Federal Reserve Bank of Dallas

Business Review

May 1974

Farm Trade–
Farmers on Threshold Of New Opportunity

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Farmers on Threshold Of New Opportunity

American farmers have found themselves a much more important element in world agricultural markets in recent years. Farm exports for the trade year ending June 30 will probably be 150 percent greater than only two years earlier. They could well reach $20 billion in the current trade year–far in excess of the record $13 billion shipped last year.

There have been a number of factors spurring the sharp increase in exports, ranging from the opening of trade with Communist countries to the shortfall in agricultural production over much of the world. These developments, however, have overshadowed the fact that more fundamental, longer-range forces have been expanding the role of American agriculture in world trade for some time. Farm shipments have been on the upswing for at least 20 years, and expectations are for even greater U.S. participation in foreign markets in the future.

Projected growth in world population and in per capita incomes over the next decade suggests an ever-expanding demand for agricultural products. And while the production of agricultural goods throughout the rest of the world is expected to grow as well, it will probably not keep up with the overall increase in demand. In addition, future growth in agricultural production is not likely to be stable from year to year nor to be distributed evenly throughout the world. All these developments suggest an increasingly important role for agriculture in world trade.

The American farmer is likely to play a central role in meeting the increased demand for agricultural products worldwide. The United States has one of the most favorable climates for farming, has the most advanced agricultural technology in the world, and has vast reserves of cropland that have been withheld from production.

As the demand for farm products increases, the country is in an especially favored position to meet this expansion. Additional land can be brought under cultivation; and if farm prices and incomes are maintained, further capital investment and technological improvements can economically be made. Therefore, despite recent disruptions, the United States can step up its farm output significantly, supplying not only domestic needs but also much of the projected increase in world demand.

The evolving world market

The Soviet grain deal was, of course, the biggest event in agricultural trade in many years. Signaling the opening of new markets for U.S. farm products–first in the Soviet Union and then in Communist China–it led eventually to the United States shipping grain to markets serving another 1.2 billion people. In terms of population, that represented a 50-percent increase in the markets served by U.S. farmers.

The resulting surge in foreign shipments was followed by sharp advances in domestic food prices. But the increase in domestic food prices and in foreign shipments also reflected a more fundamental development–even with no decline in production, the world supply of food would be tight relative to demand. This growing scarcity has been affecting food prices and trade worldwide.

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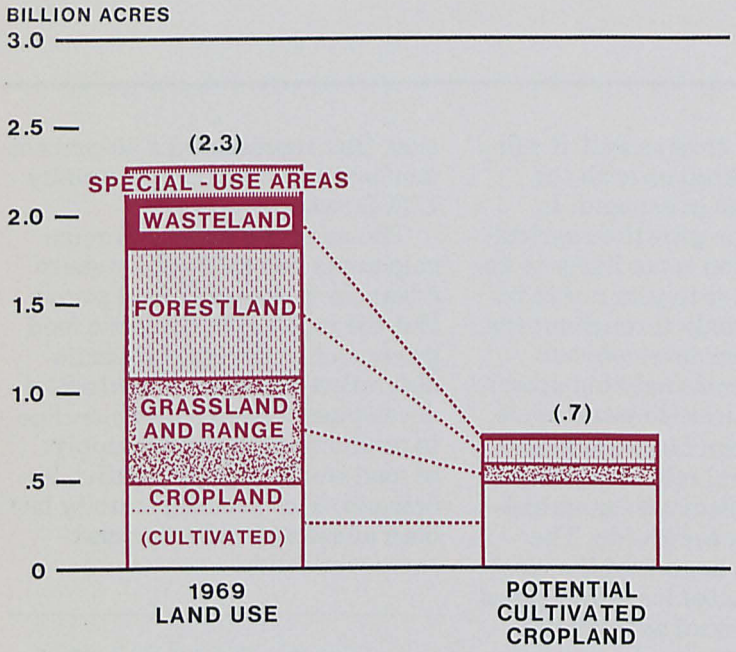
The recent decline in the supply of food was the result of temporary conditions, such as drouths and floods overseas, and the beginning of Communist purchases in world markets. But more basic changes that had been settling over world markets for some time also contributed to the relative shortage. And it is these basic changes–the growth in world population, increased consumer demand, and general improvements in trade relations–that will determine the future flow of agricultural trade.

The area of greatest uncertainty is trade relations. Despite vestiges of protectionism in the United States and recurring calls for more protection, this country has been a leader in broad multinational efforts to reduce artificial trade barriers. Some of these efforts,

NOTE: Projections in this article are basically extrapolations of historic trends. Judgmental inflections have been incorporated where structural changes are assumed. These modifications, while in line with recent U.S. Department of Agriculture analyses of patterns of agricultural trade, do reflect some independent interpretations by the authors.

Cultivated acreage could be doubled with shifts in use of land



SOURCE: U.S. Department of Agriculture

such as the General Agreement on Tariffs and Trade, have been formally undertaken. Others have been voluntary reciprocal agreements. Both types have yielded progress toward freer trade.

Although the situation has been changing in recent years, agricultural trade agreements have tended to lag other agreements, partly reflecting concern in some countries over becoming dependent on foreign sources for basic commodities. The basis for such concern was pointed up last year, most dramatically, by the imposition of the Arab embargo on oil and also by the brief U.S. embargo on soybeans.

More important in holding back the movement toward freer farm trade, however, have been differences in the productive efficiencies of farmers in various countries. In countries where agriculture is not highly productive, there has been resistance to exposing farmers to the competition of world markets. This has been especially true in countries where farmers have had the political strength to protect their domestic markets.

Affluence has created demands for diets of higher quality and greater variety, and these demands must be met largely through increased trade.

Several developments are occurring, however, to reduce the resistance to freer trade. The most important has been the general uptrend in per capita incomes throughout the world. Affluence has created demands for diets of higher quality and greater variety, and these demands must be met largely through increased trade.

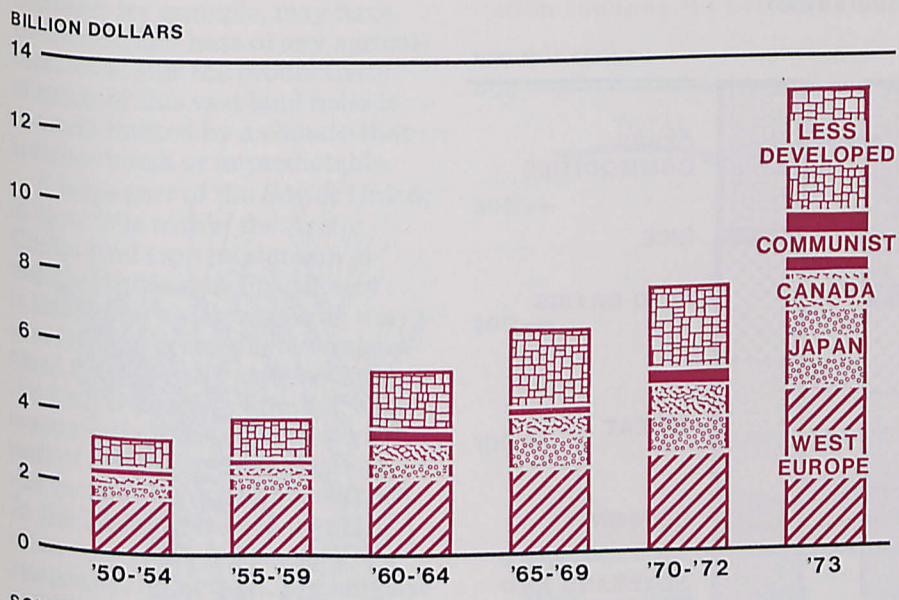
Rising incomes in Europe have been central to dispelling some of the apprehension in this country over implementation of the European Economic Community's common agricultural policy. Although the policy is clearly protectionist, countries in the EEC have continued to increase their demand for agricultural imports. The mix of commodity imports has changed with implementation of the policy, but the EEC has not closed out imports. In fact, to satisfy consumers, it will have to become an even larger importer of food.

