

Federal Reserve Bank of Dallas

Business Review

District Agriculture—

**Record Advances Made in 1973
Lay Bases for More Gains in 1974**

Bank Structure—

**Texas Banks Find Changes
In Market Shares Come Hard**



January 1974

Record Advances Made in 1973 Lay Bases for More Gains in 1974

For farmers and ranchers in the Southwest, 1973 was a historic year. Despite a slow start, farmers harvested bumper crops—for which they received record-high prices. Livestock producers encountered a number of new situations and problems, but they also made substantial gains.

On balance, higher prices combined with increased production to send cash receipts to new highs. Costs of production also rose sharply. The rise was not enough, however, to keep net income from far exceeding even the most optimistic level anticipated at the beginning of the year.

Now, with few signs of demand easing in the year ahead, the outlook for agriculture may be the brightest ever. This could be especially true in the Southwest, where farmers and ranchers have renewed their efforts to consolidate farmland into larger units and increased their outlays for machinery, equipment, and fixed capital. Barring some major setback—such as an unfortunate turn in the weather—the base laid in 1973 should carry them to a new plateau of production this year.

Income and prices

The record rise in farm and ranch income occurred in all five states of the Eleventh District—Louisiana, Texas, Oklahoma, New Mexico, and Arizona. The rise was spurred by increased demand for farm products at home and abroad that drew down farm stocks and prevented price breaks despite considerable increases in production.

At home, consumer incomes increased substantially, strengthen-

ing demand for all farm products. Abroad, where affluence was also increasing, poor harvests, improved trade relations, and—possibly most important—devaluation of the dollar further boosted demand for U.S. farm output. Given the combination of declining stocks and growing demand, prices were driven to historic heights.

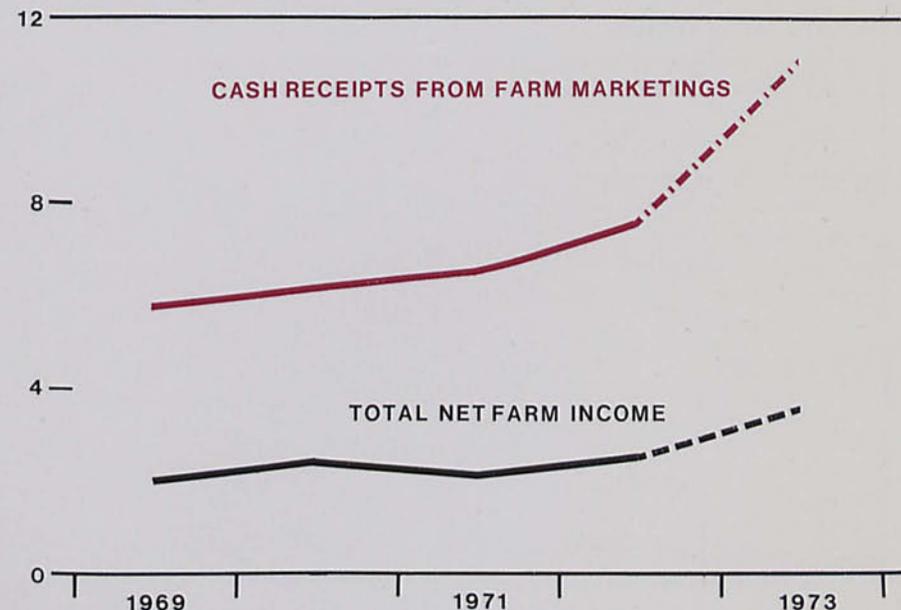
These changes were particularly important in states of the District, where farm income advanced faster than in the nation as a whole. Total cash receipts in these

states increased 39 percent in the first ten months of 1973. During that time, cash receipts rose nationwide by 37 percent.

Income increased faster in the Southwest primarily because the increase in crop production was greater than in the nation. For the year as a whole, cash receipts from farm and ranch marketings in these five states may reach close to \$11 billion, compared with \$7.5 billion in 1972. If so, with the prices they received rising faster than the prices they had to pay,

Outlays lag receipts in Southwest, allowing faster gains in farm income

BILLION DOLLARS



1973 estimated

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

the region's farmers and ranchers should post a record net income totaling nearly \$3.5 billion—an advance of nearly a third over 1972.

At mid-November, the index of prices received by farmers and ranchers in Texas was half again higher than the average for 1972. Both livestock and crop prices contributed to the rise, but the biggest gain was in crop prices.

After trending upward in the first half of the year, crop prices continued to rise sharply in the third quarter as exports of grain, rice, and cotton exceeded expectations. These price increases were in marked contrast to most years, as prices usually drop when the harvest season approaches.

The price increases were evident for most major crops. In the first 11 months of the year, average prices of grain sorghum, corn, and

rice were close to 50 percent more than those for 1972. Wheat prices were 86 percent more.

Although increasing less, on balance, than crop prices, livestock prices also reached new highs. With beef cattle making up nearly 70 percent of the region's livestock, an average rise of nearly a third in the price of beef pushed livestock receipts for the first 11 months up substantially.

But even greater increases in other livestock prices were posted. Although milk prices rose only slightly more than a tenth, average prices of hogs, sheep, eggs, and broilers rose 50 percent or more and wool prices more than doubled.

Nationwide, the prices farmers and ranchers paid advanced fairly steadily, reaching an average for the first 11 months of the year 13 percent higher than the 12-month

average for 1972. Contributing considerably to this increase were the higher prices of such farm-originated supplies as grains and livestock purchased as inputs to feeding operations.

Crop production

Encouraged by expectations of sharply higher prices, farmers in the Southwest planted the largest acreages in many years and tilled them more intensively. At the same time, growing conditions were generally favorable. The results were record yields and production that was more than a fifth greater than in 1972.

The biggest gain was in wheat, the region's third most important cash crop. After the surge in exports and prices in 1972, wheat farmers in the Southwest increased their acreage by almost 50 percent. And with almost ideal moisture conditions, yields averaged over 30 bushels per acre. With the increase in acreage and gain in yields, output for the five states spurred ahead almost 90 percent.

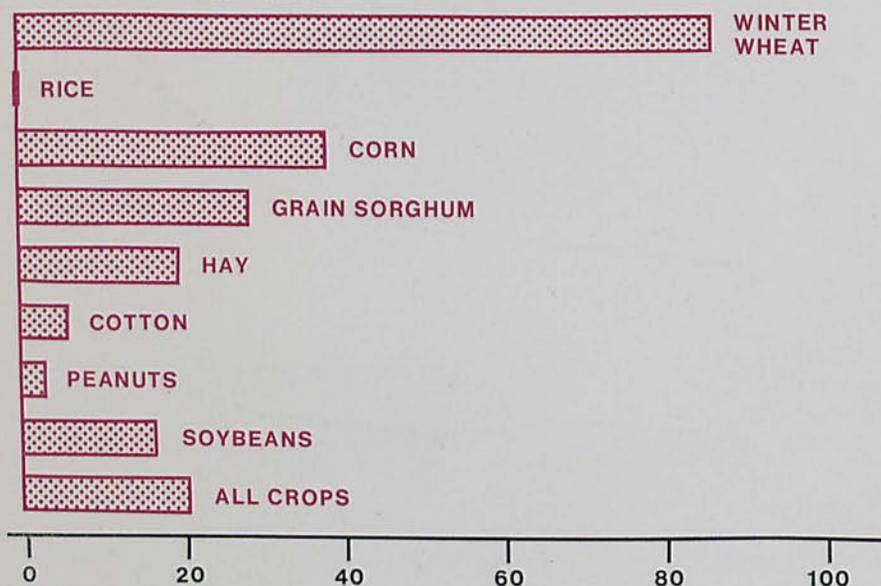
In Texas alone, the wheat crop totaled almost 100 million bushels—three times the crop harvested in the below-average season of 1971. That was the biggest wheat crop in Texas since 1947, even though acreage—at 3.4 million—was less than half that in 1947.

