Federal Reserve Bank of Dallas

Business Review

May 1976

Meat Production—

**Grain Price Increase
Accentuates Beef and Pork Cycles**

Bank Liquidity—

**Is the Level Adequate
For Future Loan Expansion?**

Meat Production–

Grain Price Increase
Accentuates Beef and Pork Cycles

Production of red meat in the United States varies cyclically. And the fluctuations in supplies cause large swings in prices of meat and livestock.

Since most of the meat consumed in this country is beef and pork, changes in production and prices impact mainly on cattle and hogs. The basic factor causing supplies of beef and pork to fluctuate is the lag in the response of production to changes in profitability–that is, changes in prices of cattle and hogs relative to changes in costs of producing them. The periodic cycles are firmly rooted in biology, as well as economics, and are about 2½ times longer for cattle than for hogs.

The recent changes in both production and prices of meat animals have been greater than in most past cycles, largely because of the

strong rise in grain prices in recent years. The financial squeeze on producers surfaced in 1974 as adverse weather reduced grain production, and increased worldwide demand caused grain prices and feed costs to move up sharply. The index of prices paid for feed by livestock producers advanced 17 percent in 1974 over the average for the year before.

The basic factor causing supplies of beef and pork to fluctuate is the lag in the response of production to changes in profitability.

The surge of feed costs caught farmers and ranchers with their cattle and hog numbers at high levels. Favorable earnings in the
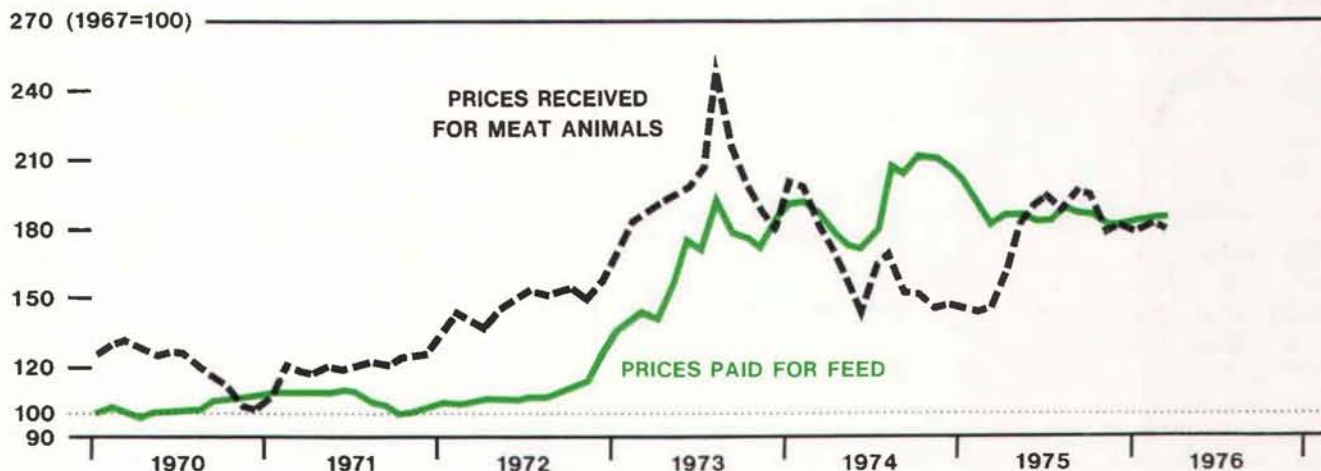
early 1970's had encouraged producers to increase cattle and hog production, and as more animals were marketed, prices dropped sharply. The index of prices received for meat animals–cattle, hogs, and sheep–decreased 17 percent in 1974 from the year before.

The cost-price squeeze, resulting from higher feed costs and lower prices for cattle and hogs, caused the number of hogs on farms to be decreased nearly 20 percent in the two years ended January 1976. And where the number of cattle and calves on farms had previously been increasing at a fast pace, the number decreased in 1975 for the first time since 1967.

Production cycles ...

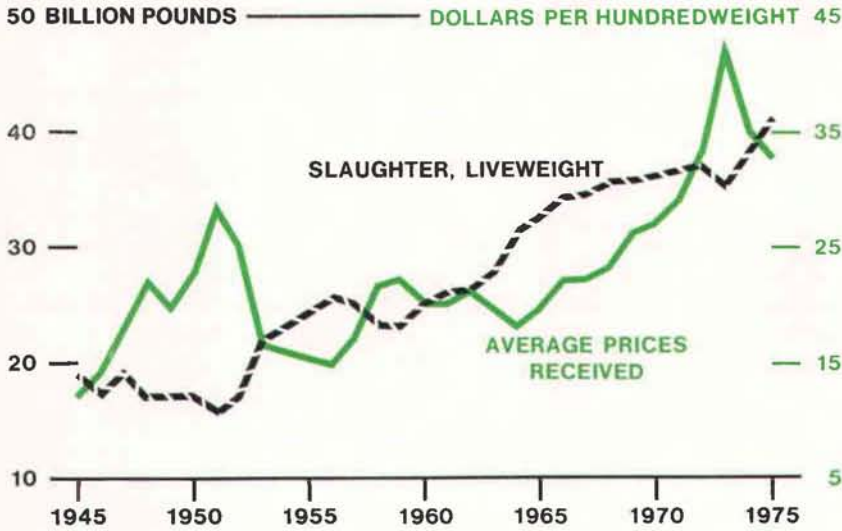Cyclical patterns in meat supplies and prices show a large degree of independence from current con-

Price Indexes for Meat Animals and Feed

270 (1967=100)

240 —

PRICES RECEIVED
FOR MEAT ANIMALS

210 —

180 —

150 —

120 —

PRICES PAID FOR FEED

100
90

1970   1971   1972   1973   1974   1975   1976

SOURCE: U.S. Department of Agriculture

Cattle Slaughter and Prices

50 BILLION POUNDS ———————— **DOLLARS PER HUNDREDWEIGHT 45**

SLAUGHTER, LIVEWEIGHT

AVERAGE PRICES
RECEIVED

1945 1950 1955 1960 1965 1970 1975

sumer incomes and general economic conditions. Reflecting the biological constraints, production of cattle and hogs tend to follow cycles over time, which are initiated by favorable prices for animals marketed and eventually lead to increased production. But the larger supplies then cause prices to decline, which later results in less production.

The amplitude of the cycles in prices is large because the demand for meat, in the short run, is relatively insensitive to price.

When prices are high, producers overexpand because, as a group, they do not fully consider the effect of their actions on total supply and prices in the future. Overexpansion eventually causes prices to decline below the cost of production, which results in excessive cutbacks in production. The amplitude of the cycles in prices is large because the demand for

meat, in the short run, is relatively insensitive to price.

The cyclical behavior of output and prices develops because of the lag between the time production

decisions are made and the actual realization of production. Production decisions are influenced heavily by current prices. And current prices are largely determined by supplies resulting from current marketings. But because of the time span before production is realized, actual production becomes a function of past prices—that is, the prices prevailing when the production decisions were made. The time required to move from a cyclical high to a cyclical low in prices is closely linked to the time needed to produce a new generation of cattle or hogs.

... for cattle ...

Information on the number of cattle and calves on farms in the United States during the last century indicates the buildup in numbers reached its first peak in 1890. And the latest peak—in 1975—was the fourth since the midthirties. In recent cycles, peaks in numbers occurred in 1945, 1955, 1965, and 1975.