Consumer pressure in the six original member nations (Belgium, Luxembourg, the Netherlands, France, Germany, and Italy) has already dissipated some of the influence of the farm bloc that had pushed for protection in the European Common Market. And with the addition of the United Kingdom, Denmark, and Ireland, the power of this bloc promises to be diluted still further.

Another factor contributing to the outlook for expansion in world farm trade is the lack of significant or even potential agricultural production gains in most areas. At one time, it was generally believed that with new crop varieties and technologies, many less developed countries could be transformed from net food importers to net food exporters. The promise of this Green Revolution has not materialized, however.

Although many of the less developed countries have achieved significant gains in production, few have achieved self-sufficiency in food. Limited access to the necessary capital and technology, large existing food deficits, rapidly expanding populations, and such setbacks as the recent prolonged drouths in India and Africa have combined to preclude the market-

U.S. farm export markets expand rapidly in 1973



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

glutting surpluses once expected. In fact, commercial shipments to almost all these countries have been increasing.

Opportunities for trade . . .

Historically, most agricultural trade has been between the more developed countries. In the United States, two-thirds of the farm exports have gone to developed countries. Although less developed countries account for a far larger proportion of world population and a smaller supply of food, per capita, than do developed countries, they have not had the income to compete effectively in world markets.

By 1985, world population will approach 5 billion, or 35 percent more than in 1970, if past trends are continued. The world's production of goods and services should increase even faster–possibly expanding some 75 percent by 1985. The disproportionate distribution of wealth and population is likely to continue, however. The net effect–given current growth trends of countries–would be roughly a fourth of the world's people producing about four-fifths of its goods and services.

With all areas expected to show some economic growth, however, expanding populations in less developed countries will also contribute to a vastly broader base for future demand, ensuring not only near-term growth in agricultural trade but also the need for a longer-term increase in the rate of growth in agricultural output. Even a slight increase in the trends already established in agricultural trade would raise the projected world total in 1985 to 75 percent more than in 1970. In constant 1970 dollars, that would be an agricultural trade year of close to $80 billion.

. . . in developed areas . . .

The more economically developed countries have always been the source of the greatest demand for farm commodities from the United States. This is even more so now that the Soviet Union has been added to the nations trading with the United States. And with the change in types of farm products demanded, countries in Western Europe are more inclined to seek U.S. farm commodities.

Despite some efforts within the Common Market to limit farm imports, Western Europe has long provided American farmers their most important export market. As population continues to press on the arable land in Europe and incomes there rise, it will become an even more important market.

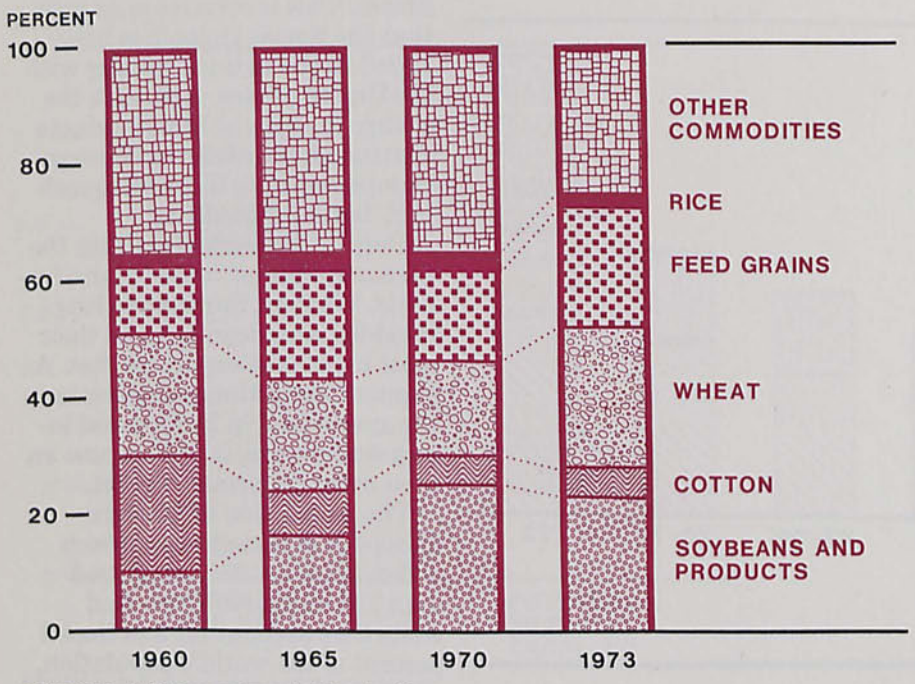
The population of Western Europe is expected to approach 400 million by 1985, compared with 335 million in 1970. And while they account for less than 8 percent of the world's population, the countries of Western Europe will have boosted their combined economic product to more than a fifth of the world total. The result could be a near-doubling in per capita income.

. . . with the change in types of farm products demanded, countries in Western Europe are more inclined to seek U.S. farm commodities.

Despite this increase in total production, agricultural gains will probably be fairly slight. With only about 6.5 percent of the world's arable land (less than 250 million acres), Western Europe cannot meet its increased demand for food.

And with the outlook for incomes in Europe to rise rapidly, the sharpest increase in demand is apt to be for livestock products. Since livestock production is land-extensive, import demand will

Soybeans and grains dominate U.S. farm exports, making up a larger share of the total in 1973



SOURCE: U.S. Department of Agriculture

probably increase rapidly, not only for meat but also for feed grains and protein meal.

At present, Japan is the largest single-country market for U.S. farm exports. And although growth in purchases of farm products from the United States by Japan may slow in the years ahead, that country is likely to continue for some time as the largest such market for U.S. farm exports.

The pressure of population on the available agricultural land in Japan is extreme. With one of the highest population densities in the world, the country has limited potential for increasing its agricultural production.

But the population of Japan is also one of the slowest growing in the world. The increase has been averaging less than 1 percent a year. In marked contrast to its growth in population, Japan has had the fastest economic growth among industrialized nations. Growth in its gross national product has averaged over 10 percent a year for the last decade.