Production of grain sorghum, the region's second largest crop, was nearly 30 percent larger than in 1972. With Government relaxation of acreage restrictions, farmers responded by planting more grain sorghum. In Texas, where more than two-fifths of the nation's crop is grown, acreage was increased by a fourth. And with much larger acreages in New Mexico and Oklahoma, the five-state area grew half of the U.S. crop.

Cotton is the largest crop in the Southwest. But with cotton prices depressed during much of the 1972

Nearly all major crops in the Southwest show gains in production in 1973 . . .

PERCENT CHANGE FROM 1972



1973 indicated December 1

SOURCE: U.S. Department of Agriculture

harvest season and with the prospect of strong grain and soybean prices, farmers were faced with considerable uncertainty as to planting decisions. As a result, District farmers were cautious, planting only 5 percent more cotton acreage than in 1972. Since the average yield for the five states changed little from the 442 pounds per acre of last season, the crop was only moderately larger.

Texas, which grows more than a third of the nation's cotton, accounted for most of the increase in the District. Farmers there increased their acreage by 10 percent, providing most of the boost to the five-state total. Cotton acreage in Arizona, New Mexico, and Oklahoma changed little, but acreage in Louisiana declined by a fourth because of floods last spring.

Only rice, of the four major cash crops in the Southwest, failed to show a rise in production. Although rice acreage in Louisiana and Texas had been increased nearly a fifth, Hurricane Delia caused moderate to heavy lodging, and subsequent rains slowed harvesting, causing some of the grain to sprout. In addition, little second cutting was possible. As a result, average yields in Texas were about 20 percent less than in 1972, and those in Louisiana fell 10 percent. The lower yields offset the increased acreage and left growers with a crop that was about the same as in 1972.

As prices of soybeans rise, farmers of the District find this crop more attractive. Louisiana still has the most soybean acreage of any state in the District. But acreage in Oklahoma was expanded considerably last year, and acreage in Texas was more than doubled.

Total crop production was further boosted by continued growth in the output of barley, corn, hay, oats, peanuts, and rye. Diversion of land to other crops resulted in

CROP ACREAGES

Five Southwestern States¹

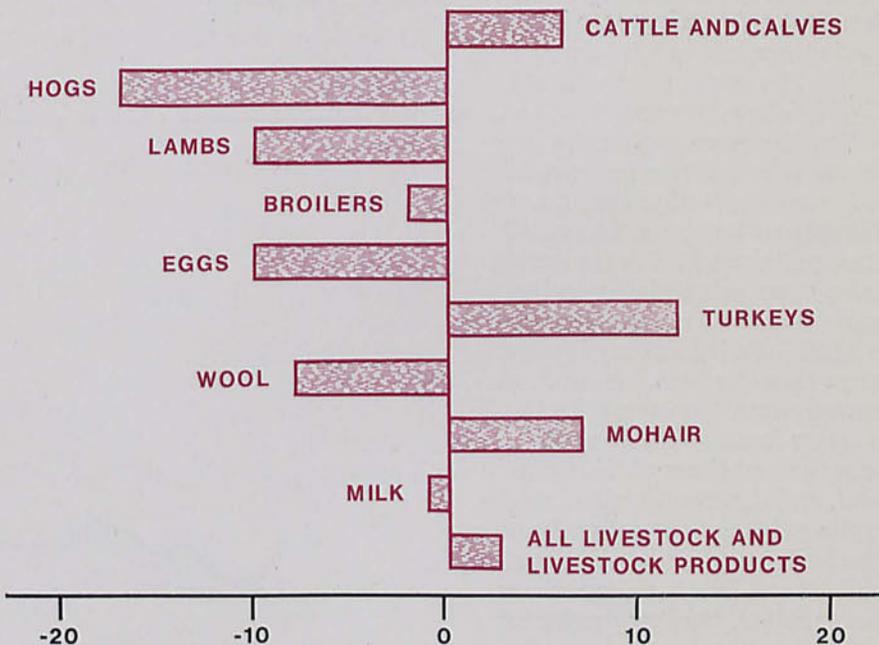
(Thousand acres)

Crop	For harvest 1973	Harvested 1972	Percent increase
Cotton	7,004	6,673	5%
Peanuts	442	430	3
Rice	1,169	990	18
Grain sorghum	8,045	6,524	23
Soybeans	2,338	2,047	14
Winter wheat	9,183	6,270	46

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas
SOURCE: U.S. Department of Agriculture

... but ground was lost in production of most livestock items

PERCENT CHANGE FROM 1972



1973 partly estimated

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

smaller flaxseed and potato crops last year, but these two crops account for only 1 percent of the area's crop production.

Citrus crops in Texas and Arizona will probably total close to 27 million boxes this season—the same as last season. Both the orange and grapefruit crops are appreciably larger in Texas. In Arizona, however, the grapefruit harvest is moderately larger than last season while the orange crop is off sharply.

Livestock production

Livestock producers should have experienced a record year in 1973. Range and livestock conditions turned favorable after a severe winter and, on average, were better than in any other recent year. Prices were pushed to record highs for most livestock products by strong demand—especially for red meat. Coupled with favorable prices in 1972, these developments would normally have stimulated significant expansion in production. But only an increase in beef marketings late in 1973 carried District livestock production slightly above the previous year.

The failure of livestock production to show a larger increase in 1973 was due to the many market disruptions last year. The retail price ceiling on beef in the spring brought some instability to the market, and the consumer boycott in April jolted the normal marketing pattern for beef. The main distortion came, however, with the midyear freeze of all livestock prices except those at the farm level, and the freeze on beef prices continued into September. Producers also faced sharply higher prices for feed and livestock, especially feeder calves. Poultry producers and dairy operators were particularly hard hit by the sharp rise in feed prices. With profit margins narrowed, expansion in livestock production was dampened.

Because of market distortions, cattle slaughter numbers and pounds of beef produced do not reflect the growth of the southwestern cattle industry in 1973. Growth in the number of cattle on feed was fairly steady in 1973 but marketings, feedlot placements, and slaughter were all irregular as feeders and packers responded to changing market conditions. The result was a backlog of fed cattle that led to a surge in marketings with the lifting of the price freeze in September.

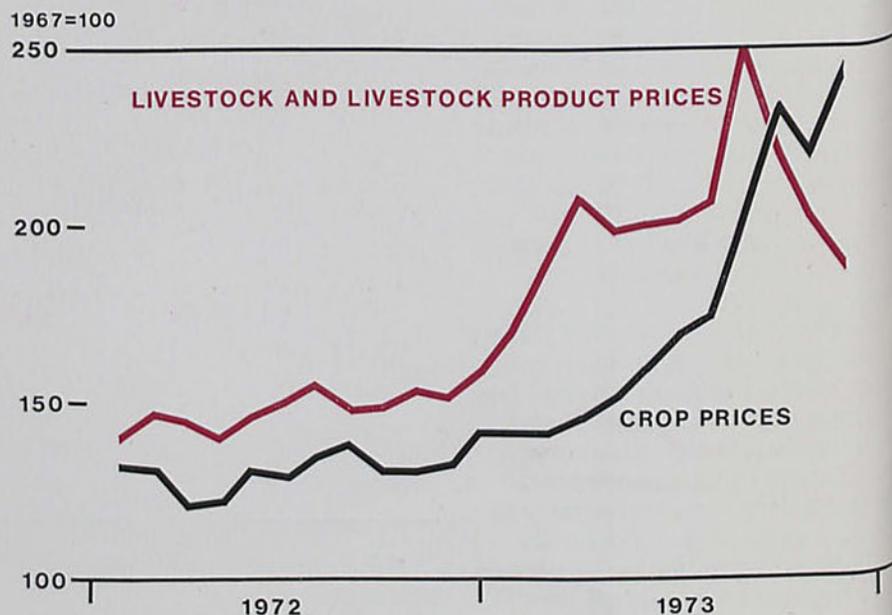
At the same time, the number of lightweight cattle on feed in late 1973 was somewhat below normal. In spite of some additional feedlot capacity—with occupancy at about 80 percent—feeders resisted placing more cattle on feed because of marketing problems and high feed costs. Their decision was influ-

enced by unusually good grazing conditions. Many of the cattle that might have been placed on feed and slaughtered last year were held on grass and will be marketed in 1974.