Cattle and Calves on U.S. Farms

140 MILLION ———————————————— (JANUARY 1 FIGURES)

120

100

80

60

1940 1946 1952 1958 1964 1970 1976
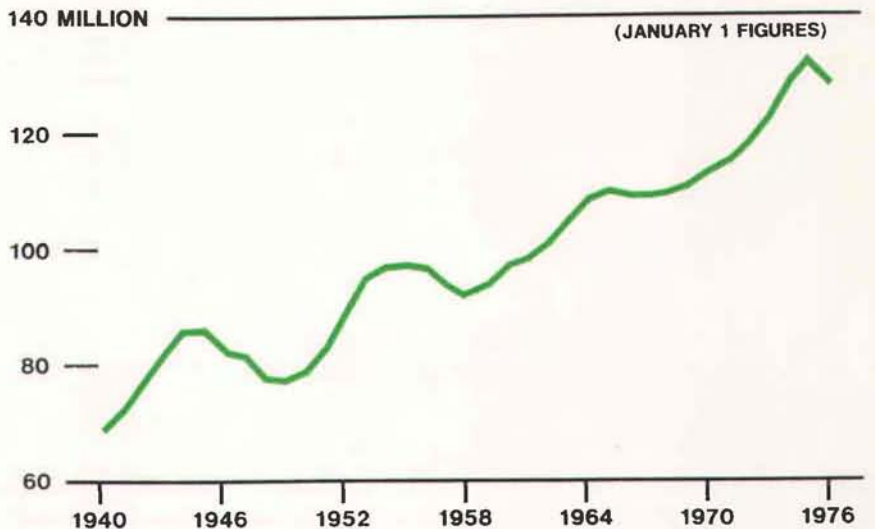
Beef production cycles have been about 10 years long because of the time required for cattle to reach maturity. A span of at least three years is needed from the time a heifer calf is born until it reaches maturity and can produce an offspring that provides beef for consumption. Thus, in each of the past three cycles, the buildup phase has lasted six to eight years.

The expansion phase of a new cycle begins when demand exceeds supply, triggering a marked upturn in cattle prices. At this stage, the liquidation phase of the cycle has been completed, and beef output slows down as cattlemen market fewer cows and withhold heifers to increase herds.

In recent times, the beef cow herd has needed to increase about 2 percent annually to keep pace with the growing demand for beef. But in 1972, 1973, and 1974, the herd grew more than 5 percent annually. Owners of cow herds make decisions influencing the supply of beef largely on the basis of prices received for calves, which soared from an average of $36.40 per hundredweight in 1971 to $56.60 in 1973. In 1974, however, the average price dropped to $35.20 per hundredweight. With the excessive rate of expansion of cow herds, a downturn in prices was to be expected.

Producers' decisions to reduce production cause beef output to increase in the near term. The increase results from accelerated slaughter of animals used to produce offspring. When cattle prices decline sharply, farmers and ranchers limit further financial losses by reducing the number of breeding animals. Slaughter of these animals boosts beef supplies, adding momentum to the downtrend in prices.

The sharp surge in feed costs in 1974 gave further impetus to the cyclical decline in cattle prices. For one thing, the cost of maintaining

Cattle on Feed
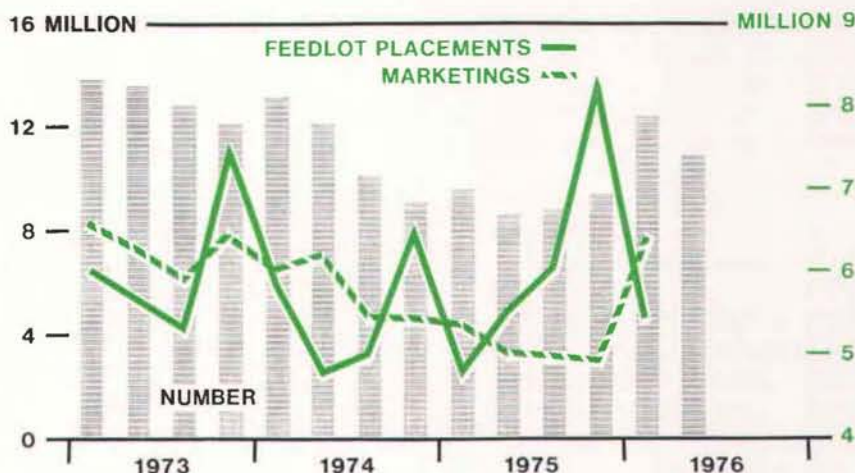
SOURCE: U.S. Department of Agriculture

cows and heifers in the breeding herd increased. More important, higher grain costs drove the cost per pound of beef gained in feedlots above the price per pound of grain-fed slaughter cattle.

Owners of cow herds make decisions influencing the supply of beef largely on the basis of prices received for calves.

Discouraged by rising costs and declining cattle prices, cattlemen began to market more cows in late 1974; and in 1975, the number of cows slaughtered increased a startling 54 percent over the year before. The gain in production from increased cow slaughter boosted beef supplies that were already plentiful. Compared with the year before, total beef output rose 8 percent in 1974 and almost 4 percent in 1975.

Total cow slaughter in 1975 amounted to more than 20 percent of the cow herd at the beginning of the year. That was substantially larger than the 1974 proportion of

slightly less than 14 percent and the 1971-73 average of 12 percent. And with marked increases in the rate of heifer slaughter, growth of the number of cattle and calves on farms and ranches stopped last year. At the start of 1976, the number was 3 percent smaller than a year before.

Because of the steep downturn in fed cattle prices in late 1973 and the relatively high level of feed prices, financial losses impacted on the cattle feeding industry from late 1973 to mid-1975. Where Choice steer prices averaged 53 cents a pound in August 1973, the average was 35 cents in February 1975–a decline of 34 percent. Meanwhile, the price of grain had increased considerably, pushing the cost per pound of gain in the feedlot substantially above the price for Choice steers.

The result was a dramatic decline in the number of cattle in feedlots. Cattle on feed in the 23 major cattle feeding states at mid-1975 numbered 8.5 million–a third fewer than two years earlier. With demand for calves by feedlots sharply reduced, calf slaughter in 1975 increased to 5.2 million–

nearly 75 percent more than a year earlier.

Smaller numbers of calves had been sent to slaughter each year from 1965 to 1974. In that period, the commercial cattle feeding industry experienced dynamic growth. Fed cattle marketings in the 23 states advanced from 17.9 million head in 1965 to a peak of 26.9 million in 1972–an increase of 50 percent.

As fewer grain-fed cattle were marketed last year, average slaughter weights dropped dramatically. The carcass weight of cattle decreased from an average of 629 pounds in 1972 to 588 in 1975. Furthermore, the decrease in average weight held the gain in liveweight production in 1975 to 6 percent while the number slaughtered increased 11 percent.

... and hogs ...

Production cycles for hogs are similar to those for cattle. But because it takes much less time for hogs to reach maturity, adjustments are usually more pronounced and of shorter duration than for cattle. When prices drop or feed costs rise sharply, producers market more animals. But with fewer hogs, pork production declines, so that prices are higher in a later period. The cycles continue over time because producers, together, tend to increase or decrease output in response to price conditions.

Peaks in the number of hogs and pigs on farms during the past ten years occurred in 1969, 1971, and 1974. A decrease in the number of hogs began in the summer of 1974, when grain prices soared because of the drouth-damaged corn crop and a strong demand for exports caused by poor crops in other countries. With grain prices high relative to hog prices, farmers sold their grain in the cash market rather than feeding it to hogs for pork production. Slaughter of sows

Hog Slaughter and Prices
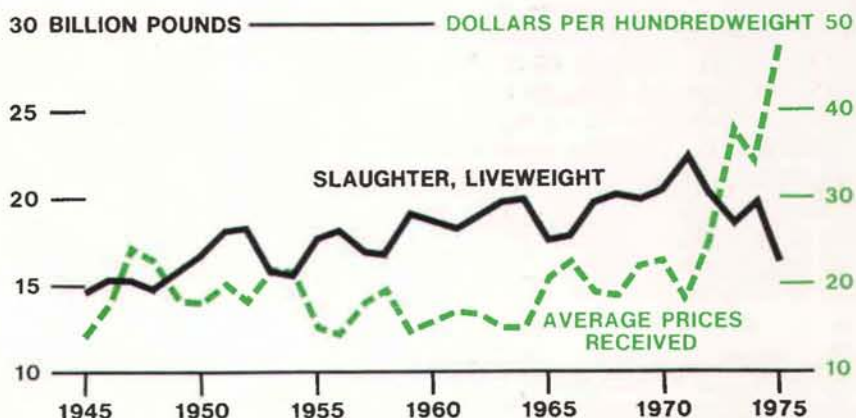
SOURCE: U.S. Department of Agriculture

in the last half of 1974 increased more than 40 percent over the same period in 1973, and total pork production increased 9 percent for the year as a whole. During 1975, however, production dropped 18 percent.