Such rapid economic expansion would be hard for any country to maintain for long, and the Japanese economy has begun to show signs of slowing. But if Japan maintains its current growth rates for population and economic activity, it would have about 2.5 percent of the world's population in 1985 and these 120 million people would be turning out roughly 12 percent of the world's goods and services. Even with a decided slowing in economic growth, they will still have a vastly expanded capacity for consumption. One reason, in fact, for expecting a slowing in economic growth is that some spending that once went into investment may now be going for consumption.

Most of the anticipated increase in demand can probably best be met by imports from the United States. Soybeans will likely remain a major import item for Japan, as they make up a large part of the Japanese diet. But as the Japanese eat more beef, they will have to rely even more on imports. To support cattle feeding operations at home, they, like the West Europeans, will need to ship in still more protein meal and feed grains.

Even with a decided slowing in economic growth, the Japanese will still have a vastly expanded capacity for consumption.

Together, the Soviet Union and Eastern Europe account for about a fifth of the world's arable land–

some of it highly productive. The Ukraine, for example, may have the richest soil base of any agricultural area. But the productivity of much of this vast land mass is severely limited by a climate that is either harsh or unpredictable.

A large part of the Soviet Union, in fact, falls within the Arctic Circle. And crop production in much of the rest of the country is limited by a short growing season. Even in areas where temperatures are generally satisfactory, the land is prone to drouths. This is especially true in the eastern part of the country, where more and more grain is being planted. In the Ukraine, lack of rainfall often cuts yields, sometimes disastrously. As a result, not only are yields irregular but the variety of crops is sharply restricted.

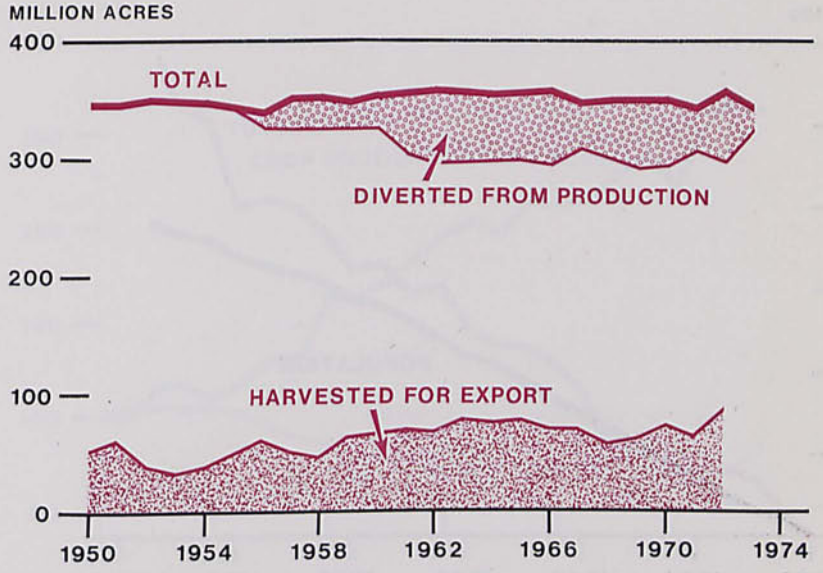
With projected increases in income and population, the Soviet Union and other Communist countries in Europe will very probably look more to imports as a complement to their agricultural production in the years ahead. The combined population of this area could exceed 400 million by 1985, and per capita income in Communist countries by that time is expected to average over twice that in 1970.

But in addition to this fairly steady increase in demand for foreign food, Communist countries are also likely to increase their foreign purchases very sharply when yields are off. This will be particularly true in Eastern Europe.

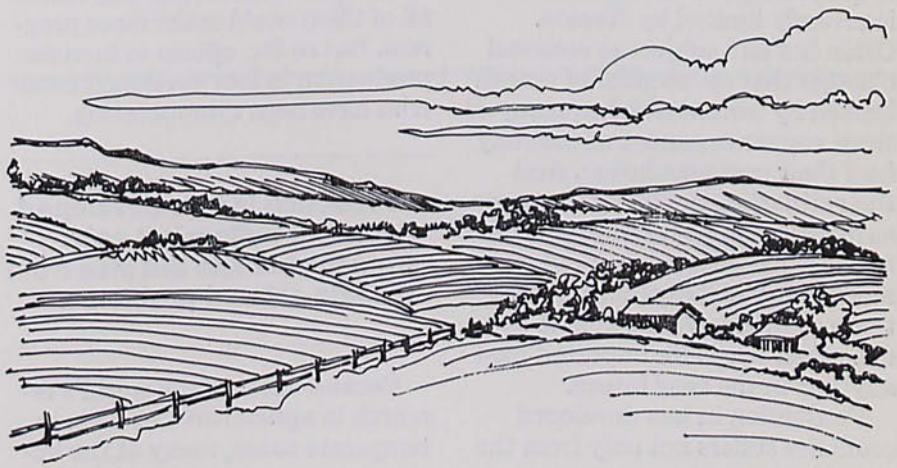
Australia and Canada are both major competitors of the United States in farm trade but are also markets for some U.S. farm products. Of the two, Canada is the more important. In spite of its immense land mass, Canada is so far north that it has only a little more than 100 million acres of arable land.

Australia, too, covers a large area but has a broader range of

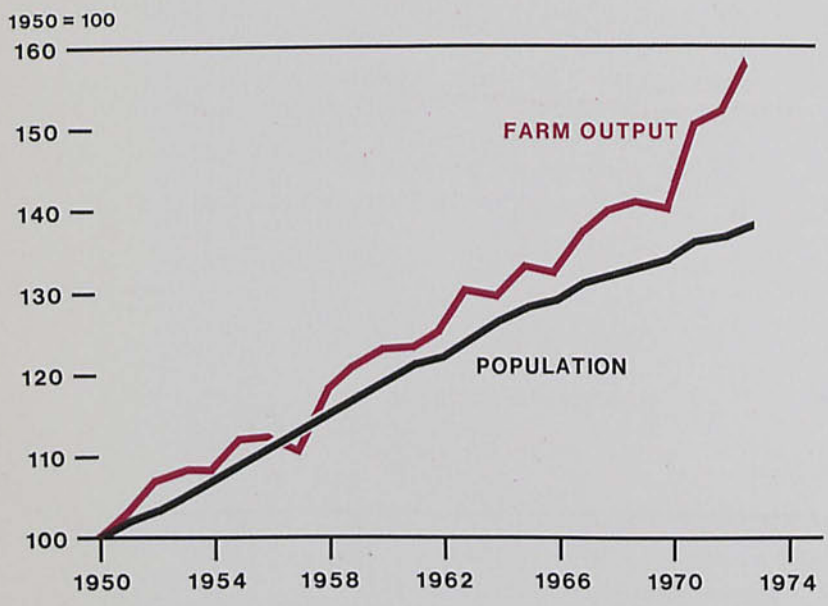
As agricultural exports rise, nation reduces its set-aside acreage



SOURCE: U.S. Department of Agriculture



Gains in agricultural production exceed population growth in United States . . .



1973 preliminary
SOURCE: U.S. Department of Agriculture

climatic zones. It is the driest continent, however, and has only a little over 110 million acres of arable land. Production in Australia has been off for the last few years because of drouth.