Given the uncertain market conditions last year, perhaps the best indicator of the expansion of the region's beef industry is the growth of the cow herd and the increase in the calf crop. These provide the base of the beef industry, and both promise continued expansion in beef production.

At midyear, the five states had nearly 10 million beef cows—over a million more than a year earlier. This gives these states nearly a fourth of the nation's beef herd. In Texas, the cow herd numbered more than 6.6 million head—a gain of 16 percent from July 1972. And the 1973 calf crop was estimated

With only distortions of livestock markets to dampen rising Texas farm prices . . .



SOURCE: U.S. Department of Agriculture

at 6.3 million—a gain of 15 percent. Both Oklahoma and New Mexico had 4-percent increases in their cow herds, and calf crops were up 5 percent in Oklahoma and 8 percent in New Mexico.

Pork production was off, and—unlike cattle—so was the number of hogs. Uncertain about how well hog prices would hold up and faced with higher feed costs, breeders were slower than usual in responding to higher hog prices. By fall, however, they were intending to increase farrowings 6 to 8 percent over a year before. And as these intentions continued into winter, there was the signaling of a resurgence in pork production.

Because of smaller herds, production of lamb and mutton in 1973 also lagged 1972 levels, as did the output of wool. The number of sheep and lambs in southwestern

states totaled 4.6 million at the beginning of 1973—down 6 percent from a year earlier. Poor weather and low prices through most of 1971 and 1972 had caused herd reductions in the five states.

By contrast, the goat herd was larger. In Texas, for example, there were 1.6 million head at the beginning of 1973—7 percent more than in the previous January. And mohair production increased, though not to the level reached in 1971. With higher prices and improvements in range conditions, growers have been rebuilding their herds. The result should be more sheep and goat production in 1974.

As usual, poultry production was the most responsive to changes in market conditions. Egg production fell as a cost-price squeeze developed last year. Production of broilers slowed for the same reason. The

resulting production gap that developed over the first eight months of the year could not be made up, even though production picked up in the last four months. Advances were made in turkey production, but these gains contributed little to the region's livestock total.

Despite market disruptions and narrowing profit margins, livestock producers experienced an improved cash flow last year—about a fourth higher than in 1972. Because of the large buildup of range herds, beef production will, no doubt, lead expansion of livestock production in 1974. But dairy, poultry, hog, and sheep producers are also expanding their operations as conditions stabilize and the outlook improves.

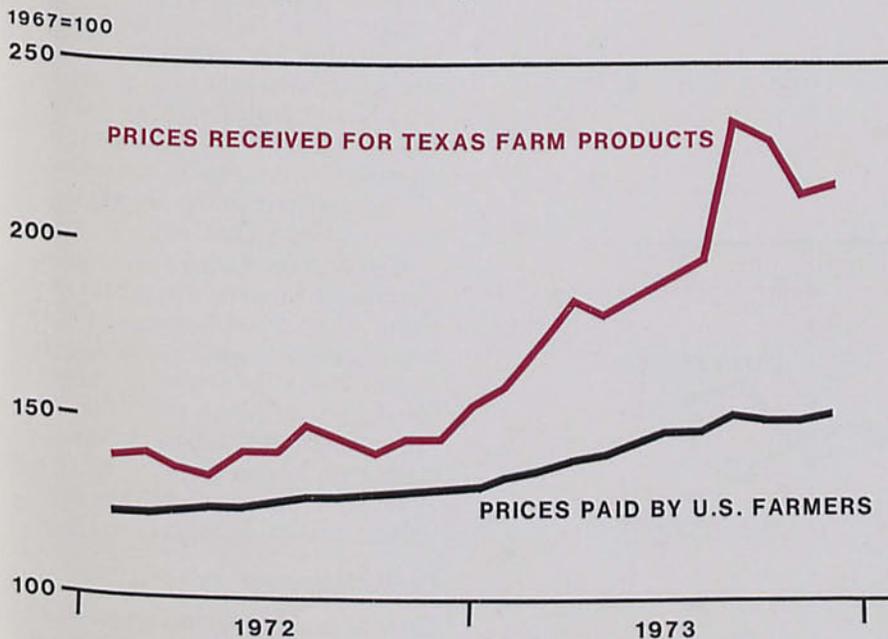
Agricultural expansion

Demand for farm products also pushed investment in agriculture to new heights in 1973. As spending rose, so did farm credit. Nationwide, agriculture increased its debt nearly \$8 billion, with total credit outstanding to farmers reaching about \$80 billion. Coming on top of the increased cash flow to farmers and ranchers, the rise indicates significantly more spending on land and other capital items than in 1972.

Much of this additional borrowing was in the southwestern states. Commercial banks in the Eleventh District, for example, reported agricultural loans outstanding at midyear totaling close to \$2 billion. That was 22 percent more than a year before, compared with a 16-percent increase nationwide. Increases in credit extended in the five states under the Farm Credit System were also above the national average.

Most of the increase in farm credit went to help finance expansion of the District's agricultural capital base. Commercial banks participated in this expansion by

... farmers escape cost-price squeeze that once discouraged farm output in Texas



SOURCE: U.S. Department of Agriculture

boosting their outstandings of non-real-estate loans to farmers to a midyear total of \$1.6 billion. By late summer, production credit associations in Texas alone had increased their loans outstanding to \$518 million, an advance of 21 percent over a year earlier.

Reflecting this increase in credit, tractor purchases in the Southwest jumped about a fourth, for example, and purchases of other items of farm equipment advanced even more sharply. Sales of combines and balers were up nearly a

half in Oklahoma, Louisiana, and Texas from 1972.

Real estate loans also expanded rapidly as farmers actively tried to expand their land base. By mid-year, commercial banks in the District had increased their real estate loans outstanding to farmers and ranchers to a total of \$364 million—23 percent more than a year before. Federal land bank associations in Texas had increased their loans to \$791 million by late summer—26 percent more than a year before. And responding to the new

financial strength of farm borrowers, insurance companies began making agricultural loans again after two years of declining interest in them.

With the increased demand and the availability of credit, land prices continued to surge. Nationwide, the average price of farmland rose 13 percent in the year ended in March 1973 and 20 percent in the year ended in November. In the five District states, the average price of farmland rose 11 percent in the year ended in March 1973, and all indications are that prices have advanced even faster since then. Land prices in Oklahoma led the advance in the District, moving up an average of 15 percent by March. Values in Texas trailed only slightly, however, advancing 13 percent, and New Mexico posted an average rise of 11 percent. In Arizona and Louisiana, land prices were up 7 percent.

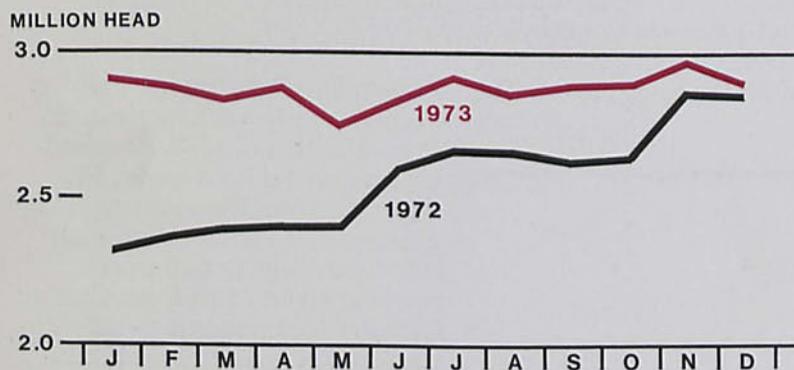
All this was in marked contrast to other recent years. Declining farm incomes, persistent surpluses of farm products, and adverse weather combined to reduce investment in agriculture in 1970 and 1971, slowing credit demand and dampening the rise in land values. In 1970, the rise was the slowest in a decade. In Arizona and some parts of Texas, prices of farmland actually declined.