A common indicator of the profit incentive in raising hogs is the hog-corn price ratio because corn is the main feed. The hog-corn price ratio–the number of bushels of corn that is equal in value to 100 pounds of live hogs–is a measure

Hogs and Pigs on U.S. Farms
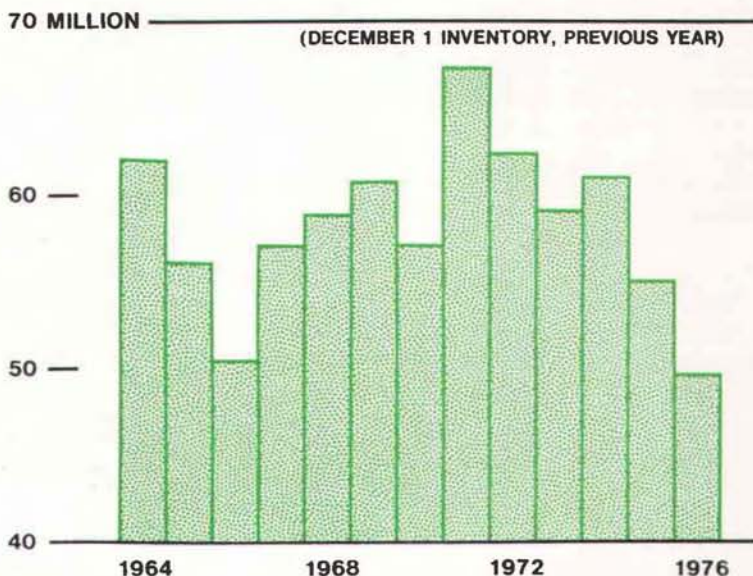
SOURCE: U.S. Department of Agriculture

of potential profitability in the hog industry. The ratio range of 15 to 17 tends to be associated with stable production. But when the ratio declines to close to 13 or below, production decreases; and when it climbs to near 19 or above, production increases.

> **The adjustment between changes in the hog-corn ratio and subsequent changes in the number of hogs can be carried out in a year or less.**

The adjustment between changes in the hog-corn ratio and subsequent changes in the number of hogs can be carried out in a year or less. The ratio fell below 12 in the last half of 1974. And by the same time in 1975, the number of hogs on farms had decreased almost 10 percent. But by the fall of 1975, the small pork supply and a large grain crop had combined to raise the hog-corn ratio to around 20. Farmers are now increasing production of hogs.

... curtailed supplies ...

Although increased production boosted per capita beef and veal consumption to a record 124 pounds in 1975, decreased production dropped per capita pork consumption to the lowest level in 40 years. Per capita pork consumption decreased to 54.8 pounds in 1975 from 66.6 pounds in 1974.

The sharp drop in pork production more than offset the increase in the output of beef. Combined production of beef and pork slipped below year-earlier levels in March 1975 and totaled 3 percent less for the year.

The slowdown in total meat production caused most retail prices to soar to record levels, despite generally increased beef supplies. Consumers paid $1.59 a pound for pork in October 1975–a gain of 45

cents over the March low. And substitution of beef for pork helped drive the prices of higher-quality beef up also. The retail price of Choice beef, for example, reached a high of $1.61 a pound in July 1975–34 cents more than the low in March.

The price of hamburger declined slightly to an average of 93 cents a pound in August 1975, compared with 95 cents a year earlier, largely because its supply was more plentiful. Increased slaughter of cows and grass-fed cattle added to supplies of beef that could be processed into hamburger. But marketings of grain-fed cattle fell, curtailing the supply of beef that usually provides most of the higher-quality steaks and roasts. This shift was reflected in a record price spread of almost $40 per hundredweight between steer beef carcasses and cow beef in the summer of 1975 whereas, normally, the spread is much smaller.

The sharp downturn in pork production boosted the average price per pound of pork last September above the average price of Choice beef. But unlike beef, prices for different cuts (chops, loin, ham, and bacon) tended to move together, as they normally do. Consumers, therefore, did not have the option of switching to relatively cheaper cuts of pork.

... but indicate a turnabout

Beef production has exhibited a stronger long-term growth trend than pork production. Expenditures for beef tripled along with disposable income over the past 20 years, while expenditures for pork only doubled. As a result, individual consumers spent 2.57 percent of their disposable income on beef in 1975–the same as in 1955. But the share of income spent for pork declined from 2 percent to 1.35 percent over that period.

Production cycles probably will be at least as important in influ-

encing meat supplies during the next several years. The built-in, self-adjusting market mechanisms have been triggered to correct for overexpansion in the cattle industry and overliquidation in the hog industry.

Basic trends suggest that less beef will be produced during the next several years. Low prices for calves in the past two years have discouraged the withholding of heifers from slaughter to replace cows removed from herds. The number of beef cows at the start of this year was 4 percent smaller than a year before–the first decline from year-earlier levels since 1958. And nearly 20 percent fewer heifers are being raised this year than in 1975 for placement into the cow herd. The fundamentals, therefore, indicate smaller beef supplies in 1977 and 1978.

While drouth is always a threat, the current liquidation phase of the production cycle leaves beef producers vulnerable to the effects of limited moisture and high feed costs. Although the number of cattle and calves decreased last year, the number at the start of 1976 was the second largest on record. Thus, prolonged drouth would affect a large number of cattle. With prices relatively low compared with costs of beef production, any additional costs resulting from drouth could lead to financial difficulties. Mounting financial pressures would lead to increased cattle marketings in an effort to lower costs of maintaining breeding herds.

In that event, meat supplies would be increased, dampening cattle prices and stretching out the period of the cycle when profits are low. But an extended decline in numbers of cattle would also tend to lengthen the expansion phase of the cycle. Because of such possibilities, the exact timing of the turnaround in the current decline in the number of cattle is uncer-

tain, but past trends suggest that the most profitable period of the cycle ahead should be in the last part of the 1970's and the first part of the 1980's. If these developments hold, then the next peak in the number of cattle could occur in the mideighties.

Although the cattle cycle is currently in its liquidation phase, the hog cycle is in its expansion phase as producers intend to raise more hogs in response to higher prices.

Although the cattle cycle is currently in its liquidation phase, the hog cycle is in its expansion phase as producers intend to raise more hogs in response to higher prices. In March, hog producers indicated they had expanded breeding herds about 15 percent last winter from the previous winter and planned to raise about 10 percent more hogs this spring than last. However, as of March 1, the number of hogs and pigs in the 14 major producing states was still 16 percent smaller than two years earlier.

