24.0
Bryan-College Station	1,451,844	-4	10	14	58,230	24.9	25.9	24.5
Corpus Christi	8,919,829	7	21	14	290,388	31.0	29.0	27.6
Coriscana <sup>2</sup>	625,291	-7	21	25	42,326	15.0	16.0	14.4
Dallas	209,585,106	1	43	24	2,945,638	70.8	68.2	53.8
El Paso	11,555,264	-2	19	18	322,950	36.1	36.5	31.4
Fort Worth	30,700,954	-5	6	10	848,859	36.3	37.9	36.5
Galveston-Texas City	3,655,658	8	26	17	132,713	28.2	26.0	23.7
Houston	168,660,442	4	23	20	3,366,302	50.4	48.0	43.8
Killeen-Temple	2,540,354	0	29	27	118,633	21.1	20.9	18.7
Laredo	1,479,102	-1	25	24	58,908	25.2	24.6	23.7
Lubbock	7,899,330	-2	46	36	234,472	34.6	36.0	28.6
McAllen-Pharr-Edinburg	3,466,271	1	48	32	178,974	19.7	19.4	17.1
Midland	2,671,099	-1	27	15	158,472	16.8	16.7	14.0
Odessa	2,197,268	-14	14	18	104,506	21.4	25.4	18.2
San Angelo	1,952,033	-20	14	22	83,840	22.2	26.5	22.0
San Antonio	26,466,570	-4	23	19	911,244	29.3	30.3	25.9
Sherman-Denison	1,546,270	4	27	14	87,101	17.7	16.9	16.2
Texarkana (Texas-Arkansas)	1,946,725	-7	10	12	93,488	21.2	23.3	20.3
Tyler	3,073,831	1	10	16	133,000	23.1	23.5	23.6
Waco	4,652,518	5	21	17	158,432	29.7	28.1	26.1
Wichita Falls	3,553,294	-1	21	15	155,701	23.1	23.7	22.1
Total—30 centers	\$573,994,221	1%	29%	21%	\$12,548,193	45.7	44.8	38.3

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	August 22, 1973	July 25, 1973	August 23, 1972
Total gold certificate reserves	196,193	256,671	330,313
Loans to member banks	72,375	112,240	7,010
Other loans	0	0	0
Federal agency obligations	71,676	71,114	53,355
U.S. Government securities	3,303,148	3,297,589	3,187,354
Total earning assets	3,447,199	3,480,943	3,247,719
Member bank reserve deposits	1,274,045	1,369,458	1,569,344
Federal Reserve notes in actual circulation	2,357,258	2,346,443	2,169,330

## BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)						
	NUMBER		Percent change				
	July 1973	7 mos. 1973	July 1973	7 mos. 1973	June 1973	July 1972	7 months, 1973 from 1972
ARIZONA							
Tucson	488	3,789	\$9,340	\$109,665	-45%	-47%	-11%
LOUISIANA							
Monroe-West	80	592	3,762	19,045	74	374	10
Shreveport	458	3,131	6,756	52,383	144	71	46
TEXAS							
Abilene	60	528	1,196	18,355	-52	-33	71
Amarillo	166	1,147	2,159	33,957	-76	-50	91
Austin	453	3,501	27,222	151,757	75	55	2
Beaumont	188	1,349	1,825	19,601	-63	7	13
Brownsville	103	693	4,691	35,304	114	-2	-10
Corpus Christi	204	2,095	27,864	198,750	7	55	-26
Dallas	1,262	9,680	126	1,849	-54	-13	-6
Denison	22	199	11,027	103,221	-39	-19	-9
El Paso	457	3,722	7,895	72,888	-4	-25	48
Fort Worth	344	2,665	314	6,379	-8	35	-17
Galveston	49	382	41,514	432,536	-29	-36	10
Houston	2,312	18,694	1,538	13,546	120	530	40
Laredo	34	322	1,827	45,853	-62	-55	37
Lubbock	111	1,140	728	9,926	-57	10	-14
Midland	83	606	728	9,851	-75	-46	-46
Odessa	109	765	174	4,161	-28	-75	8
Port Arthur	67	741	1,072	6,410	98	14	33
San Angelo	83	566	23,270	145,026	16	78	10
San Antonio	1,871	12,758	407	3,793	62	-24	-21
Sherman	39	273	662	3,034	47	74	-40
Texarkana	48	362	3,154	23,419	17	-27	6
Waco	209	1,433	1,437	12,762	68	42	48
Wichita Falls	75	520					
Total—26 cities	9,375	71,653	\$182,394	\$1,550,487	-10%	-3%	3%