Demand for agricultural credit declined, of course, during those years. Even when farmers and ranchers wanted to expand their operations, few of them could service loans at the interest rates being asked. In 1973, with interest rates even higher than in 1970 and 1971, they were both willing and able to undertake additional debt.

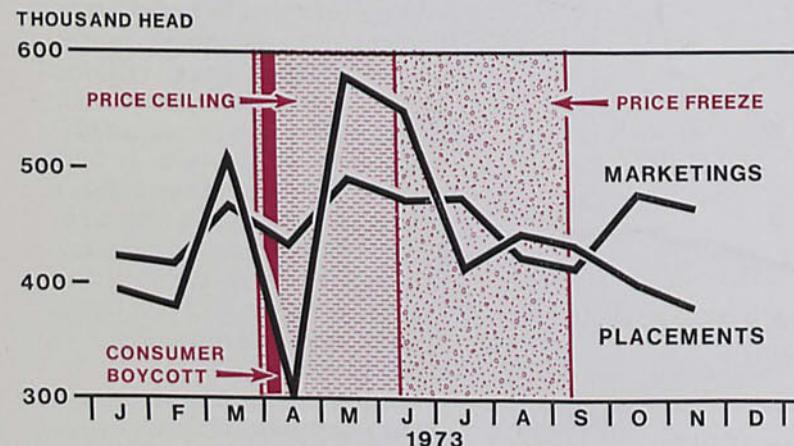
Outlook for production . . .

Growth in agricultural production seems likely to continue this year. With the expansion in productive capabilities made last year and

Cattle on feed in Texas and Arizona hit record highs in 1973 . . .



. . . but marketings and placements reflected market uncertainties



SOURCE: U.S. Department of Agriculture

markets for farm products expected to remain strong, gains could far exceed those made in 1973. This is especially true in the Southwest, where much of the increase in capability has been in cattle operations. The region's beef industry accounts for close to two-fifths of its total agricultural production.

American agriculture certainly has the capacity to expand its output much further. Less than half the acreage released from Government controls last year, for example, was put into production.

Part of the gap between the acreage released and that planted was due to rain at planting time. But much of it was due to late recognition of the persistence of world demand for U.S. farm products. In the year coming up, farmers will have time to make full use of all the cropland they have available. And with more use of fertilizer (assuming supplies are adequate) and the other technological advances that have been made in agriculture, they can expand their cropland base extensively.

This, too, marks a radical change from the past. Because of the high cost of bringing marginal land into production, farmers had not been able to expand crop acreage at the prices offered for their products. Now, with higher prices for crops, they not only can till land more intensively but also can begin to make use of land previously considered unsuitable for crops. Given time and the capital inputs needed to make such land productive, farmers could probably expand the nation's cropland base by at least a fifth.

In line with such changes, 1973 saw continuation of the reorganization of agriculture into larger production units, with greater efficiencies, better management, and resulting improvements in productivity. As a record year in capital

expansion, it very probably saw the process stepped up. Although the effects of such changes would ordinarily take several years, with the increases in prices and production the last two years, some changes are apt to be felt much quicker.

Now, with prices and incomes running high and production freed from Government programs geared to cope with surpluses, agriculture can make better use of the technology and resources available to it. Barring weather that turns critically adverse, production should continue to rise.

... and demand

The domestic market is still central to the outlook for agriculture—despite export gains of the past two years. This is especially true in the Southwest, where much of the farm output finds its best markets at home. Rising personal incomes have allowed basic changes in consumption patterns in the United States, stimulating more demand for red meat and, therefore, for grain as feed. Both are major commodities in the Southwest.

This most notable aspect of the change in consumption—a further shift from bread to beef that boosted the domestic grain market to a new plateau—is highly significant for farmers in the Southwest. Grain crops that would have created surpluses only a few years ago are now only barely adequate.

Domestic use of corn last year, for example, was more than a third greater than the annual average for the first half of the 1960's. Use, in fact, was about a billion bushels more than the average annual production in 1961-65. Use of grain sorghum has increased 50 percent since the early 1960's, and use of wheat as a feed has increased nearly fivefold.

The most dramatic change has, nevertheless, been in the export market. While always important to

American farmers, exports have been a secondary market. Because world prices have often been lower than U.S. prices, shipments often depended on export subsidies. Concessional sales—a form of subsidy—have been significant in moving U.S. agricultural products to less developed countries. This market, as a result, has not always been dependable.

But very recent developments suggest major underlying changes in this market. And these are the main source of current strength in demand. The best known, of course, is the improvement in trade relations with Mainland China and the Soviet Union. But while shipments to these countries have been sizable, they are not the most significant developments.

Growing economic strength in Europe and Japan has increased demand for U.S. agricultural products. And barriers to these markets are breaking down—slowly, perhaps, but steadily—under the pressure of consumer demand and the hard fact that the United States has absolute advantages in the production of soybeans and feed grains, the two commodities most in demand. Since the energy situation has cast a shadow over the economic picture, these markets will be somewhat uncertain this year. But fuel shortages in Europe and Japan could increase their need for agricultural imports.

Less developed countries are also becoming more dependable as markets. Once based primarily on concessional sales, these markets are turning more commercial as the countries become urbanized, their commodity surpluses shrink, and the gains they were making in agricultural production level off. With populations often expanding faster than their agricultural production, the commodities they have most sought have been soybeans and food grains.

Contributing further to the increase in export demand has been the devaluation of the dollar. With the increase in the purchasing power of their currencies, many countries are showing broader interest in buying farm products in the United States.

With growth in demand for food and fiber at home and abroad, farmers and ranchers have seen the fastest expansion of markets for their products ever. And unlike other periods of expansion, the breadth and depth of this one suggest it can be sustained.

Aside from having larger stocks on hand at the outset of this surge in world demand, the United States was one of the few major agricultural countries that could expand its farm output to keep pace with the increase in demand—especially for feed grains and soybeans. Soybeans have been a star performer in world farm trade for some time. Now, so are feed grains.

In the domestic market, demand for feed grains is tied to livestock feeding. Of major importance to growers of feed grains in the Southwest, of course, is the possibility that livestock markets might break, especially the market for fed beef. But that possibility seems remote. In spite of the many distortions last year, some of which are still being worked out, domestic demand for beef appears unrelenting. Exports could probably absorb any surpluses that did develop. This assurance of strength in beef almost guarantees continued strong demand for feed grains.

The outlook for food grains depends mainly on foreign markets. Unlike soybeans and feed grains, wheat and rice are grown over broad areas of the world. With production last year rising slightly, some slowdown in export demand is expected this year. But as world population is expanding faster than agricultural production—es-

pecially in less developed countries—there is little likelihood of collapse in the market for these two important southwestern crops.

Fashion has reestablished demand for cotton here and abroad. And with many overseas competitors concentrating their agricultural efforts on food crops, export demand for cotton has strengthened. In the marketing year ended at mid-1973, 5 million bales were shipped abroad. Exports this marketing year could exceed 6 million.

For all these factors favoring demand for farm products, however, 1974 is not apt to establish as many records as last year did. Prices will very probably moderate somewhat as supplies increase. But incomes will most likely hold up fairly well as lower prices are offset by increases in production and marketings.

On the whole, the future for farmers and ranchers of the District is bright. Most of them are in the best financial situation in 20 years. And for the first time in even a longer period, their concern is not with surpluses but how to produce more.