Production cycles will continue as long as farmers and ranchers make long-range decisions based primarily on current prices. Information available for more than a century indicates that periods of rising prices and rapid herd expansion are followed by periods of falling prices and sharp increases in slaughter. While recent experience underscores the importance of weather to feed supplies and prices and, consequently, to beef and

Selected Retail Meat Prices
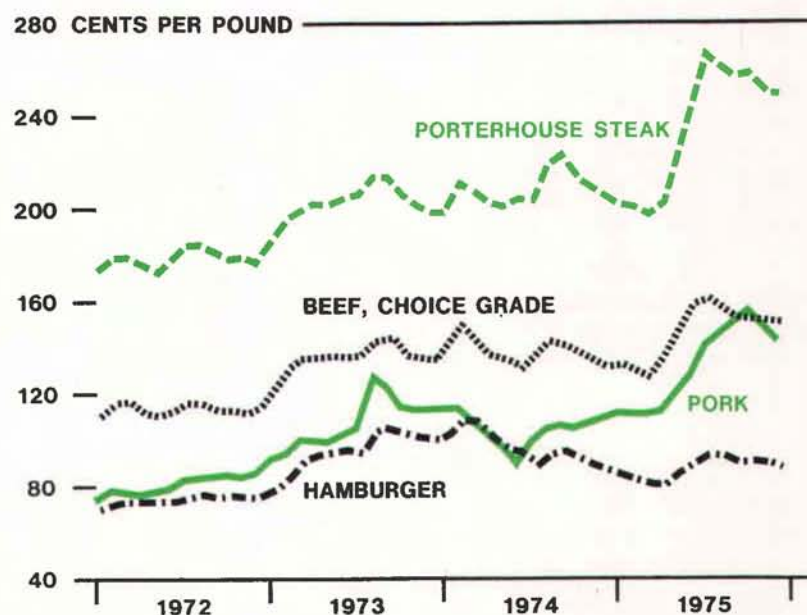
SOURCE: U.S. Department of Agriculture

pork production, production decisions based on the imperfect information given by current market prices appear to be the dominant factor explaining the persistence of cattle and hog cycles.

These cyclical swings would be dampened if farmers and ranchers were able to take a longer-term view in their production planning. Plans, of course, are affected by cash flow, equity, and credit as well as market prospects. A too generous resort to credit when prices for cattle and hogs are high and numbers on farms and ranches are at record levels and expanding may prove shortsighted. A more foresighted strategy in that circumstance might be to cut back

or, at least, resist the urge to expand further at that time.

Likewise, during the liquidation phase of the cycle, farmers and ranchers—and lenders also—can reasonably expect improvement, although timing is always uncertain. Equity and risk considered, they could be well advised to avoid letting the current profit picture induce excessively conservative plans.

–Carl G. Anderson, Jr.

Bank Liquidity–

Is the Level Adequate For Future Loan Expansion?

An adequate level of liquid funds is necessary for commercial banks to meet day-to-day deposit flows and accommodate the needs of their customers. The management of liquidity for this purpose normally has little impact on credit markets. However, the management of liquidity to meet variations in the demand for bank loans over the business cycle generally has more significant effects.

The cyclical liquidity position of banks is a principal determinant of their lending policies–and, hence, the cost and availability of bank credit. As such, bank liquidity is an important part of the linkage between Federal Reserve policy actions and their impact on the economy.

An understanding of this broader role of bank liquidity is facilitated by a simplified view of bank behavior showing how credit availability is dependent on liquidity. In the context of this view, it appears that current bank liquidity is more adequate to accommodate prospective loan expansion than is indicated by such traditional measures as the loan-deposit ratio.

Liquidity and credit availability

Liquidity refers basically to the ability to raise cash on short notice with relatively little risk of loss. When banks had little control over the size of their total liabilities, this ability was determined mainly by the composition of their asset portfolios. But now that banks can raise funds by borrowing, as well as by selling assets, bank liquidity has come to depend on a broader range of factors. It is not possible, therefore, for any single statistical measure to capture the concept completely.

A simplified view of bank behavior brings out the relationship between credit availability and liquidity.[1] As a first approximation, to be modified later, assume that all liabilities are determined by factors outside a bank's control. In this extreme case, liquidity is derived solely from the bank's assets. In addition, suppose that the assets can be classified arbitrarily into two homogeneous groups–loans and liquid assets.

Bank liquidity is an important part of the linkage between Federal Reserve policy actions and their impact on the economy.

Loans are illiquid in the sense that, although they can be sold prior to maturity, a smaller proportion of their full market value is obtainable than for *liquid* assets. To offset this illiquidity, loans normally earn a higher interest rate than do liquid assets. The liquid assets serve as a buffer that insulates loans from variations in deposits. Liquid assets lend themselves to this purpose since, by definition, they can be sold with minimal transaction costs and capital loss.

If a bank could be assured of stable deposits, it would maximize profits by holding only loans, which earn a greater nominal return than do the liquid assets. By protecting a bank against risks associated with variations in deposits, liquid assets provide an "income" in addition to their nominal return. This extra return is in the form of a reduced probability of unfavorable sales of loans. The full return on the liquid assets is balanced against the return on loans as management undertakes to maximize the profits of the bank. The balance point of maximum profits clearly depends on the variability of deposits and on the rates of return on liquid assets and loans.

Consistent with this view, a loan supply schedule can be visualized in terms of the ratio of loans to deposits. A hypothetical schedule is shown in the accompanying illustration, where the rate of return on liquid assets is held constant. As the rate of interest on loans increases, the bank would be induced to sacrifice liquidity in order to earn the greater return on loans and, so, move to a higher loan-deposit ratio. At the new point of maximum profits, the difference between the return on loans and the return on liquid assets is offset by the increased probability of loan sales.

According to this view, there is no fixed limit on loans for a given amount of deposits. Rather, the optimal loan-deposit ratio varies with the ratio of the rate of return on loans to that on liquid assets. Furthermore, as indicated by the shape of the loan supply schedule, the increase in the loan rate necessary to induce bank managers to provide an extra dollar of loans is

---

1. The analysis presented is similar to that in James L. Pierce, "Commercial Bank Liquidity," *Federal Reserve Bulletin*, August 1966.

likely to be greater the higher is the loan-deposit ratio. It is in this sense that a higher loan-deposit ratio indicates lesser availability of bank credit.

The optimal loan-deposit ratio varies with the ratio of the rate of return on loans to that on liquid assets.

To bring our simplified view a step closer to reality, liabilities that the bank can control, at least to some degree, are now introduced. By varying the rates it pays for money market funds, such as large certificates of deposit, Euro-dollars, and Federal funds, the bank can—within limits—control its total liabilities. The existence of such sources of funds gives the bank an alternative method of adjusting to variations in deposits. Instead of selling liquid assets as deposits are withdrawn, the bank can raise funds by incurring new liabilities. The profit-maximizing bank attempts to choose the mix

of asset and liability adjustment that costs the least.

Since the existence of the markets for short-term borrowing does not remove the original option of selling assets, the mix of the two adjustment methods must be no more expensive than relying exclusively on asset sales. Within some range, therefore, the existence of these markets must reduce the desired buffer of liquid assets. Thus, the optimal loan-deposit ratio would be higher for every value of the loan rate, shifting the loan supply curve to the right.

Measures of bank liquidity

A simple but still commonly used measure of bank liquidity is the loan-deposit ratio, in which the denominator includes large CD's in addition to other time and savings deposits and demand deposits. This ratio came into use when banks were operating under conditions not unlike those first assumed in our simplified view, and it would be a fairly good measure of liquidity under those hypothetical conditions. But for

this measure to reflect the liquidity position of banks precisely, there has to be a clear distinction between loans and liquid assets, and uncontrollable deposits have to be the principal source of bank funds.

Under these conditions, the loan-deposit ratio would measure the extent to which banks have already used up their available resources to meet the credit needs of their customers. The presumption would be that the higher this ratio, the less able and willing are banks to make any further extensions of loans. That is, the larger would be the increase in the loan rate relative to the rate on liquid assets that is required to supply another dollar of bank loans.

Since banks no longer operate under such conditions, the loan-deposit ratio may give a misleading picture of bank liquidity and credit availability. For one thing, it is risky to characterize broad classes of balance sheet items as more or less liquid than others. Some items classified by banks as loans may be more liquid than some securities; nor does the liquidity of asset groups necessarily remain the same over time. For another, the loan-deposit ratio ignores nondeposit items as a source of funds for large banks—items that have increased in importance in recent years.