. . . and less developed areas

Agricultural production in most of the less developed countries of Africa, Asia, and Latin America is severely limited by climate. Often hot and subject to seasonal changes that see months of drouth broken by torrential rains, many of these countries cannot adequately feed their own population. And their situations are likely to worsen as increases in population continue to boost the demand for food, removing any real expectation that these countries will be able to reduce their needs for imported food anytime in the near future.

Production in less developed countries suffers not only from the climate but also from climate-related problems. Much of the land is leached of nutrients, and the incidence of insects and diseases is usually higher than in the rest of the world.

Some progress has been made in increasing farm output in these countries. A few countries, in fact, have made decided progress. And with capital improvements, almost all of them could make more progress. But so far, efforts to increase production in less developed countries have been disappointing.

Production in less developed countries suffers not only from the climate but also from climate-related problems.

Because most of the world's research in agriculture has been in temperate zones, many of the improved strains of crops and livestock are not suitable for the tropics. Moreover, where new varieties have been successfully introduced into less developed countries, gains in farm output have gone mainly into efforts to reduce existing food shortages. The diets of the population of less developed nations in 1970 were estimated to be deficient by an average of about 300 calories per person per day. That was about an eighth less than what the United Nations considered an adequate diet in these countries.

Population increases have prevented much progress in closing the food gap, and most of these countries certainly do not have surpluses of staple commodities for export. Nor do they have the marketing, transportation, and processing facilities to handle increased flows of farm products–even if such flows could be developed.

These countries, then, will be net importers of farm products for the foreseeable future. Implementation of suitable technology requires enormous investment, as does the infrastructure needed to support a commercial agriculture. Without a massive inflow of capital into less developed countries, technology alone offers little hope of solving their agricultural problems.

Projections show three developing areas–Africa, Asia, and Latin America–with roughly three-fourths of the world's population in 1985. And although some estimates indicate their people may be producing no more than a fifth of the world's goods and services, recent developments indicate that some of them might be in a position to make effective demands on the world supply of such commodities as soybeans.

With the increase in incomes elsewhere in the world, some of these countries may be able to increase their exports of specialty items, such as bananas and coffee.

And others may be able to turn to larger shipments of lumber and minerals. Recent price developments suggest that this group–especially petroleum-producing countries–could be in a vastly improved trading position.

Many of the less developed markets presently served by the United States are in Asia. That continent is expected to have well over half the world's population in 1985. But as the proportion of world population in Asia rises, its share of total production is expected to lag. By 1985, countries of Asia could be producing only about a tenth of the world's goods and services.

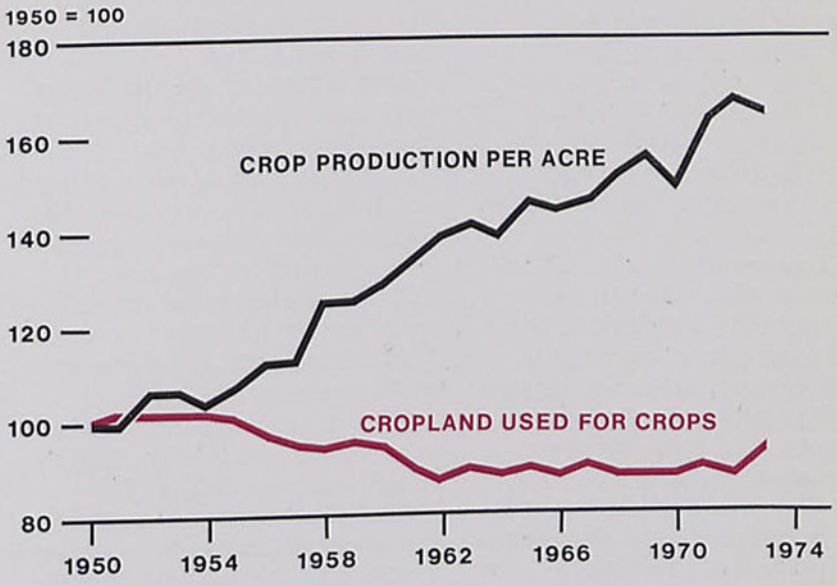
Japan is the only country in Asia that does not fall into the less developed category. India and China dominate the continent, together accounting for roughly two-fifths of the population projected for the world in 1985. To feed this population of some 2 billion, they have less than a fifth of the world's arable land.

. . . as the proportion of world population in Asia rises, its share of total production is expected to lag.

China has a fairly good soil and climate mix, but its agricultural production is strained by the demands of its population. Production in India is subject to monsoon weather patterns. Failure of the monsoons, or shifts in their timing, can cause drouths or floods–both of which have cut production the past couple of years.

The resulting projected deficiency in food production in these two countries implies an enormous dependence on imports. But, together, they will probably produce less than 5 percent of the world's goods and services in 1985, which

. . . as sharp rise in yields requires cultivation of fewer acres



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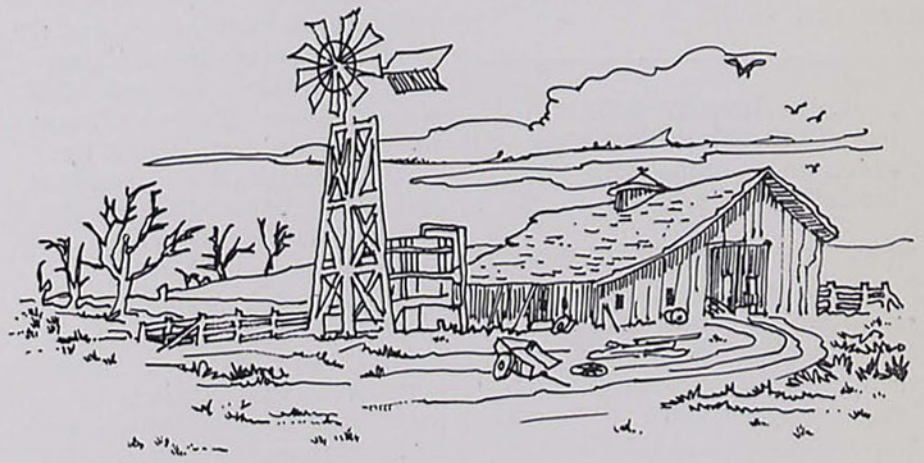
SOURCE: U.S. Department of Agriculture



would clearly restrain their economic ability to buy much abroad.

The ratio of population to land is much better in Africa than in Asia or Latin America. And that will probably still be the case in 1985. With about 14 percent of the world's arable land, the continent will probably have only about 10 percent of the population at that time.

But because of climate, this ratio is not as advantageous as it might seem. Without extensive capital inputs, most of Africa is too hot, too wet, or too dry for producing agricultural commodities. Nor are marked gains in the production of other goods likely for Africa. Taken as a whole, the continent is expected to produce less than 2 percent of the world's goods and services in 1985. That will give it the smallest share of world income of any major population area.

. . . Latin America suffers from both population pressures on its arable land and limitations of climate.