—Carl G. Anderson, Jr.
Dale L. Stansbury

Texas Banks Find Changes In Market Shares Come Hard

The number of banks in Texas has increased rapidly in recent years. Where the state had 999 insured commercial banks at mid-1961, it had 1,221 at mid-1972. And by June 1973, the number had grown to 1,247.

This increase has come primarily as a result of the state's unit-banking laws. Spurred by a robust economy and the rapid rise in suburban population, demand for banking services has mushroomed in some areas, pushing midyear deposits from a statewide total of \$11.8 billion in 1961 to \$30.4 billion in 1972. And because branch banking is prohibited in Texas, a large part of the increase in demand was met through the formation of new banks.

A study of this increase in banking activity shows that the high rate of bank formations dampened the growth of individual banks, holding the distribution of market shares fairly constant. As a result, the banking structure in Texas was found basically rigid.

Industry characteristics

Rapid growth of the state banking market and the marked increase in the number of banks—along with the resulting rigidity of Texas banking—however, only partly characterize the state's banking industry. Also important have been the wide disparity in the size of banks and, in recent years, the growth in the size and number of multibank holding companies.

Although there are many banks in Texas, most are fairly small. There are, in fact, very few really large Texas banks. Only four currently hold deposits over \$1 billion.

More than half the banks hold deposits of less than \$10 million. And the average deposit size of all banks is about \$25 million.

Banks are highly concentrated in the more populated areas. Not only are the largest banks in major cities, but half of all banks are in metropolitan areas. And these banks hold more than 80 percent of the deposits in the state. By contrast, many small towns have no bank at all.

This concentration has increased in recent years with the expansion of multibank holding companies. The multibank holding company movement began building up in Texas in 1971 as large metropolitan banks sought to penetrate rapidly expanding suburban markets by acquiring subsidiaries. Some of this penetration was achieved through the acquisition of existing banks, and some through the formation of new banks.

There were three multibank holding companies in Texas at mid-1970. Together, they controlled 11 subsidiary banks accounting for 8 percent of the state's deposits. By mid-1973, the number of holding companies had increased to 19. And they had 103 subsidiaries holding more than a third of the state's deposits.

Despite this rapid spread of multibank holding companies, however, control of subsidiary banks has not appeared to be particularly tight. As a result, most of the banks in the state can be considered independent suppliers of bank services.

A rigid structure

The holding company movement is indicative of yet another charac-

teristic of the banking industry in Texas—the inability of individual banks to make significant changes in their market shares of deposits. Despite the rapid growth of the industry overall, individual banks have little chance of acquiring enough additional deposits to make any appreciable difference in their market share, even over considerable time. Nor (as pointed up in the technical note) need they ordinarily expect to lose enough deposits to drop back to a smaller size category. The deposit structure of the industry tends to a rigidity that resists movement in either direction.

That is the primary conclusion drawn from the study, which was devoted to an analysis of the mobility of banks within the state's deposit structure. Mobility—defined as the ability of banks to move from one deposit category to another—was estimated with the aid of a Markov chain model. This model allows structural changes in the banking industry to be viewed in terms of probabilities—estimates of the likelihood that individual banks will follow certain paths of deposit growth.

Results of the study show that during the period from mid-1961 to mid-1972, the banks least likely to change their relative market positions were the largest (those with deposits over \$120 million) and the smallest (those with deposits under \$7.5 million). By all indications, then, the state's largest banks should be expected to keep their dominant positions. And it appears very hard for the smallest banks to grow into the medium-size deposit categories.

Technical note

The mobility of Texas banks—the probability that an individual bank will gain or lose enough deposits to make a significant change in its share of total deposits in the state—was estimated with the aid of a Markov chain model. Use of this model offers certain clear advantages in the study of structural changes in banking.¹

One is that changes can be viewed in terms of probabilities—estimates of the likelihood of banks following different paths of growth. The probabilities of deposit change were represented by a *transition probability matrix*.

TRANSITION PROBABILITY MATRIX

	Probability of gain						
	B_0	B_1	B_2	B_3	B_4	B_5	B_6
B_0	1	0	0	0	0	0	0
B_1	.0024	.9553	.0419	.0003	.0001	0	0
B_2	.0007	.0527	.8996	.0463	.0007	0	0
B_3	0	.0007	.0552	.9098	.0343	0	0
B_4	0	.0015	0	.0534	.9231	.0220	0
B_5	.0031	.0031	0	0	.0282	.9375	.0281
B_6	0	0	0	0	0	.0405	.9595

Probability of loss

Another is that banks that leave the industry can be viewed as having reached an *absorbed state*—meaning that having once been liquidated, they will not reenter the industry. This is an important point.

In most studies of competitive markets, firms are assumed to have freedom to enter and leave an industry at will. But because banks are regulated, such assumptions do not fit realities of the industry. A bank that fails does not later reopen for business. Other banks may acquire its assets and take over its deposits, but the bank itself can no longer do business.

So that the mobility of banks of different sizes could be compared, individual bank deposits for every midyear from 1961 to 1972 were deflated by the annual rate of increase

in total state deposits. The resulting deflated deposit data reflect changes in the market share of individual banks.

From these data, banks were ranked according to deposits and grouped into seven deposit categories for each of the 11 years. The resulting breakout showed one category of banks (B_0) as having failed. The other six categories were based on ranges of deposit size, each twice as large as the previous category:

- B_1 —less than \$7.5 million
- B_2 —from \$7.5 million to \$15 million
- B_3 —from \$15 million to \$30 million
- B_4 —from \$30 million to \$60 million
- B_5 —from \$60 million to \$120 million
- B_6 —more than \$120 million

Each successive annual grouping was then compared to determine which banks had gained or lost enough deposits to be reclassified. These 11 year-to-year changes in deposit shares were then compiled into a composite matrix of bank movements for the entire period.

The transition probability matrix represents the likelihood that banks in one deposit category would have moved to another category during the years from 1961 to 1972. Considerable understanding of the dynamic nature of Texas banking can be drawn from this matrix.

Values of elements on the shaded diagonal (1, .9553, .8996, .9098, .9231, .9375, and .9595) provide a case in point. All these values are at the intersections of the columns and rows of the same deposit categories. They are either 1 or close to 1, implying a very strong tendency for banks to remain in the same deposit categories from year to year and providing a basis for the view that the structure of Texas banking is essentially rigid.

The absolute value of 1 for Category B_0 denotes a total absence of any prospects for movement. Having failed, banks at that point have no chance of entering the industry again.

The very largest and the very smallest banks show the next greatest tendencies to stay in the same deposit category. Banks in

1. George T. Duncan and Lizbie G. Lin, *Inference in Markov Chains Having Stochastic Entry and Exit*, Federal Reserve Bank of Minneapolis, January 1971

both categories (B_1 and B_0) had probabilities of nearly 96 percent that they will not move in any given year.

The most mobile banks were in Category B_2 . The value of .8996 at the intersection of the column and row for this category leaves a roughly 10-percent probability that banks in this category will either gain or lose enough deposits to move out of that deposit range.

Estimates of probabilities that banks will gain or lose enough deposits to move into another category size appear to the right and left of the diagonal. Elements to the right are estimates of the probabilities that banks will acquire enough additional deposits to move up to larger deposit categories. Elements to the left are estimates of proba-

bilities that they will move down to smaller categories. Generally, the probability that a bank will lose its market share of deposits is greater than the probability that it will increase its share.

In any one year, banks in the smallest deposit category had about a 4.2-percent chance of moving up to Category B_2 and an even smaller chance of rising beyond that size to Categories B_3 and B_4 . But chances that they would fail were only about one-fourth of 1 percent.

Since the largest category is open-ended, chances of the growth of these banks were not considered. But they had slightly better than a 4-percent chance of their deposits falling below the \$120 million mark to put them in Category B_5 .

But while mobility is limited, there is some room for movement. Except for the smallest banks, there is always the possibility of slipping into a smaller deposit category. And the probability of slipping is always greater than the probability of moving up into larger deposit categories.