The ratio of loans to total liabilities attempts to recognize the importance of nondeposit sources of funds to banks. But a problem still remains in interpreting this ratio since it treats all liabilities as homogeneous. It is clear that a change in the composition of liabilities could affect bank liquidity and credit availability. For example, a shift in funds from demand deposits to large CD's would probably increase the degree of control over total liabilities and thereby affect liquidity and bank lending behavior. But the shift

The Supply of Bank Loans

RATE OF INTEREST ON LOANS

1.0

LOANS TO DEPOSITS
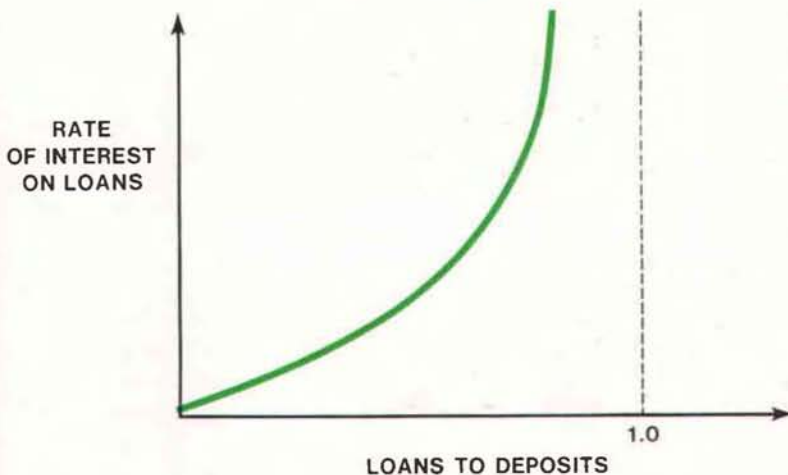
would not be reflected in the loan-liability ratio.

Despite such deficiencies, these two ratios continue to be widely used as indicators of bank liquidity and credit availability. If interpreted properly, they can still be useful—in spite of their shortcomings—for tracing broad changes in the liquidity of banks.

Charting these ratios for weekly reporting banks in the period from the fourth quarter of 1963 through the first quarter of 1976 reveals several notable features.[2] Both ratios have a definite cyclical movement, increasing during expansionary periods when loan demand increases and decreasing during contractions. Moreover, the cyclical movement of the ratios usually lags the business cycle. Finally, while both ratios display a secular upward trend, the upward movement of the loan-deposit ratio is much more pronounced. The difference represents, of course, the increased reliance on nondeposit sources of funds.

Assessment of current liquidity

In order to assess current liquidity, it is first necessary to determine whether the long-term upward trend in these two ratios indicates a general decline in aggregate bank liquidity and, hence, credit availability. That is, does the long-term increase in the values of these ratios imply that banks are likely to be less willing and able to extend additional loans? In fact, it appears that the trend in the ratios mainly reflects contemporaneous developments in liability management.

The period charted was a time of extremely rapid development of relatively controllable sources of bank funds. Negotiable CD's, which were introduced in 1961, became an important source of

Measures of Bank Liquidity
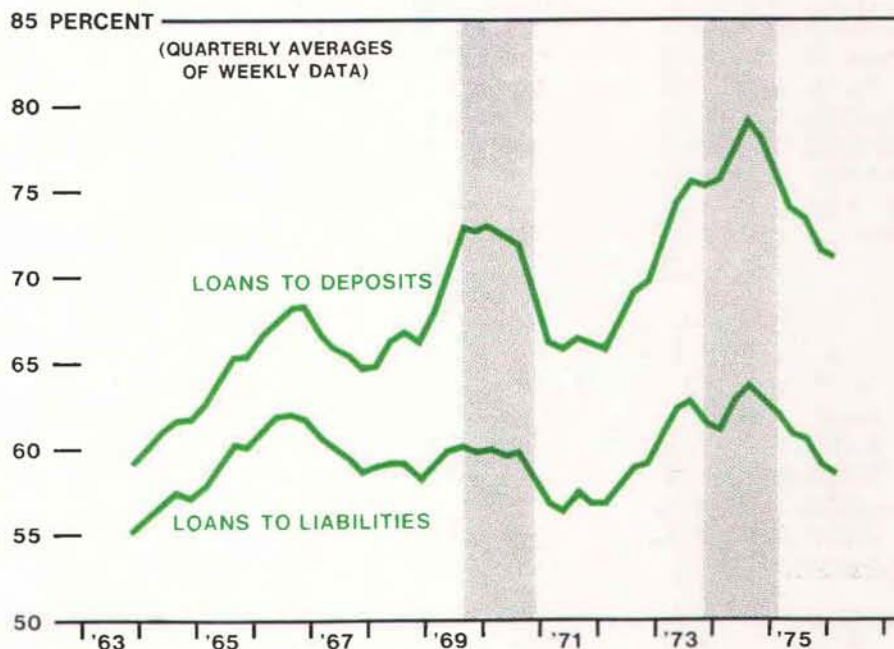
NOTE: Economic recessions, measured from peak to trough of real GNP, are shown as shaded areas.
SOURCE: Board of Governors, Federal Reserve System

bank funds, and major money market banks started treating Federal funds as a continuing source of funds. From time to time during the period, other instruments and techniques—such as short-term promissory notes, commercial paper, and Eurodollar borrowing—were also heavily used by banks to acquire funds.

Growth in nondeposit funds raised loan-deposit ratios quite mechanically. But the general shift away from demand deposits, by giving banks greater control over their total sources of funds, relieved them somewhat of dependence on asset liquidity and thereby reduced their desired holdings of liquid assets. This shift away from asset liquidity tended to raise the loan-deposit ratio even

more and is also reflected in the upward trend of the loan-liability ratio. Consequently, the downward trend in asset liquidity does not necessarily indicate that credit availability at banks decreased during the period.

Changes in Federal Reserve regulations have also been important in increasing the ability of banks to manage with less asset liquidity. An especially significant change was the exemption of large-denomination CD's from Regulation Q ceilings on interest rates.

Previously, the ceilings made CD's an uncontrollable source of funds during periods of high interest rates. In 1966 and 1969, for example, banks were prevented from paying the market rate of interest on their CD's and faced a

2. The weekly reporting banks include about 320 commercial banks, each with deposits in excess of $100 million. These banks account for over 55 percent of the assets of all commercial banks.

severe runoff of these deposits. But in mid-1970, large CD's with maturities of less than 90 days were exempted from the interest rate ceilings. Then in 1973, all large CD's were exempted. Because of their exemption from Regulation Q ceilings, these CD's are now a controllable source of funds throughout the business cycle.

> **The general shift away from demand deposits, by giving banks greater control over their total sources of funds, relieved them somewhat of dependence on asset liquidity and thereby reduced their desired holdings of liquid assets.**

Another regulatory change was the introduction of relatively lower reserve requirements on the longer-maturity CD's, which have induced banks to lengthen the average maturity of their CD issues.[3] The longer average maturity has helped banks stabilize the terms on which they obtain funds.

These regulatory changes have tended to enable banks to reduce their asset liquidity further. And both have supported the continued upward trend in bank loan-deposit and loan-liability ratios.

The question remains as to whether credit at banks is at least as available to borrowers now as it was at the beginning of the previous economic recovery. A careful interpretation of the measures of asset liquidity provides grounds for believing that it is. Because of the long-term upward trend in these measures, there is more significance in the improvement since their recent highs—near the peak of the business cycle in 1974—than in a comparison of their current levels with levels in earlier recoveries.

And so far, this improvement has been considerable. Up to the first quarter of 1976, the loan-deposit ratio had fallen almost 10 percent from its high in 1974. This drop equals that achieved following the 1969 peak in the loan-deposit ratio. In addition, the improvement in the loan-liability ratio now exceeds that of the comparable period during the previous cycle. So, the availability of credit at commercial banks would appear to be at least as great as that during the last business recovery.

In terms of our simplified view, the continued trend toward less dependence on asset liquidity has shifted the banking system's loan supply schedule further to the right. Thus, the same degree of credit availability is achieved at a higher loan-deposit ratio than before. And since the cyclical improvement in the ratio is currently at least as large as in the previous cycle, the degree of movement down and along the function due to the decline in loan demand has been at least as great in this cycle as in the last. Consequently, as loan demand picks up in the coming months, the increase in the loan rate relative to money market rates that is necessary to bring forth another dollar of bank loans would seem to be no larger than that required in the previous economic recovery.