Mexico and Venezuela are already important buyers of U.S. farm products. The proximity of the United States to Latin America and the good trade relations already established in the Western Hemisphere suggest other Latin countries could also become important buyers.

But Latin America suffers from both population pressures on its arable land and limitations of climate. And its share of total world output is not expected to exceed 4 percent in 1985. Still, with only 8 percent of the world's population, even a modest rise in income levels could be enough to stimulate import demand for food in many Latin American countries.

Brazil, for example, gives promise of becoming an active purchaser of food from the United States. Although a large land mass, Brazil has only about 75 million acres that are arable. And its climate reduces the variety of crops that can be grown.

Although farm surpluses have been forecast for Argentina, that country also has some problems of land and climate. The few agricultural surpluses that are anticipated are not likely to be enough to make any great difference in world markets.

Mexico has made major gains in output in recent years. Trade based on the proximity of the United States and mutual needs of the two countries is apt to increase, however, as most of Mexico's additional production has gone to feed its expanding population.

Overall world population growth indicates not merely continued demand for farm products but continued increases in demand. Most of the increase will come, of course, from more developed countries. But with less developed countries also making gains in income, the rise in demand is apt to be increasingly more worldwide.

As other countries seek to complement their own farm production and upgrade diets by increasing imports, the outlook is for a premium to be placed on soybeans, feed grains, and livestock products –all commodities in which the United States has a competitive advantage. Its ability to take advantage of this opportunity for greater foreign sales will depend on the growth in demand at home and increases in domestic agricultural productive capacity.

U.S. capability to produce

Unique among the countries of the world, the United States has the land, climate, market network, and technology to produce far more farm products than it can consume. In fact, until the last couple of years, American agriculture has been plagued with surpluses.

Excess capacity at a time when world demand for food is rising faster than foreign production capability places the United States in a highly favorable position for further increasing its exports. Much of this bright prospect is based on the fact that the United States has one of the world's most favorable land-population ratios. With only about 7 percent of the world's land mass, this country has more than 12 percent of the world's arable land. And in 1985, it is likely to have no more than about 5 percent of the world's population.

Even more important, however, is the amount of land with a good climate for farming. The United States has about half the world's farmland with long summers of adequate rainfall. These conditions combine with the fertile soil of the Midwest to provide–in roughly the Corn Belt–the most flexible area of agricultural production in the world.

In addition, the United States has about a third of the world's humid subtropical farmland. Typified by the old Cotton Belt across the southern states, this area has a very desirable climate for general agricultural production.

There are also other large areas of the United States having climates that further extend the variety of production and the flexibility of response to changes in demand. These include, for example, the short, humid summers far inland that favor grain crops in the upper Midwest, the dry continental climates suitable for livestock operations in the western states, and the mild coastal climates that favor specialty crops on the West Coast.

These natural endowments–coupled with improvements in ag-

ricultural technology that have vastly expanded productivity and lowered average costs–have allowed the United States to supply the domestic market with more food of higher quality and greater variety than any other country. But this combination of factors has also allowed this country to become the world's largest exporter of agricultural products. Even while withholding about 15 percent of its acreage from production in recent years, the country has still been able to export roughly a fifth of its farm output.

. . . much of the [U.S.] cropland that has been held out of production in the past constitutes a reserve that can be used for export production.

While domestic demands on these resources will continue to rise with the increases in population and per capita consumption, projections suggest that productivity will rise roughly in line with demand. These parallel movements–estimated at 2 percent a year for crops–mean that much of the cropland that has been held out of production in the past constitutes a reserve that can be used for export production.

Much of the reserve of 50 million to 60 million acres was released for production in late 1972. Although the late release and unfavorable weather kept this additional land from being put into production then, part of it was used in 1973. With demand continuing to rise, virtually all of this reserve is being used in 1974.

There is, in addition, substantial acreage that is not under cultivation at present. Additional cropland could be drawn from about 260 million acres currently classified as permanent pasture, woodland, and marginally productive land. With substantial capital investment, crops could be profitably produced on at least a third of this land. If world demand continues to keep prices at levels justifying the necessary improvements, considerably more acreage could be brought under cultivation in a few years.

Other factors contributing to the competitive advantage of the United States in agriculture include its marketing system and transportation networks. Because much of the large-scale farming developed far from population centers, an extensive marketing system was needed. As it has developed, it allows rapid responses to changes in demand. Because the nation is closely linked all across its heartland by interconnecting railways, highways, and waterways tying farm-market areas to ports on two oceans, it has advantages in moving farm products that no other country has matched.

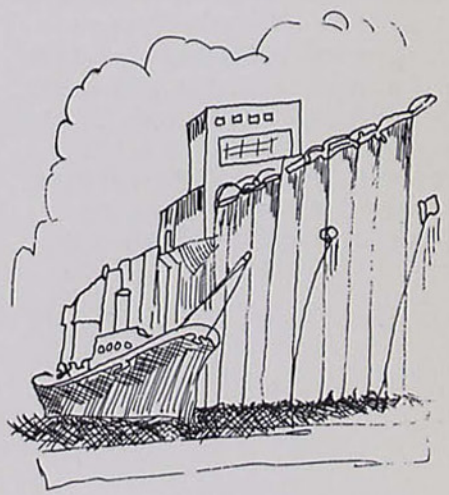
Agricultural research is more advanced in the United States than in any other country, as are its commodity markets. Both activities add to the flexibility of American agriculture.

Part of the productivity of farmers in this country is due to the size of their operations. Compared with farms in other countries, farms in the United States are typically large. This is especially true for commercial farms, which produce more than three-fourths of the nation's farm products. And there is a steady trend toward consolidation of farmland, along with associated efficiencies.

Closely related to the large size of farms is the heavy investment in agriculture and its supporting industries. The country has, for example, 30 percent of the world's tractors. It produces about a fourth of the world's fertilizer. The United States also has a dispro-

Value of farm exports surges ahead of volume

1974 projected
SOURCES: U.S. Department of Agriculture
Federal Reserve Bank of Dallas



portionate share of other production and marketing capital assigned to increase the efficiency of farmers.

Outlook for domestic production

Agricultural production in the United States will, no doubt, increase rapidly over the next few years. The largest increase is likely to be in crops. With continued improvements in yields and the release of millions of acres of cropland previously idled under Government programs, crop production by 1985 could well be over 40 percent greater than in 1970.

Livestock production, led by beef and poultry, will also expand rapidly, probably staying well ahead of the growth in population. Projections indicate that livestock production could reach a level in 1985 about a fourth higher than in 1970. Most of this gain will be absorbed in markets at home. But even with the projected growth in domestic population and consumption, some of the additional production will be available for export.

In crops, the fastest growth will, most likely, be in the two that give the United States its greatest competitive advantages–soybeans and feed grains. This country already produces two-thirds of the world's soybeans and about a third of its feed grains. Soybean production could double by 1985, and feed grain crops by then should total about 50 percent more than in 1970. And foreign shipments of these two crops are expected to double by 1985.

The growing importance of soybeans and feed grains gives the United States a distinct advantage in world farm trade.