The room for movement is very small, however—for banks of all sizes. Although a handful of banks made significant changes in their market positions, most showed only marginal movements. And even when these significant changes were made, it was usually either when banks failed or when new banks opened with enough financial backing to boost their shares rapidly during the first few years of operations.

Implications for the future

Measured in current-dollar deposits, then, the state's banking market grew rapidly over this 11-year period, expanding an average of 14.3 percent a year. Almost all banks participated in this growth, at least to some extent.

But the study shows that, even over time, few banks could change their relative market positions. And this rigidity—and the likelihood that it will not diminish much in the foreseeable future—has implications for the course of banking in this state in the years to come.

First, based on the experience of recent years, it seems reasonable to expect continued rapid economic growth in Texas. Projections show personal income in the state may more than double by 1985. Along with this growth will come needs for expanded banking services. And structural characteristics of the state's banking system suggest that much of these increased needs will be met through the formation of additional banks.

Second, with population trends still showing net migration from rural counties, most economic growth will still center in metropolitan areas. Growth of existing banks, therefore, should be faster in metropolitan areas, as should the formation of new banks. As a result, both the number of banks and volume of deposits should be

further concentrated in metropolitan areas.

Finally, the general inability of Texas banks to make any great change in their market shares should result in the continuation of the multibank holding company movement. Although the market shares of many banks will remain fairly fixed, an individual bank could be acquired by a multibank holding company, and these companies are making significant changes in their market positions. Further expansion in the size and number of multibank holding companies seems likely, therefore, leading to continued concentration of banking resources.

—Edward L. McClelland

New member banks

The Plaza del Oro Commerce Bank, National Association, Houston, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business October 29, 1973, as a member of the Federal Reserve System. The new member bank opened with capital of \$400,000, surplus of \$400,000, and undivided profits of \$200,000. The officers are: William S. Pebworth, Jr., Chairman of the Board and Cashier; Merrill V. Gregory, President; and Emil A. Beltz, Executive Vice President.

The National Bank of Texas at Fort Worth, Fort Worth, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business November 29, 1973, as a member of the Federal Reserve System. The new member bank opened with capital of \$300,000, surplus of \$300,000, and undivided profits of \$150,000. The officers are: D. A. Weckwerth, Chairman of the Board; Joe C. Lane, President; and Gary W. Shipp, Cashier.

New par bank

The Claiborne Bank & Trust Company, Homer, Louisiana, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, December 10, 1973. The officers are: George W. Cummings, Jr., President, and Ralph Edward Spigener, Cashier.



Research Department
Federal Reserve Bank of Dallas
Station K, Dallas, Texas 75222



Federal Reserve Bank of Dallas

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Statistical Supplement to the Business Review

The seasonally adjusted Texas industrial production index fell 0.4 percent in November, following progressively slower rates of increase in the previous two months. The downturn centered in the petroleum industry, with crude oil mining, petroleum refining, and the closely related chemical industry all registering declines. Moreover, total manufacturing dropped for the first time since July. Production of non-durable goods fell, largely reflecting the weakness in petroleum-related industries. Growth in durable goods output slowed for the second consecutive month. Total output of utilities rose, as the distribution of electricity rebounded from the unseasonably low level in October.

Total credit at weekly reporting banks in the Eleventh District rose less than usual in the four weeks ended December 19, despite a sharp increase in deposits. Banks used most of the deposit increase to make loans to domestic commercial banks outside the District.

The rise in District loans was considerably less than at the same time in other recent years. Largely reflecting uncertainties caused by the energy crisis, business loans increased less than usual and real estate and consumer loans grew at much slower rates than in comparable periods of the previous two years. Another factor in the weaker demand for bank credit probably was the increase in the prime rate in early December.

In the four-week period, investment portfolios of the banks rose about in line with seasonal expectations. Holdings of Government securities were unchanged, on balance, while holdings of municipal issues were expanded moderately.

Total deposits increased sharply since demand deposits rose considerably more than usual. About half of the rise was accounted for by increased demand deposits of individuals and businesses. Demand deposits of the U.S. Government and of domestic commercial banks also rose substantially. The expansion in total time and savings deposits was about in line with comparable periods of past years and mainly reflected a rise in the volume of large CD's outstanding. With the weakness in credit demand and the sizable inflow of deposits, banks markedly reduced their borrowings from nondeposit sources.

Seasonally adjusted new car registrations in the four largest metropolitan counties of Texas—Bexar, Dallas, Harris, and Tarrant—declined 4 percent in November, following a sizable increase in October that was largely attributed to the filling of fleet orders. Along with the 15-percent drop in September, the decline suggests a softening of new car demand that roughly parallels the national trend. Registrations in Harris County (Houston) and Dallas County were off 8.6 percent and 7.5 percent in November, but those in Tarrant County (Fort Worth) and Bexar County (San Antonio) were 6.3 percent and 0.3 percent greater than a month before. Despite the recent weakness, cumulative registrations for the first 11 months of 1973 still were 10 percent above the same period in 1972.

After sluggish growth earlier last year, seasonally adjusted department store sales in the Eleventh District have trended upward since April 1973. Sales for the four weeks ended December 15 were 1.3 per-

cent higher than a month earlier. Although sales continued to gain, the growth rate fell sharply in the four weeks. Cumulative sales through mid-December were 11 percent greater than in the corresponding period in 1972.

Seasonally adjusted total employment in the five southwestern states continued to climb in November but at the slowest monthly pace since last June. New hirings were up 0.2 percent, reaching a level 3.4 percent higher than a year before. The small increase in employment and a 13-percent drop in total unemployment resulted in a decline in the unemployment rate to 3.6 percent, down from 4.0 percent the month before.

Fall harvesting and planting activities were nearing completion by mid-December in all states of the Eleventh District except Oklahoma, where inclement weather hindered field work. Harvesting of cotton was in the final stages for most of the District and was well ahead of a year earlier.

At the beginning of December, the upland cotton crop in the District states was estimated at 6.4 million bales, about 6 percent more than in 1972. Most of the increase is in Texas, where the expected harvest of 4.7 million bales would be 11 percent more than the 1972 crop.

The number of cattle and calves on feed in Texas and Arizona on December 1 was down slightly from a month earlier to just under 2.9 million head. That was only 10,000 more than a year earlier. Cattle placements into feedlots had continued to decline in November and were sharply below November 1972. *(Continued on back page)*