–Charles J. Smaistrla

---

3. For a detailed analysis of the shift into longer-maturity CD's, see Clifford L. Fry and Edward E. Veazey, "Certificates of Deposit–Changes in Reserve Requirements Influence Volume and Maturity," *Business Review,* Federal Reserve Bank of Dallas, August 1975.

New member banks

Olton State Bank, Olton, Texas, located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, became a member of the Federal Reserve System on March 31, 1976. The new member bank has a capital structure of $1,562,200, consisting of capital stock of $350,000, surplus of $650,000, and undivided profits and reserves of $562,200. The officers are: Kenneth L. Burgess, President and Trust Officer; Lauis Hair, Executive Vice President; Alan D. Brown, Vice President and Cashier; Dale L. Cary, Vice President; Rachel Ruthart, Assistant Vice President and Assistant Trust Officer; Betty Jo Hall, Assistant Cashier; and Jim S. Ferguson, Assistant Cashier.

National Bank of Commerce, Edinburg, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business April 7, 1976, 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: John C. Jones, Chairman of the Board; Shelley H. Collier, Jr., President; John C. Moore, Executive Vice President; Jesse Alvarez, Vice President; and Mary Ann Noel, Cashier.

Western National Bank, Austin, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business April 23, 1976, 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: Tom Joseph, Chairman of the Board; Donald R. Joseph, President; Richard D. Peterson, Executive Vice President; Dean Doggett, Cashier; Virginia Straghan, Assistant Vice President; and Lou Davis, Assistant Cashier.

New par bank

Bank of Oak Ridge, Oak Ridge, Louisiana, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, began remitting at par April 1, 1976. The officers are: C. E. Shepard, President; E. H. Allen, Executive Vice President; and Joyce B. Baker, Cashier.

Eleventh District Business Highlights

The liquidity position of large commercial banks in the Eleventh District has been improving since mid-1973. The ratio of loans to deposits—one of the most widely used measures of liquidity—appears to be bottoming out at 64 percent, or near the level of the cyclical low in early 1971. And the ratio of loans to total liabilities—a more broadly based measure—has dipped below 51 percent, the lowest level in more than six years.

The measures normally follow the business cycle, reflecting the rise and fall of loan demand as business activity expands and contracts. Accordingly, the loan-deposit ratio gradually rose after the economic recovery in late 1970, reached a cyclical peak in 1973, and then fell just before the sharp drop in business activity in 1974.

Liquidity is considered a principal determinant of lending policies—and, hence, the cost and availability of bank credit. Both ratios gauge liquidity by measuring the extent to which the resources of the banks are tied up in loans. The declines by the ratios indicate holdings of marketable securities are increasing and that the liquidity position of the banks is improving.

The current low levels of the two ratios suggest there is considerable room in bank portfolios for additional loans. In fact, a comparison of the current levels of these ratios with their levels in previous recoveries may well understate the banks' present ability to extend new loans.

In recent years, banks have developed alternative sources of liquidity—through their ability to borrow—that are not fully reflected in these ratios. And the importance of such borrowed funds as negotiable certificates of deposit, Federal funds, and Eurodollar borrowings has been increasing.

Furthermore, recent changes in Federal Reserve regulations have increased the ability of banks to control fluctuations in their funds. An especially important change, for example, was the exemption of all large-denomination CD's from Regulation Q ceilings on interest rates. The exemption makes large CD's a controllable source of funds throughout the business cycle.

The Federal Reserve also lowered reserve requirements on the longer-maturity CD's. This reduction has induced banks to lengthen the average maturity of their CD issues and stabilize the terms on which they obtain funds.

Because of these changes, banks need fewer liquid assets to operate. Hence, the current value of the loan-deposit ratio probably indicates more loan availability than did the value of 62 percent in the previous recovery.

BANK LIQUIDITY

Overbuilding and a decline in demand for rigs have brought about a worldwide surplus of mobile offshore drilling rigs, primarily semi-submersibles. The Gulf Coast has felt the impact. For one thing, many rigs have been moved there in the search for work. In April, there were 83 rigs off the coast of Texas and Louisiana, including four without work. Six months earlier, there had been only 69 rigs and only one without work.

For another, contracts for mobile rigs are depressed, and Gulf Coast yards are suffering a paucity of new orders. Drilling contractors are worried that it could take years to work off the world surplus, especially in the case of semisubmersibles. Jackup rigs—rigs that support themselves above the ocean floor on long legs—are less expensive to operate and are not having as much difficulty finding work.

Builders tend to overcommit themselves in boom times, which results in a surplus of rigs later on. The present oversupply, however, has been exacerbated by American and foreign government subsidies and other inducements. In particular, tax laws in Norway have encouraged speculative building. Generally, a cautious owner does not order a rig without having a contract in hand for its use. But some rigs are coming out of the yards without contracts.

The decline in the demand for mobile rigs is largely due to uncertainties over U.S. and foreign offshore leasing policies. Though geologic tests are underway off the Atlantic Coast in preparation for lease sales scheduled for later this year, contractors fear the sales might be postponed. And many
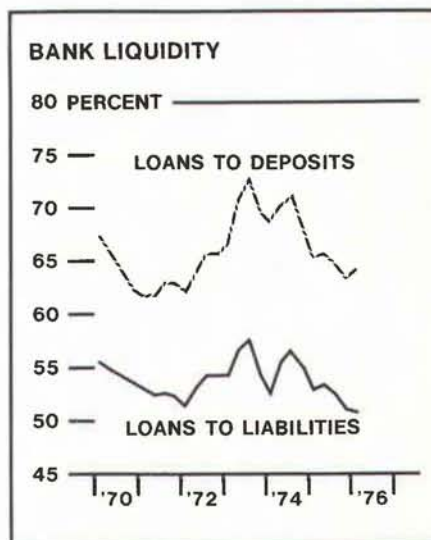
CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Apr. 21, 1976[1]	Mar. 24, 1976	Apr. 16, 1975
Federal funds sold and securities purchased under agreements to resell	1,260,676	1,717,349	1,889,475
Other loans, gross	10,708,485	10,721,083	10,446,314
Less loan loss reserve	265,828	n.a.	n.a.
Other loans, net	10,442,657	n.a.	n.a.
Commercial and industrial loans	5,326,447	5,406,213	5,081,684
Agricultural loans, excluding CCC certificates of interest	223,340	214,828	195,086
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	578	1,029	200
Other securities	77,534	81,002	26,835
Other loans for purchasing or carrying:			
U.S. Government securities	3,302	5,991	2,334
Other securities	367,840	359,498	394,543
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	209,639	230,029	139,618
Other	616,428	608,488	569,145
Real estate loans	1,345,175	1,325,160	1,495,489
Loans to domestic commercial banks	45,803	40,676	44,889
Loans to foreign banks	75,463	56,950	88,548
Consumer instalment loans	1,089,049	1,100,022	1,109,270
Loans to foreign governments, official institutions, central banks, and international institutions	5,644	14,927	5
Other loans	1,332,243	1,276,270	1,318,668
Total investments	5,788,344	5,685,313	4,796,629
Total U.S. Government securities	2,193,101	2,081,070	1,249,044
Treasury bills	526,280	500,549	198,083
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	241,686	234,033	220,847
1 year to 5 years	1,216,650	1,158,707	692,987
After 5 years	208,485	187,781	137,127
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	204,904	215,791	105,121
All other	3,045,903	3,053,468	3,140,909
Other bonds, corporate stocks, and securities:			
Certificates representing participations in federal agency loans	18,243	13,455	5,404
All other (including corporate stocks)	326,193	321,529	296,151
Cash items in process of collection	1,453,243	1,429,329	1,547,846
Reserves with Federal Reserve Bank	1,430,792	1,002,220	1,203,379
Currency and coin	143,745	135,091	130,306
Balances with banks in the United States	487,891	542,070	462,694
Balances with banks in foreign countries	228,360	230,868	27,396
Other assets (including investments in subsidiaries not consolidated)	1,353,881	1,282,303	1,002,684
TOTAL ASSETS	22,589,589	22,745,626	21,526,723