## TOTAL OIL WELLS DRILLED

Area	Second quarter 1973	First quarter 1973	Percent change	1973 cumulative	Percent change from 1972 cumulative
FOUR SOUTHWESTERN STATES	1,426	1,403	1.6%	2,829	-19.1%
Louisiana	188	243	-22.6	431	-10.6
Offshore	49	95	-48.4	144	26.3
Onshore	139	148	-6.1	287	-22.0
New Mexico	61	92	-33.7	153	-42.7
Oklahoma	221	196	12.8	417	-22.8
Texas	956	872	9.6	1,828	-17.3
Offshore	2	2	-	4	-
Onshore	954	870	9.7	1,824	-17.4
UNITED STATES	2,219	2,474	-10.3%	4,693	-20.0%

SOURCE: American Petroleum Institute

## DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	July 1973	June 1973	July 1972r	Percent change from	
				June 1973	July 1972
<b>FOUR SOUTHWESTERN STATES</b>					
Louisiana.....	6,760.2	6,781.6	7,150.5	-0.3%	-5.5%
New Mexico.....	2,281.8	2,319.9	2,546.6	-1.6	-10.4
Oklahoma.....	269.0	273.8	309.8	-1.8	-13.2
Texas.....	521.0	523.1	567.5	-4	-8.2
Gulf Coast.....	3,688.4	3,664.8	3,726.6	.6	-1.0
West Texas.....	738.7	729.9	771.3	1.2	-4.2
East Texas (proper).....	1,870.1	1,856.9	1,798.1	.7	4.0
Panhandle.....	254.2	252.1	258.8	.8	-1.8
Rest of state.....	62.4	66.3	73.0	-5.9	-14.5
UNITED STATES.....	763.0	759.6	825.4	.4	-7.6
	9,346.0	9,366.6	9,727.0	-2%	-3.9%

r—Revised

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

## CROP PRODUCTION

(Thousand bushels)

Crop	TEXAS		FIVE SOUTHWESTERN STATES <sup>1</sup>			
	1973, estimated Aug. 1	1972	1971	1973, estimated Aug. 1	1972	1971
Cotton <sup>2</sup> .....	4,532	4,277	2,614	6,177	6,140	4,053
Corn.....	60,800	39,560	44,160r	73,493	52,795	55,241r
Winter wheat.....	98,600	44,000	31,416	281,721	150,115	119,825r
Oats.....	26,650	9,720	5,994	35,088	16,149	12,001r
Barley.....	3,510	1,980	1,320	21,196	19,334	26,300r
Rye.....	648	630	378	2,046	1,890	1,158
Rice <sup>3</sup> .....	23,693	22,122	23,868r	47,367	42,089	43,704r
Sorghum grain.....	414,800	319,780	303,004	481,448	378,218	366,400r
Flaxseed.....	80	165	70	80	165	70
Hay <sup>4</sup> .....	4,464	4,109	4,114	10,887	9,944	10,303r
Peanuts <sup>5</sup> .....	502,400	480,455	366,795	766,340	743,566	602,315
Irish potatoes <sup>5</sup> .....	2,991	3,182	3,299	6,317	6,665	6,810
Sweet potatoes <sup>5</sup> .....	760	813	788	3,910	4,113	3,763

r—Revised

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

2. Thousand bales

3. Thousand hundredweight

4. Thousand tons

5. Thousand pounds

SOURCE: U.S. Department of Agriculture

480 million bushels—up a fourth from 1972 and nearly a third larger than in 1971. The cotton crop in Texas was projected at 4.5 million bales, only moderately higher than in 1972 but three-fourths larger than in 1971. The Texas soybean crop was expected to more than double its 1972 output, offsetting a slight decline in Louisiana.