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Dec. 19,	Nov. 21,	Dec. 20,	LIABILITIES	Dec. 19,	Nov. 21,	Dec. 20,
	1973	1973	1972		1973	1973	1972
Federal funds sold and securities purchased under agreements to resell	1,722,914	1,280,908	1,426,193	Total deposits	14,282,938	13,820,853	13,501,860
Other loans and discounts, gross	9,807,100	9,705,980	8,769,102	Total demand deposits	7,293,081	6,870,508	7,360,838
Commercial and industrial loans	4,388,114	4,318,616	3,844,157	Individuals, partnerships, and corporations	5,208,000	4,910,567	5,099,208
Agricultural loans, excluding CCC certificates of interest	298,511	294,952	228,941	States and political subdivisions	371,633	506,434	527,334
Loans to brokers and dealers for purchasing or carrying:				U.S. Government	234,117	88,639	246,094
U.S. Government securities	473	435	1,340	Banks in the United States	1,305,228	1,210,711	1,289,113
Other securities	51,521	45,519	85,438	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions	5,916	3,177	2,891
U.S. Government securities	4,474	4,829	6,773	Commercial banks	53,300	57,925	40,551
Other securities	463,907	458,418	471,444	Certified and officers' checks, etc.	114,887	93,055	155,647
Loans to nonbank financial institutions:				Total time and savings deposits	6,989,857	6,950,345	6,141,022
Sales finance, personal finance, factors, and other business credit companies	151,768	144,482	169,601	Individuals, partnerships, and corporations:			
Other	714,758	693,264	790,237	Savings deposits	1,145,466	1,138,566	1,210,157
Real estate loans	1,389,793	1,378,918	1,181,469	Other time deposits	3,867,451	3,873,323	3,249,738
Loans to domestic commercial banks	33,951	35,919	24,486	States and political subdivisions	1,835,545	1,781,414	1,536,025
Loans to foreign banks	53,470	59,336	15,750	U.S. Government (including postal savings)	7,991	19,424	25,253
Consumer instalment loans	1,054,133	1,051,892	957,837	Banks in the United States	99,942	111,278	107,634
Loans to foreign governments, official institutions, central banks, and international institutions	20	20	0	Foreign:			
Other loans	1,202,207	1,219,380	991,629	Governments, official institutions, central banks, and international institutions	23,616	26,320	11,095
Total investments	3,998,927	3,943,037	3,803,437	Commercial banks	320	20	1,120
Total U.S. Government securities	950,182	949,796	985,988	Federal funds purchased and securities sold under agreements to repurchase	3,300,638	2,964,154	1,943,667
Treasury bills	130,414	125,853	192,957	Other liabilities for borrowed money	174,965	157,291	244,605
Treasury certificates of indebtedness	0	0	0	Other liabilities	526,725	573,392	472,214
Treasury notes and U.S. Government bonds maturing:				Reserves on loans	168,962	167,808	142,045
Within 1 year	142,641	130,081	160,790	Reserves on securities	14,614	14,107	17,413
1 year to 5 years	516,911	522,924	440,645	Total capital accounts	1,258,912	1,251,489	1,158,623
After 5 years	160,216	170,938	191,596	TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	19,727,754	18,949,094	17,480,439
Obligations of states and political subdivisions:							
Tax warrants and short-term notes and bills	155,839	104,048	242,089				
All other	2,615,492	2,609,509	2,326,306				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans	18,484	9,431	14,138				
All other (including corporate stocks)	258,930	270,253	234,916				
Cash items in process of collection	1,609,807	1,522,657	1,441,486				
Reserves with Federal Reserve Bank	1,123,376	985,478	843,013				
Currency and coin	134,532	113,750	118,406				
Balances with banks in the United States	463,113	543,860	394,297				
Balances with banks in foreign countries	13,682	13,979	12,368				
Other assets (including investments in subsidiaries not consolidated)	854,303	839,445	672,129				
TOTAL ASSETS	19,727,754	18,949,094	17,884,436				

DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	DEMAND DEPOSITS			TIME DEPOSITS	
	Total	Adjusted ¹	U.S. Government	Total	Savings
1971: November	11,641	8,231	166	10,025	2,491
1972: 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
August	12,941	9,492	172	13,507	2,857
September	13,039	9,442	208	13,618	2,854
October	13,289	9,461	239	13,795	2,863
November	13,455	9,816	167	13,953	2,871

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

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	Nov. 28, 1973	Oct. 31, 1973	Nov. 29, 1972
ASSETS			
Loans and discounts, gross	19,461	19,091	17,021
U.S. Government obligations	2,239	2,225	2,338
Other securities	6,130	6,213	5,340
Reserves with Federal Reserve Bank	1,571	1,599	1,350
Cash in vault	377	347	318
Balances with banks in the United States	1,376	1,386	1,241
Balances with banks in foreign countries ^e	16	16	12
Cash items in process of collection	1,704	1,886	1,548
Other assets ^e	1,608	1,574	1,300
TOTAL ASSETS ^e	34,482	34,337	30,468
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,645	1,720	1,594
Other demand deposits	11,844	11,772	11,100
Time deposits	14,074	13,856	12,159
Total deposits	27,563	27,348	24,853
Borrowings	3,136	3,309	2,224
Other liabilities ^e	1,384	1,299	1,225
Total capital accounts ^e	2,399	2,381	2,166
TOTAL LIABILITIES AND CAPITAL ACCOUNTS ^e	34,482	34,337	30,468

e—Estimated

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Dec. 5, 1973	5 weeks ended Nov. 7, 1973	5 weeks ended Dec. 6, 1972
Total reserves held	1,874,271	1,822,236	1,734,604
With Federal Reserve Bank	1,558,273	1,513,871	1,454,854
Currency and coin	315,998	308,365	279,750
Required reserves	1,865,914	1,819,002	1,668,625
Excess reserves	8,357	3,234	65,979
Borrowings	53,797	113,755	48,802
Free reserves	-45,440	-110,521	17,177

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

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS ¹				DEMAND DEPOSITS ¹			
	Nov. 1973 (Annual-rate basis)	Percent change			Nov. 30, 1973	Nov. 1973	Annual rate of turnover	
		Oct. 1973	Nov. 1972	11 months, 1973 from 1972			Oct. 1973	Nov. 1972
ARIZONA: Tucson	\$16,051,087	20%	40%	37%	\$335,669	46.5	38.2	38.6
LOUISIANA: Monroe	5,247,178	12	21	19	120,567	43.1	38.7	37.6
Shreveport	18,552,918	6	23	21	325,053	55.8	52.3	48.9
NEW MEXICO: Roswell ²	1,341,391	4	35	22	51,218	26.3	25.5	22.3
TEXAS: Abilene	3,643,310	13	35	22	143,870	25.8	23.5	22.1
Amarillo	11,344,992	4	30	28	220,492	50.7	48.0	43.9
Austin	16,378,652	0	18	17	436,998	37.8	37.7	32.6
Beaumont-Port Arthur-Orange	9,673,631	13	30	19	288,103	33.3	29.3	26.9
Brownsville-Harlingen-San Benito	3,476,915	5	31	22	119,120	28.5	26.8	25.7
Bryan-College Station	1,755,913	7	25	15	58,271	30.4	28.9	26.6
Corpus Christi	9,706,918	16	19	15	283,714	34.3	29.7	29.7
Corsicana ²	673,798	0	19	24	42,124	16.7	17.2	15.6
Dallas	226,192,848	5	32	30	2,829,758	78.6	76.3	60.2
El Paso	12,478,751	4	13	18	297,604	40.5	37.6	35.4
Fort Worth	35,467,184	1	19	12	849,116	41.1	40.4	36.7
Galveston-Texas City	3,687,802	1	3	13	129,557	28.8	28.9	28.4
Houston	192,785,075	5	25	20	3,388,652	57.9	55.3	48.0
Killeen-Temple	2,530,136	7	23	25	119,179	21.6	20.2	18.7
Laredo	1,796,080	6	37	27	61,583	28.4	25.5	25.2
Lubbock	9,316,817	12	73	42	225,004	42.6	38.4	28.3
McAllen-Pharr-Edinburg	3,636,695	6	31	31	162,241	22.7	22.0	19.1
Midland	3,172,376	6	31	18	170,217	19.0	18.2	16.2
Odessa	2,449,991	6	30	22	102,110	23.2	21.6	17.0
San Angelo	2,118,278	-7	18	23	88,036	24.6	28.3	22.8
San Antonio	27,859,397	3	16	19	906,954	30.6	30.1	27.6
Sherman-Denison	1,551,115	-2	19	18	80,250	19.1	19.3	16.8
Texarkana (Texas-Arkansas)	2,068,172	1	14	13	90,237	22.8	22.2	21.3
Tyler	3,272,257	4	-10	7	118,274	26.9	25.2	30.6
Waco	4,239,934	-13	4	16	155,879	27.2	32.2	27.1
Wichita Falls	3,744,569	1	19	17	151,649	24.6	24.3	23.7
Total—30 centers	\$636,214,180	5%	26%	23%	\$12,351,499	51.4	49.2	42.5