LIABILITIES	Apr. 21, 1976[1]	Mar. 24, 1976	Apr. 16, 1975
Total deposits	17,133,726	16,980,749	16,162,442
Total demand deposits	7,825,559	7,651,800	7,672,636
Individuals, partnerships, and corporations	5,681,832	5,582,030	5,604,107
States and political subdivisions	404,821	486,050	404,441
U.S. Government	174,931	66,459	140,509
Banks in the United States	1,377,503	1,357,236	1,309,721
Foreign:			
Governments, official institutions, central banks, and international institutions	3,147	1,822	2,622
Commercial banks	74,961	67,669	69,435
Certified and officers' checks, etc.	108,364	90,534	141,801
Total time and savings deposits	9,308,167	9,328,949	8,489,806
Total savings deposits	1,757,227	1,701,173	1,273,222
Individuals and nonprofit organizations	1,660,383	n.a.	n.a.
Partnerships and corporations operated for profit	96,354	n.a.	n.a.
Domestic governmental units	420	n.a.	n.a.
All other savings deposits	70	n.a.	n.a.
Total time deposits	7,550,940	7,627,776	7,216,584
Individuals, partnerships, and corporations	4,807,061	4,820,300	4,452,336
States and political subdivisions	2,233,901	2,281,083	2,401,581
U.S. Government (including postal savings)	10,829	10,449	9,857
Banks in the United States	483,595	492,446	325,277
Foreign:			
Governments, official institutions, central banks, and international institutions	13,333	14,139	22,133
Commercial banks	2,221	9,359	5,400
Federal funds purchased and securities sold under agreements to repurchase	3,178,924	3,199,579	3,020,047
Other liabilities for borrowed money	55,440	13,947	80,917
Other liabilities	554,924	991,685	805,338
Total equity capital and subordinated notes and debentures	1,666,575	1,559,666	1,457,979
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	22,589,589	22,745,626	21,526,723

1. Because of format revisions as of March 31, 1976, earlier data are not fully comparable. n.a.—Not available

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	Mar. 31, 1976	Feb. 25, 1976	Mar. 26, 1975
ASSETS			
Loans and discounts, gross	23,497	22,978	22,115
U.S. Government obligations	3,970	3,759	2,296
Other securities	7,723	7,631	7,319
Reserves with Federal Reserve Bank	1,822	1,725	1,762
Cash in vault	402	412	374
Balances with banks in the United States	1,749	1,526	1,406
Balances with banks in foreign countries[e]	226	217	36
Cash items in process of collection	1,988	1,967	1,704
Other assets[e]	1,954	2,355	1,837
TOTAL ASSETS[e]	43,331	42,570	38,849
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	2,078	1,855	1,721
Other demand deposits	13,829	13,248	12,181
Time deposits	19,460	19,113	17,315
Total deposits	35,367	34,216	31,217
Borrowings	3,763	3,701	3,265
Other liabilities[e]	1,291	1,842	1,682
Total capital accounts[e]	2,910	2,811	2,685
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	43,331	42,570	38,849

e—Estimated
Note: Effective March 31, 1976, the Bank Regulating Authorities (Federal Reserve, Comptroller of the Currency, and Federal Deposit Insurance Corporation) introduced new accounting procedures for bank balance sheets. These changes are reflected in this and subsequent statistical tables.

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
1974: March	13,933	10,150	260	15,126	2,958
1975: March	14,114	10,349	165	17,177	3,226
April	14,247	10,572	213	17,196	3,325
May	14,106	10,374	195	17,303	3,348
June	14,333	10,529	199	17,273	3,409
July	14,501	10,698	164	17,315	3,480
August	14,514	10,745	129	17,452	3,493
September	14,748	10,608	196	17,563	3,513
October	14,725	10,752	171	17,715	3,561
November	15,072	10,947	165	18,031	3,608
December	15,418	11,217	201	18,249	3,689
1976: January	15,736	11,438	188	18,558	3,817
February	15,363	11,178	218	18,955	4,063
March	15,315	11,280	191	19,255	4,287

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

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	5 weeks ended Mar. 31, 1976	4 weeks ended Feb. 25, 1976	5 weeks ended Apr. 2, 1975
Total reserves held	2,107,474	2,098,922	1,995,532
With Federal Reserve Bank	1,743,314	1,736,509	1,660,621
Currency and coin	364,160	362,413	334,911
Required reserves	2,104,051	2,092,329	1,985,320
Excess reserves	3,423	6,593	10,212
Borrowings	59,358	12,918	9,915
Free reserves	−55,935	−6,325	297

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. 1976 (Annual-rate basis)	Percent change			Mar. 31, 1976	Annual rate of turnover		
		Mar. 1976 from		3 months, 1976 from 1975		Mar. 1976	Feb. 1976	Mar. 1975
		Feb. 1976	Mar. 1975					
ARIZONA: Tucson	$31,880,099	7%	93%	83%	$407,610	81.0	78.1	44.2
LOUISIANA: Monroe	8,230,681	4	37	40	147,437	57.8	57.5	47.1
Shreveport	19,147,765	− 8	− 15	− 7	384,969	51.1	57.9	64.7
NEW MEXICO: Roswell[2]	1,748,484	1	18	20	59,927	29.2	29.3	27.6
TEXAS: Abilene	5,444,111	5	29	29	165,829	32.6	31.9	28.0
Amarillo	13,537,762	16	29	20	280,557	47.3	41.3	41.6
Austin	30,805,648	9	59	48	567,553	51.4	49.9	43.1
Beaumont-Port Arthur-Orange	13,064,195	1	25	17	395,605	33.5	34.1	30.8
Brownsville-Harlingen-San Benito	7,170,191	28	80	55	150,112	48.9	39.6	31.1
Bryan-College Station	2,293,340	− 5	30	31	71,362	33.1	34.8	28.8
Corpus Christi	13,843,277	0	11	12	352,691	38.7	38.9	40.3
Corsicana[2]	968,802	21	13	11	46,572	20.8	17.4	19.9
Dallas	317,302,409	10	24	13	3,297,452	94.9	85.9	79.7
El Paso	18,265,373	6	34	27	368,401	51.3	49.6	39.8
Fort Worth	46,554,766	− 2	12	15	1,064,978	44.8	45.3	43.8
Galveston-Texas City	5,582,071	14	12	4	169,520	33.4	30.6	33.7
Houston	333,881,731	9	24	21	4,459,223	74.7	67.9	66.8
Killeen-Temple	3,397,885	5	30	20	143,735	24.1	23.3	21.9
Laredo	2,401,763	0	20	21	87,559	28.0	29.0	28.7
Lubbock	12,223,724	1	17	27	272,984	45.1	46.5	43.3
McAllen-Pharr-Edinburg	6,037,098	12	33	25	198,816	31.1	28.7	27.2
Midland	7,649,698	15	81	66	263,841	29.0	26.0	19.1
Odessa	6,377,351	7	74	78	150,516	43.3	40.4	26.0
San Angelo	4,310,411	− 7	48	56	119,523	37.7	42.6	29.1
San Antonio	39,837,138	5	21	18	992,882	40.5	39.1	36.0
Sherman-Denison	1,983,198	1	31	26	93,511	21.4	21.7	17.3
Texarkana (Texas-Arkansas)	2,925,469	11	20	16	101,867	29.0	26.5	26.1
Tyler	5,230,872	10	33	23	166,541	31.0	28.4	27.3
Waco	7,066,963	15	12	7	181,461	38.3	33.6	37.6
Wichita Falls	5,299,876	7	− 5	0	197,547	26.9	25.5	30.5
Total—30 centers	$974,462,151	8%	25%	20%	$15,360,581	63.5	59.3	55.7