Cattle on feed in Texas on August 1 numbered 2.3 million head, up 9 percent from a year earlier. And, in Arizona there were 548 thousand head on feed, slightly more than the year before. Cattle

placed on feed continued to lag, but even with the decrease in placements, active feedlots in Texas reported an above-average rate of occupancy. The rise in cattle on feed despite a decline in placements reflected the uncertainties of recent economic controls and the resulting cost-price squeeze in the livestock industry.

The index of prices received by Texas farmers and ranchers increased markedly in the month ended August 15 to a level substantially higher than a year earlier. Crops and livestock contrib-

## LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States<sup>1</sup>

(Seasonally adjusted)

Item	Thousands of persons			Percent change July 1973 from	
	July 1973p	June 1973	July 1972r	June 1973	July 1972
Civilian labor force.....	8,901.3	8,881.3	8,666.6	0.2%	2.7%
Total employment.....	8,562.8	8,525.0	8,283.3	.4	3.4
Total unemployment.....	338.5	356.2	383.3	-5.0	-11.7
Unemployment rate.....	3.8%	4.0%	4.4%	2-.2	2-.6
<b>Total nonagricultural wage and salary employment.....</b>	<b>7,064.8</b>	<b>7,034.9</b>	<b>6,773.2</b>	<b>.4</b>	<b>4.3</b>
Manufacturing.....	1,231.6	1,231.0	1,176.2	.0	4.7
Durable.....	689.2	687.5	642.6	.2	7.3
Nondurable.....	542.4	543.5	533.6	-.2	1.6
Nonmanufacturing.....	5,833.2	5,803.9	5,597.0	.5	4.2
Mining.....	233.0	232.4	230.5	.3	1.1
Construction.....	486.5	481.4	451.4	1.1	7.8
Transportation and public utilities.....	477.7	476.8	464.0	.2	3.0
Trade.....	1,691.7	1,685.8	1,621.5	.3	4.3
Finance.....	384.5	383.0	360.9	.4	6.5
Service.....	1,153.0	1,151.5	1,107.9	.1	4.1
Government.....	1,406.9	1,393.0	1,360.8	1.0%	3.4%

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	July 1973p	June 1973	May 1973	July 1972
<b>TEXAS</b>				
Total industrial production.....	138.5	139.6	135.9r	130.6
Manufacturing.....	142.5	144.2	140.6r	131.8
Durable.....	157.0	157.1	156.1	142.3
Nondurable.....	132.1	134.9	129.3r	124.2
Mining.....	123.4	123.6	118.7r	120.6
Utilities.....	158.6	158.1	158.1r	158.5
<b>UNITED STATES</b>				
Total industrial production.....	126.3	125.4	124.8r	115.1r
Manufacturing.....	126.6	125.2	124.9r	114.3r
Durable.....	123.9	122.5	121.7r	108.8r
Nondurable.....	130.4	129.3	129.9r	122.5r
Mining.....	110.6	109.3	108.8r	108.6r
Utilities.....	149.0	148.8	149.5r	143.3r

p—Preliminary

r—Revised

SOURCES: Board of Governors of the Federal Reserve System

Federal Reserve Bank of Dallas

uted about equally to both the month-to-month and year-to-year gains. Higher farm prices boosted cash receipts from farm marketings in the five District states to \$4.2 billion for the first six months of this year—26 percent higher than for the same period in 1972. Crop receipts increased by 50 percent to nearly \$1.3 billion, while livestock receipts moved up 18 percent to just over \$2.9 billion.