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	Dec. 19, 1973	Nov. 21, 1973	Dec. 20, 1972
Total gold certificate reserves	658,072	488,130	211,268
Loans to member banks	51,630	31,895	191,155
Other loans	0	0	0
Federal agency obligations	77,710	77,257	51,019
U.S. Government securities	3,346,149	3,309,812	3,294,919
Total earning assets	3,475,489	3,418,964	3,537,093
Member bank reserve deposits	1,774,638	1,637,433	1,392,108
Federal Reserve notes in actual circulation	2,439,627	2,395,277	2,280,725

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	Nov. 1973	Oct. 1973	Sept. 1973	January—November	
				1973	1972r
FIVE SOUTHWESTERN STATES¹					
Residential building	1,011	1,132	904	11,154	10,453
Nonresidential building	368	385	385	5,000	5,362
Nonbuilding construction	339	356	368	3,797	2,760
Nonbuilding construction	304	391	152	2,356	2,331
UNITED STATES					
Residential building	7,905	8,983	8,151	94,405	84,549
Nonresidential building	3,299	3,673	3,638	43,961	41,849
Nonbuilding construction	2,655	2,758	2,719	29,592	24,833
Nonbuilding construction	1,951	2,552	1,794	20,853	17,867

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

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER		VALUATION		Percent change		
	Nov. 1973	11 mos. 1973	Nov. 1973	11 mos. 1973	Oct. 1973	Nov. 1972	11 months, 1973 from 1972
	Nov. 1973 from						
ARIZONA							
Tucson	360	5,482	\$5,288	\$144,611	-4%	-52%	-10%
LOUISIANA							
Monroe-West							
Shreveport	51	810	703	25,104	-60	0	10
TEXAS							
Abilene	64	769	666	22,941	-77	-58	40
Amarillo	132	1,714	2,100	48,175	-69	39	58
Austin	404	5,159	22,544	224,151	34	108	2
Beaumont	191	2,144	898	34,844	-29	-17	37
Brownsville	112	1,081	5,345	37,860	-44	382	186
Corpus Christi	208	2,947	2,493	52,252	-61	-36	-9
Dallas	1,368	17,544	28,850	300,744	137	-12	-17
Denison	21	290	21	3,660	-97	-98	-5
El Paso	380	5,498	5,789	162,229	-66	-44	1
Fort Worth	350	4,038	3,952	109,026	-74	-33	29
Galveston	59	598	736	10,851	-74	-2	-13
Houston	1,793	27,798	50,682	639,533	-28	-3	9
Laredo	38	465	599	16,178	-31	100	29
Lubbock	114	1,643	4,215	70,403	-53	-41	20
Midland	64	838	1,050	12,372	61	66	-28
Odessa	71	1,067	824	15,907	-77	-20	-30
Port Arthur	60	1,033	885	6,058	92	523	22
San Angelo	65	840	1,678	10,555	155	132	31
San Antonio	1,313	18,736	14,623	215,786	10	11	3
Sherman	31	396	15,936	21,452	3,845	1,773	193
Texarkana	56	573	220	5,390	-25	-57	-20
Waco	159	2,238	3,289	35,344	230	-10	-2
Wichita Falls	70	830	901	36,683	-89	9	160
Total—26 cities	7,947	109,658	\$176,780	\$2,336,447	-17%	2%	6%

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	Nov. 1973	Oct. 1973	Nov. 1972	Percent change from	
				Oct. 1973	Nov. 1972
FOUR SOUTHWESTERN STATES					
Louisiana	6,551.3	6,754.6	6,871.4	-3.0%	-4.7%
New Mexico	2,134.5	2,241.8	2,427.3	-4.8	-12.1
Oklahoma	265.1	267.6	293.6	-0.9	-9.7
Texas	523.5	527.0	549.3	-0.7	-4.7
Gulf Coast	3,628.2	3,718.2	3,601.2	-2.4	.8
West Texas	713.0	732.4	721.8r	-2.7	-1.2
East Texas (proper)	1,882.2	1,918.1	1,813.2	-1.9	3.8
Panhandle	243.0	251.2	212.6	-3.3	14.3
Rest of state	60.4	64.2	62.2	-5.9	-2.9
Rest of state	729.6	752.3	791.4	-3.0	-7.8
UNITED STATES	9,130.5	9,342.6	9,442.4	-2.3%	-3.3%

r—Revised

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

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	Nov. 1973p	Oct. 1973	Sept. 1973	Nov. 1972
TEXAS				
Total industrial production	142.2	142.7	140.2r	134.0
Manufacturing	147.3	147.8	145.4r	136.4
Durable	164.2	163.0	161.3	150.3
Nondurable	135.1	136.9	133.8r	126.3
Mining	124.5	126.1	120.8r	121.5
Utilities	162.1	158.6	165.7r	160.0
UNITED STATES				
Total industrial production	127.2	127.0	126.8r	120.2r
Manufacturing	126.9	126.4	126.4r	119.5r
Durable	124.0	123.9	123.4r	115.3r
Nondurable	131.1	130.1	130.7r	125.6r
Mining	111.4	112.1	112.0r	109.7r
Utilities	152.9	155.6	155.8	148.2r

p—Preliminary

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

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States¹

(Seasonally adjusted)

Item	Thousands of persons			Percent change Nov. 1973 from	
	Nov. 1973e	Oct. 1973	Nov. 1972r	Oct. 1973	Nov. 1972
Civilian labor force	9023.5	9052.6	8751.3	-0.3%	3.1%
Total employment	8703.3	8684.5	8418.5	.2	3.4
Total unemployment	320.2	368.0	332.8	-13.0	-3.8
Unemployment rate	3.6%	4.1%	3.8%	² -5	² -2
Total nonagricultural wage and salary employment	7199.8	7174.7	6914.6	.3	4.1
Manufacturing	1256.9	1251.3	1208.8	.4	4.0
Durable	710.1	705.1	668.6	.7	6.2
Nondurable	546.8	546.2	540.2	.1	1.2
Nonmanufacturing	5942.9	5923.4	5705.8	.3	4.2
Mining	236.4	236.0	231.4	.2	2.2
Construction	505.5	504.2	474.9	.3	6.4
Transportation and public utilities	487.9	487.1	470.2	.2	3.8
Trade	1718.7	1714.0	1648.6	.3	4.3
Finance	393.0	391.5	368.7	.4	6.6
Service	1176.9	1170.4	1125.0	.6	4.6
Government	1424.6	1420.2	1387.0	.3%	2.7%

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

2. Actual change

e—Estimated

r—Revised

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

SOURCES: State employment agencies
Federal Reserve Bank of Dallas (seasonal adjustment)

TOTAL OIL WELLS DRILLED

Area	Third quarter 1973	Second quarter 1973	Percent change	1973 cumulative	Percent change from 1972 cumulative
FOUR SOUTHWESTERN STATES	1,379	1,426	-3.3%	4,208	-17.2%
Louisiana	207	188	10.1	638	-10.6
Offshore	72	49	48.9	216	24.1
Onshore	135	139	-2.9	422	-21.9
New Mexico	59	61	-3.3	212	-48.4
Oklahoma	219	221	-9	636	-22.2
Texas	894	956	-6.5	2,722	-13.4
Offshore	2	2	-	6	-
Onshore	892	954	-6.5	2,716	-13.5
UNITED STATES	2,497	2,219	12.5%	7,190	-17.1%

SOURCE: American Petroleum Institute

Marketings of fed cattle in November slipped a little from the previous month but were greater than a year earlier.

The index of prices received by Texas farmers and ranchers rose slightly in the month ended November 15, as higher crop prices more than offset lower livestock prices. The index was 49 percent above the year-earlier level. Average prices paid by U.S. farmers also rose marginally in the month ended November 15 and, for the second consecutive month, were 16 percent higher than a year before.

Cash receipts from farm marketings in District states through October 1973 rose to nearly \$8.4 billion—39 percent higher than in the same period in 1972. Crop receipts showed the largest relative advance, as the \$3.1 billion total was 73 percent more than in the same period a year earlier. Livestock and livestock product receipts, at nearly \$5.3 billion, were 25 percent ahead of the first ten months of 1972.