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

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	Apr. 28, 1976	Mar. 31, 1976	Apr. 30, 1975
Total gold certificate reserves	422,062	422,062	1,104,039
Loans to member banks	900	570	18,100
Other loans	0	0	0
Federal agency obligations	337,756	337,764	235,748
U.S. Government securities	4,459,556	4,462,491	3,799,441
Total earning assets	4,798,212	4,800,825	4,053,289
Member bank reserve deposits	1,744,800	1,821,696	1,911,737
Federal reserve notes in actual circulation	3,072,395	2,993,653	2,674,568

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	Mar. 1976	Feb. 1976	Jan. 1976	January—March 1976	January—March 1975r
FIVE SOUTHWESTERN STATES[1]	1,168	876	809	2,851	2,280
Residential building	481	422	347	1,252	816
Nonresidential building	477	259	217	950	1,001
Nonbuilding construction	209	195	245	649	463
UNITED STATES	8,908	6,149	6,390	21,434	16,458
Residential building	3,618	2,546	2,157	8,340	5,338
Nonresidential building	2,561	1,996	1,939	6,458	6,617
Nonbuilding construction	2,729	1,608	2,294	6,636	4,503

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		VALUATION (Dollar amounts in thousands)				
					Percent change		
					Mar. 1976 from		3 months, 1976 from 1975
	Mar. 1976	3 mos. 1976	Mar. 1976	3 mos. 1976	Feb. 1976	Mar. 1975	
ARIZONA Tucson	359	881	$9,294	$16,303	129%	61%	1%
LOUISIANA Monroe-West Monroe	99	258	1,269	3,839	− 9	48	2
Shreveport	358	1,100	8,755	16,487	97	134	56
TEXAS Abilene	144	372	2,492	8,166	1	24	61
Amarillo	329	820	6,982	17,406	37	62	65
Austin	648	1,597	21,845	44,936	84	213	58
Beaumont	194	511	2,862	9,868	− 37	− 33	21
Brownsville	131	352	1,482	5,664	42	93	172
Corpus Christi	302	845	3,239	13,159	− 42	100	48
Dallas	1,250	3,201	27,045	98,537	− 50	18	36
Denison	33	72	796	1,228	394	315	98
El Paso	722	1,545	12,220	32,477	34	113	2
Fort Worth	363	1,042	7,639	22,165	− 18	− 48	− 4
Galveston	87	205	873	2,499	− 24	369	55
Houston	3,097	6,765	71,069	155,745	106	60	13
Laredo	110	290	1,832	4,356	52	− 7	56
Lubbock	183	533	11,228	22,364	159	− 72	− 53
Midland	134	375	2,150	7,747	− 34	− 3	36
Odessa	193	452	13,473	18,888	516	464	213
Port Arthur	94	221	400	1,944	− 70	23	129
San Angelo	105	239	1,618	4,698	− 20	20	54
San Antonio	1,110	2,876	14,692	36,930	31	25	48
Sherman	38	93	432	2,326	6	− 23	53
Texarkana	79	184	1,277	2,875	− 7	250	132
Waco	233	578	1,533	4,795	− 35	140	36
Wichita Falls	193	425	7,220	11,997	511	122	136
Total—26 cities	10,588	25,832	$233,717	$567,399	30%	28%	23%

Area and type of index	Mar. 1976p	Feb. 1976	Jan. 1976	Mar. 1975r
TEXAS				
Total industrial production	128.9	127.7	127.7	121.9
Manufacturing	136.6	134.7	133.3	125.0
Durable	136.2	132.2	132.2	128.4
Nondurable	136.9	136.6	134.2	122.2
Mining	105.2	105.3	108.3	108.9
Utilities	174.8	174.8	174.8	164.2
Capacity utilization in manufacturing (1972 = 100)	98.2	97.2	96.5	93.7
UNITED STATES				
Total industrial production	120.9	120.2	119.4	110.0
Manufacturing	119.9	119.3	118.0	107.7
Durable	111.2	110.3	109.0	103.5
Nondurable	132.6	132.1	131.2	113.7
Mining	107.2	102.9	106.0	108.9
Utilities	159.6	158.7	156.7	154.1

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

Item	Thousands of persons			Percent change Mar. 1976 from	
	Mar. 1976p	Feb. 1976	Mar. 1975r	Feb. 1976	Mar. 1975
Civilian labor force	9,310.0	9,345.8	9,188.2	− 0.4%	1.3%
Total employment	8,742.4	8,763.0	8,630.2	− .2	1.3
Total unemployment	567.6	582.8	558.0	− 2.6	1.7
Unemployment rate	6.1%	6.2%	6.1%	[2] − .1	[2] .0
Total nonagricultural wage and salary employment	7,744.8	7,764.5	7,594.3	− .3	2.0
Manufacturing	1,280.4	1,285.5	1,262.4	− .4	1.4
Durable	710.4	713.6	707.6	− .4	.4
Nondurable	570.0	571.9	554.8	− .3	2.7
Nonmanufacturing	6,464.5	6,479.0	6,331.9	− .2	2.1
Mining	274.2	274.0	266.2	.1	3.0
Construction	484.4	497.9	494.8	− 2.7	− 2.1
Transportation and public utilities	504.9	504.5	506.2	.1	− .3
Trade	1,861.6	1,865.0	1,811.0	− .2	2.8
Finance	428.5	428.1	420.8	.1	1.8
Service	1,339.4	1,336.7	1,304.5	.2	2.7
Government	1,571.4	1,572.8	1,528.4	− .1%	2.8%

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)

foreign countries have discouraged outside explorers.

Other areas apparently cannot take up the slack in the demand for rigs. The North Sea area, for example, is moving from the stage of sinking exploration wells—mainly from mobile rigs—to the stage of drilling production wells—mainly from fixed platforms.

Moreover, an offshore lease offering in New Orleans last February generated only mild interest. Of 132 tracts offered, only 41 received bids. Since the Gulf Coast is a mature exploration area, most of the best acreage has probably been leased already.

On the other hand, a lease sale in April for acreage in the Gulf of Alaska opened acreage that, some believe, may have the greatest potential of any offshore U.S. area. This sale had originally been scheduled for 1969. Because companies have already committed rigs to drill there, however, this will not add much to the world demand for rigs.

Other highlights:
• Cash receipts from farm and ranch marketings in states of the Eleventh District increased 3 percent in the first two months of this year over the same period last year.

All the increase in sales, however, was from livestock. Receipts from livestock marketings rose more than a third, while crop sales dropped a fifth.

For the nation as a whole, total farm and ranch sales increased 9 percent over a year earlier, as a 24-percent gain in livestock receipts offset a small decline in crop sales. Higher average cattle and calf prices and increased marketings expanded livestock receipts, while price decreases lowered crop sales.
• The unemployment rate for the five southwestern states edged downward in March to 6.1 percent. However, both the civilian labor force and total employment declined as well.

The biggest gain in employment was in the services industry, where 2,700 workers were added to payrolls. Smaller increases were posted in finance, transportation and public utilities, and mining.
• Based on April 1 conditions, winter wheat production in Texas, Oklahoma, and New Mexico is expected to total about 193 million bushels, or more than a third below the record 1975 crop. Although planted acreage is essentially unchanged from a year ago, only four out of every five acres will be

harvested. Moreover, the average yield per acre is expected to be about 20 bushels, or a fifth below the 1975 average. Most of the reduction in winter wheat production will be in the Panhandle area of the three states, where drouth conditions have persisted throughout much of the growing season.
• Bank credit at member banks in the Eleventh District rose 3 percent in the first 3½ months of 1976. Most of the gain continued to stem from acquisitions of U.S. Government securities. However, total loans and holdings of other securities—especially at smaller banks—also increased.