The United States is also a major producer of both cotton and wheat, accounting for about 19 percent and 14 percent of the respective world totals. Production of these crops should be up about a fifth by 1985. On this basis, supplies would be ample to meet not only domestic demand but also rising foreign demand. However, both these crops can be grown in many parts of the world. And although export gains are expected, foreign competition will probably limit the extent of the increase in cotton and wheat.

Rice production probably will be up about a third. While the United States produces only a very small share of the world's rice, it is the leading exporter, and almost all production gains would go into world markets.

The growing importance of soybeans and feed grains gives the United States a distinct advantage in world farm trade. And as a result, it will probably take a larger share of the world market. In volume, U.S. farm shipments in 1985 could be double the 1970 level and be even more in dollar terms.

The world needs U.S. agricultural products. At the same time, the United States needs to export more farm products to help offset the increase in imports–especially of petroleum. And this mutual need and the resulting mutual gain in improved trade relations should be to the advantage of American farmers.

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

New member bank

The Western National Bank, Duncanville, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business April 8, 1974, 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: Bill D. Beall, President, and Jim R. Boothe, Vice President and Cashier.

New par banks

The Marion State Bank, Marion, 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 April 1, 1974. The officers are: H. D. Green, Chairman of the Board; C. W. Sehon, President; K. S. Thompson, Vice President; R. A. Tucker, Vice President; G. V. Sehon, Executive Vice President and Cashier; and Dianne Gulley, Assistant Cashier.

The First Bank, Balch Springs, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, April 4, 1974. The officers are: Robert E. Edgmon, President, and Dean Morris, Vice President and Cashier.

Research Department
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Federal Reserve Bank of Dallas
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Statistical Supplement to the Business Review

Seasonally adjusted industrial production in Texas rose slightly in March. Since November, industrial output has fluctuated within a narrow range, showing no discernible trend. The gain centered in manufacturing, where production of nondurable goods was up 2 percent. Petroleum refining accounted for most of the strength, increasing 14 percent after four consecutive months of decline. The higher level of refinery production—reflecting stepped-up imports of crude oil—resulted in an increase in capacity utilization to 84 percent from 76 percent in February.

Output of apparel continued to drop in March. And the production of food and allied products fell by nearly 6 percent—apparently in response to the recent softening of consumer demand for meat being felt at packinghouses.

Durable goods manufacturing was essentially unchanged from the month before. Mining was off slightly, due to lower production from aging oil fields in Texas, although the output of utilities increased considerably.

Total loans and investments at weekly reporting banks in the Eleventh District rose substantially in the five weeks ended April 24 after having increased only moderately earlier in the year. The rise was concentrated in loans, particularly to businesses and nonbank financial institutions. Demand for real estate and consumer instalment loans, however, was somewhat less than usual for this period.

As loan demand began to rise, total deposits at reporting banks declined contraseasonally. There were reductions in both demand and time and savings deposits. Recent increases in market rates of interest probably induced some depositors to withdraw or divert funds from banks to high-yielding market securities.

The decline in deposits led banks to look to increased borrowing in the Federal funds market and from the Federal Reserve Bank. Also, banks made adjustments in security holdings to finance the increase in loan demand. Net purchases of Federal funds increased much more than usual over this five-week period. At the same time, banks reduced their holdings of Government securities and cut net acquisitions of other securities well below the amount they usually acquire that time of year.

Seasonally adjusted employment in the five southwestern states fell slightly in March from the month before. The loss centered in manufacturing—especially durable goods production—and construction. Consequently, jobless statistics were up substantially. The unemployment rate reached 4.6 percent, compared with 4.4 percent in February.

Department store sales in the Eleventh District remain strong. Seasonally adjusted sales accelerated to a 2.6-percent rate of growth from mid-March to mid-April. Purchases have now increased in five of the last six months.

The decline in new car sales in Texas slowed in March. Seasonally adjusted registrations of new cars were 6 percent lower than in February but were off 36 percent from a year before. Year-earlier comparisons in this case, however, overstate the magnitude of the current slump in new car sales. March 1973 remains the record month for new car registrations in Texas, reflecting the surge in foreign car sales following devaluation of the dollar a month earlier.

The cattle feeding industry in the Southwest reported a severe drop in earnings in the first quarter. Most feeders suffered substantial losses, primarily because the price received for fed cattle declined sharply relative to feeder cattle, grain, and other feeding costs. In response to these developments, the number of cattle on feed in Texas on April 1 slipped below the year-earlier level. And significantly fewer cattle were placed on feed in March than in the same month a year before.

As a result of the decline in cattle feeding activity, only 225 feedlots with capacities for more than 1,000 head were operating in Texas. This was the smallest number of large feedlots since the surge in commercial cattle feeding in the last half of the 1960's.

With appreciably lower prices for livestock and a moderate decline in crop prices, the index of prices received by Texas farmers and ranchers declined 6 percent in the month ended March 15. But despite the decline, the index was 23 percent higher than a year earlier.

Cash receipts from farm and ranch marketings in District states in January and February totaled slightly more than $2.3 billion—compared with $1.5 billion in the same period in 1973. Crop sales, at nearly $1.4 billion, were more than twice the year-earlier receipts, while livestock marketings were up moderately to over $900 million. The gains were due to both higher average prices and a larger volume of marketings.

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Apr. 24, 1974	Mar. 20, 1974	Apr. 25, 1973
Federal funds sold and securities purchased under agreements to resell	1,272,152	1,948,101	1,088,926
Other loans and discounts, gross	10,104,188	9,872,802	9,416,183
Commercial and industrial loans	4,436,372	4,366,917	4,195,643
Agricultural loans, excluding CCC certificates of interest	281,363	295,293	273,061
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	1,276	445	0
Other securities	55,398	49,532	61,229
Other loans for purchasing or carrying:			
U.S. Government securities	3,995	4,474	4,959
Other securities	445,667	442,673	517,417
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	144,032	118,389	195,338
Other	795,986	765,903	680,013
Real estate loans	1,482,187	1,466,405	1,295,470
Loans to domestic commercial banks	44,213	42,714	31,880
Loans to foreign banks	72,047	55,493	62,341
Consumer instalment loans	1,042,138	1,035,586	1,007,256
Loans to foreign governments, official institutions, central banks, and international institutions	17	203	250
Other loans	1,299,497	1,228,775	1,091,326
Total investments	4,187,402	4,155,013	4,085,651
Total U.S. Government securities	1,012,222	1,031,514	967,257
Treasury bills	153,510	164,945	171,550
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	144,009	152,452	132,379
1 year to 5 years	530,031	514,652	507,315
After 5 years	184,672	199,465	156,013
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	151,477	151,360	284,809
All other	2,738,014	2,684,781	2,522,819
Other bonds, corporate stocks, and securities:			
Certificates representing participations in federal agency loans	14,745	13,113	86,942
All other (including corporate stocks)	270,944	274,245	223,824
Cash items in process of collection	1,357,760	1,434,004	1,385,290
Reserves with Federal Reserve Bank	1,156,152	1,048,484	766,782
Currency and coin	127,542	125,094	119,535
Balances with banks in the United States	463,820	505,113	435,794
Balances with banks in foreign countries	18,863	16,482	12,418
Other assets (including investments in subsidiaries not consolidated)	820,983	850,522	753,644
TOTAL ASSETS	19,508,862	19,955,615	18,064,223

LIABILITIES	Apr. 24, 1974	Mar. 20, 1974	Apr. 25, 1973
Total deposits	14,386,069	14,536,196	13,521,053
Total demand deposits	7,031,826	7,110,196	6,932,599
Individuals, partnerships, and corporations	5,030,957	5,077,322	4,811,422
States and political subdivisions	460,732	451,602	574,135
U.S. Government	154,032	169,709	253,575
Banks in the United States	1,191,704	1,252,077	1,142,398
Foreign:			
Governments, official institutions, central banks, and international institutions	1,936	2,560	3,894
Commercial banks	67,666	52,367	39,876
Certified and officers' checks, etc.	124,799	104,559	107,299
Total time and savings deposits	7,354,243	7,426,000	6,588,454
Individuals, partnerships, and corporations:			
Savings deposits	1,158,428	1,170,532	1,183,012
Other time deposits	4,069,831	4,079,097	3,526,535
States and political subdivisions	2,023,964	2,068,860	1,745,717
U.S. Government (including postal savings)	6,801	10,305	28,716
Banks in the United States	81,727	83,610	91,104
Foreign:			
Governments, official institutions, central banks, and international institutions	13,192	13,296	13,250
Commercial banks	300	300	120
Federal funds purchased and securities sold under agreements to repurchase	2,951,021	3,278,558	2,365,285
Other liabilities for borrowed money	155,092	167,054	274,218
Other liabilities	503,280	492,505	552,322
Reserves on loans	177,966	178,190	159,727
Reserves on securities	24,249	24,252	13,951
Total capital accounts	1,311,185	1,278,860	1,177,667
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	19,508,862	19,955,615	18,064,223

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
1972: March	12,118	8,515	300	10,978	2,430
1973: 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
December	14,008	10,086	244	14,154	2,883
1974: January	14,384	10,276	302	14,533	2,900
February	13,949	10,082	264	14,919	2,909
March	13,933	10,150	260	15,126	2,958

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	Mar. 27, 1974	Feb. 27, 1974	Mar. 28, 1973
ASSETS			
Loans and discounts, gross	20,985	21,411	18,065
U.S. Government obligations	2,320	2,315	2,525
Other securities	6,531	6,408	5,832
Reserves with Federal Reserve Bank	1,727	1,646	1,380
Cash in vault	361	355	321
Balances with banks in the United States	1,395	1,466	1,246
Balances with banks in foreign countries[e]	20	20	13
Cash items in process of collection	1,732	1,813	1,585
Other assets[e]	1,587	1,619	1,336
TOTAL ASSETS[e]	36,658	37,053	32,303
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,672	1,800	1,645
Other demand deposits	12,109	12,166	11,431
Time deposits	15,168	15,065	13,138
Total deposits	28,949	29,031	26,214
Borrowings	3,826	4,213	2,790
Other liabilities[e]	1,377	1,312	1,066
Total capital accounts[e]	2,506	2,497	2,233
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	36,658	37,053	32,303

e—Estimated

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Apr. 3, 1974	4 weeks ended Mar. 6, 1974	4 weeks ended Apr. 4, 1973
Total reserves held	2,001,302	1,991,735	1,753,796
With Federal Reserve Bank	1,684,164	1,679,392	1,468,761
Currency and coin	317,138	312,343	285,035
Required reserves	1,998,421	1,982,945	1,747,194
Excess reserves	2,881	8,790	6,602
Borrowings	76,858	39,027	95,053
Free reserves	−73,977	−30,237	−88,451

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]			
	Mar. 1974 (Annual-rate basis)	Percent change: March 1974 From Feb. 1974	Percent change: March 1974 From Mar. 1973	Percent change: 3 months, 1974 from 1973	Mar. 31, 1974	Annual rate of turnover: Mar. 1974	Annual rate of turnover: Feb. 1974	Annual rate of turnover: Mar. 1974
ARIZONA: Tucson	$15,731,875	2%	31%	34%	$375,901	42.7	42.2	36.1
LOUISIANA: Monroe	5,359,591	3	8	12	128,745	43.3	43.2	41.5
Shreveport	19,353,290	10	24	17	355,237	56.6	52.7	51.1
NEW MEXICO: Roswell[2]	1,438,962	−1	25	31	56,285	25.7	26.3	24.8
TEXAS: Abilene	3,840,642	0	23	35	155,843	24.7	25.0	23.1
Amarillo	12,135,854	23	29	26	249,543	49.3	41.4	44.2
Austin	16,963,919	−11	27	35	405,278	37.1	40.1	28.6
Beaumont-Port Arthur-Orange	9,904,232	−3	26	32	318,831	31.6	33.6	28.0
Brownsville-Harlingen-San Benito	3,760,289	11	26	26	123,685	30.4	27.7	26.2
Bryan-College Station	1,687,049	9	26	22	61,296	27.2	25.2	23.7
Corpus Christi	12,134,471	−3	57	52	288,079	41.2	41.9	27.5
Corsicana[2]	695,424	1	13	15	41,518	16.6	16.2	15.1
Dallas	257,559,230	6	52	45	3,103,962	83.7	81.0	58.2
El Paso	14,017,063	−1	30	29	329,653	44.1	43.8	34.8
Fort Worth	41,915,671	8	26	23	904,549	47.4	45.2	39.1
Galveston-Texas City	3,982,560	−2	11	12	139,037	29.1	29.8	28.2
Houston	212,068,705	4	30	28	3,631,318	58.6	57.0	49.3
Killeen-Temple	2,411,376	−10	8	13	118,417	20.5	22.8	19.9
Laredo	1,737,972	−4	26	33	64,446	27.2	28.5	23.9
Lubbock	13,382,344	28	64	67	251,349	53.0	41.1	38.5
McAllen-Pharr-Edinburg	3,894,611	8	24	26	155,295	24.7	22.7	19.6
Midland	3,345,198	2	32	36	195,564	17.2	17.6	16.3
Odessa	2,774,287	6	35	32	111,297	24.9	23.9	21.2
San Angelo	2,613,937	8	40	32	95,366	28.0	26.6	22.5
San Antonio	29,137,727	−2	14	16	885,635	32.6	32.9	28.3
Sherman-Denison	1,562,690	1	−1	7	86,039	18.4	18.4	19.8
Texarkana (Texas-Arkansas)	2,144,754	2	9	8	94,228	22.7	22.5	22.6
Tyler	3,392,040	10	15	4	140,467	24.8	23.6	24.0
Waco	5,300,543	9	20	13	156,361	33.5	31.4	28.7
Wichita Falls	5,068,042	18	51	40	163,706	31.0	27.0	24.6
Total—30 centers	$709,314,348	5%	36%	33%	$13,186,930	54.0	52.2	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	Apr. 24, 1974	Mar. 20, 1974	Apr. 25, 1973
Total gold certificate reserves	815,043	525,415	362,249
Loans to member banks	88,310	41,268	102,009
Other loans	0	0	0
Federal agency obligations	94,738	85,806	57,214
U.S. Government securities	3,324,814	3,443,039	3,304,229
Total earning assets	3,507,862	3,570,113	3,463,452
Member bank reserve deposits	1,855,810	1,799,558	1,390,351
Federal reserve notes in actual circulation	2,461,874	2,413,246	2,262,855

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	Mar. 1974	Feb. 1974	Jan. 1974	January–March 1974	January–March 1973
FIVE SOUTHWESTERN STATES[1]					
Residential building	987	776	853	2,599	2,858r
Nonresidential building	406	358	295	1,052	1,445r
Nonbuilding construction	402	300	323	1,016	1,048r
UNITED STATES	179	118	236	531	365
Residential building	7,911	6,610	5,954	20,394	22,106r
Nonresidential building	3,374	2,678	2,231	8,283	11,064r
Nonbuilding construction	2,752	2,260	2,307	7,282	7,252r
	1,785	1,672	1,415	4,829	3,790r

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

Area	NUMBER: Mar. 1974	NUMBER: 3 mos. 1974	VALUATION (Dollar amounts in thousands): Mar. 1974	VALUATION (Dollar amounts in thousands): 3 mos. 1974	Percent change: Mar. 1974 from Feb. 1974	Percent change: Mar. 1974 from Mar. 1973	Percent change: 3 months, 1974 from 1973
ARIZONA							
Tucson	631	1,422	$9,531	$24,799	107%	20%	−53%
LOUISIANA							
Monroe-West Monroe	77	181	2,968	5,366	63	33	−9
Shreveport	556	1,240	9,936	22,275	3	115	−34
TEXAS							
Abilene	98	237	1,438	3,200	76	−62	−67
Amarillo	248	558	8,014	16,277	118	122	24
Austin	509	1,240	30,816	63,148	125	−11	−6
Beaumont	212	539	2,824	7,833	102	47	1
Brownsville	136	331	3,196	10,307	232	218	41
Corpus Christi	215	718	2,555	10,904	−52	−40	−42
Dallas	1,693	3,809	34,009	76,499	77	1	−14
Denison	19	50	110	578	−14	−65	−47
El Paso	561	1,407	34,949	55,872	395	167	53
Fort Worth	383	1,045	31,250	46,185	395	69	23
Galveston	78	182	1,650	4,526	242	−29	36
Houston	2,138	5,736	47,522	169,231	−1	−47	−22
Laredo	34	87	635	802	1,098	−92	−91
Lubbock	172	433	10,710	46,459	−43	−7	98
Midland	72	186	1,395	14,255	44	114	226
Odessa	127	286	1,460	7,383	−18	4	86
Port Arthur	94	192	245	699	31	−69	−58
San Angelo	62	188	455	2,876	−46	−29	−2
San Antonio	1,639	4,253	18,641	62,979	−21	−26	2
Sherman	39	91	524	1,103	126	5	−25
Texarkana	88	214	894	1,546	123	63	42
Waco	198	510	7,523	11,694	164	13	−20
Wichita Falls	61	194	1,216	2,464	124	−44	−60
Total—26 cities	10,140	25,329	$264,466	$669,260	52%	−5%	−8%

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	Mar. 1974	Feb. 1974	Mar. 1973r	Percent change from Feb. 1974	Percent change from Mar. 1973
FOUR SOUTHWESTERN STATES	6,500.1	6,574.0	6,633.0	−1.1%	−2.0%
Louisiana	2,083.8	2,125.0	2,259.4	−1.9	−7.8
New Mexico	263.1	269.4	282.5	−2.3	−6.9
Oklahoma	521.7	519.0	505.2	.5	3.3
Texas	3,631.5	3,660.6	3,585.9	−.8	1.3
Gulf Coast	704.6	708.1	711.6	−.5	−1.0
West Texas	1,908.7	1,924.2	1,818.4	−.8	5.0
East Texas (proper)	241.1	241.7	252.5	−.3	−4.5
Panhandle	60.2	62.0	63.0	−2.9	−4.4
Rest of state	716.9	724.6	740.4	−1.1	−3.2
UNITED STATES	9,084.9	9,179.9	9,174.9	−1.0%	−1.0%

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	Mar. 1974p	Feb. 1974	Jan. 1974	Mar. 1973
TEXAS				
Total industrial production	138.6	137.6	137.7r	135.3
Manufacturing	143.1	141.7	143.8r	139.8
Durable	159.0	159.2	160.7	154.5
Nondurable	131.7	129.0	131.6r	129.3
Mining	120.8	121.4	116.9r	117.5
Utilities	163.6	161.3	160.9	161.2
UNITED STATES				
Total industrial production	123.9	124.5	125.4r	123.7r
Manufacturing	123.4	123.9	125.0r	123.4r
Durable	118.6	119.4	120.7r	119.9r
Nondurable	130.4	130.3	131.0r	128.6r
Mining	112.8	111.6	110.8r	109.5r
Utilities	147.8	148.5	144.9r	149.6

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 States[1]

(Seasonally adjusted)

Item	Thousands of persons Mar. 1974p	Feb. 1974	Mar. 1973r	Percent change Mar. 1974 from Feb. 1974	Mar. 1973
Civilian labor force	8,890.2	8,876.0	8,686.3	0.2%	2.3%
Total employment	8,482.7	8,487.3	8,317.8	−.1	2.0
Total unemployment	407.5	388.7	368.5	4.8	10.6
Unemployment rate	4.6%	4.4%	4.2%	[2].2	[2].4
Total nonagricultural wage and salary employment	7,441.8	7,438.1	7,126.8	.0	4.4
Manufacturing	1,291.7	1,299.7	1,250.3	−.6	3.3
Durable	722.3	728.7	695.3	−.9	3.9
Nondurable	569.4	571.0	555.0	−.3	2.6
Nonmanufacturing	6,150.1	6,138.4	5,876.5	.2	4.7
Mining	245.7	245.4	235.6	.1	4.3
Construction	519.9	524.2	482.0	−.8	7.9
Transportation and public utilities	508.4	506.9	484.3	.3	5.0
Trade	1,782.8	1,779.1	1,707.3	.2	4.4
Finance	409.3	407.8	386.5	.4	5.9
Service	1,226.0	1,222.6	1,176.6	.3	4.2
Government	1,458.1	1,452.4	1,404.1	.4%	3.8%

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)

TOTAL OIL WELLS DRILLED

Area	Fourth quarter 1973	Third quarter 1973	Percent change	1973 cumulative	Percent change from 1972 cumulative
FOUR SOUTHWESTERN STATES	1,507	1,379	9.3%	5,715	−10.2%
Louisiana	217	207	4.8	855	−7.1
Offshore	71	72	−1.4	287	13.9
Onshore	146	135	8.1	568	−15.0
New Mexico	68	59	15.3	280	−44.3
Oklahoma	261	219	19.2	897	−12.5
Texas	961	894	7.5	3,683	−7.0
Offshore	0	2	—	6	—
Onshore	961	892	7.7	3,677	−7.1
UNITED STATES	2,701	2,497	8.2%	9,891	−12.6%

SOURCE: American Petroleum Institute