
FCA is a management tool for banks, thrifts, and credit unions that tracks revenues, expenses, and net income by functional activity. Its purpose is to help depository institutions control costs, manage profitability, and compare performance with a peer group. The NAV is a detailed cost/profit analysis that provides averages based on deposit size. The averages are aggregate data from financial institutions that participated in the 1996 FCA program.

The Bank recently mailed 1996 FCA reports to participants and subscribers. The table below shows some selected costs from the National Average for Commercial Banks Report.

<table>
<thead>
<tr>
<th>Service</th>
<th>Up to $50 million</th>
<th>$50 million-$200 million</th>
<th>More than $200 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposit</td>
<td>$0.46</td>
<td>$0.47</td>
<td>$0.55</td>
</tr>
<tr>
<td>Monthly account maintenance</td>
<td>$6.23</td>
<td>$6.50</td>
<td>$7.56</td>
</tr>
<tr>
<td>Check cashing/item</td>
<td>$0.41</td>
<td>$0.41</td>
<td>$0.49</td>
</tr>
<tr>
<td>Time deposit cost/item</td>
<td>$0.95</td>
<td>$1.10</td>
<td>$1.05</td>
</tr>
<tr>
<td>Time CD issued</td>
<td>$4.35</td>
<td>$5.02</td>
<td>$4.81</td>
</tr>
</tbody>
</table>

The following FCA reports for data year 1996 are available for $100 each.

2. The 1996 Tenth District Average for Commercial Banks Report.
4. The 1996 Midwestern States Regional Average Report (includes participant banks in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin).

Beginning with data year 1997, the Fed will offer two newly designed versions of FCA: FCA Basic and FCA Plus.

FCA Basic is a scaled-down, simple way to begin a formal cost accounting system. It is designed for small banks and for banks that are less familiar with cost accounting systems. FCA Basic analyzes a bank’s costs and performance and offers easy-to-understand comparisons with similar banks. FCA Basic includes direct and indirect cost analyses and transaction costs for both electronic and non-electronic transactions.

FCA Plus is designed for banks that have more experience with cost accounting or for banks that want detailed cost and product information. FCA Plus provides more in-depth analysis than FCA Basic. FCA Plus includes...
enhanced profitability information for product lines and products; updated funds transfer pricing methods; and expanded capability to perform “what-if,” break-even, customer profitability, and interest rate sensitivity analyses.

For additional information about FCA or to participate in the 1997 FCA program, contact Helen Harrison in the Statistical Services Department in Kansas City, (800) 333-1010, extension 2708.

The 1997 Bank Directors’ Forum, titled “Banking in the New Millennium – Issues for Directors,” will be held December 4-5, at the Wyndham Gardens Hotel on the Country Club Plaza in Kansas City, Mo.

Sponsored by the Federal Reserve Bank of Kansas City and the University of Missouri-Kansas City, this year’s forum begins on Thursday evening, December 4, with a session on managing and planning for shareholder value. There also will be a training session on basics for bank directors. Sessions on Friday, December 5 will examine the role of bank directors in business development, strategies for meeting new competition, and advice on bankruptcy issues. Senior regulators and policymakers also will provide their perspectives on recent regulatory developments and on regulatory and legislative changes on the horizon.

Information about the forum will be mailed soon to bank officers and directors. For more information about the program content, contact Joe VanWalleghem at the Kansas City Fed, (800) 333-1010, extension 2387.

Manufacturing activity expanded modestly and the farm economy improved in the Tenth Federal Reserve District during the second quarter of 1997, according to the Kansas City Fed’s Third Quarter 1997 Regional Economic Digest. The district’s energy sector continued to expand and construction activity rose seasonally. Employment levels declined somewhat, while the unemployment rate edged lower.

**Employment** — The number of jobs in the region slipped 0.1 percent in the second quarter and was 2.0 percent higher than a year ago. Employment declines in the construction and trade sectors limited employment growth. In comparison, national employment was up 0.6 percent in the second quarter and was 2.2 percent higher than a year ago.

Kansas continued to lead the district in job growth in the second quarter. Oklahoma employment grew 2.5 percent over the previous year. Colorado employment growth equaled the district average at 2.0 percent over a year ago. Employment in Nebraska, Missouri, and New Mexico grew slightly slower than the district average. In the nation, employment growth averaged 2.2 percent.

**Unemployment** — District unemployment edged down in the second quarter to 3.9 percent. In comparison, the national unemployment rate fell to 4.9 percent.

**Income** — Real personal income grew 1.2 percent in the first quarter of 1997, the most recent quarter for which data are available. Income was up 3.8 percent from a year ago. The nation’s income rose 1.3 percent in the quarter and 4.0 percent for the year.

**Manufacturing** — The number of manufacturing jobs in the district decreased 0.1 percent in the second quarter, as weakness continued in nondurable goods. Compared with a year ago, manufacturing employment was up 0.6 percent. In the nation, factory employment was up 0.1 percent in the second quarter and was 0.2 percent higher than a year ago.

**Construction** — The district’s construction sector showed the typical
growth associated with the summer construction season. The total value of construction contracts was up 16.3 percent from the previous quarter but was 9.6 percent below the previous year’s level. Construction employment slipped 1.8 percent in the second quarter but was 2.7 percent above a year ago. Nationally, the total value of construction contracts rose 26.5 percent in the quarter but was 1.7 percent below year-ago levels.

**Energy** — The average number of drilling rigs operating in the district rose 5.5 percent from the previous quarter and 13.7 percent above year-ago levels. The national rig count rose 9.4 percent in the quarter and was 22.8 percent higher than a year ago.

**Farm economy** — The district farm economy improved in the second quarter. A large wheat harvest and a recovering cattle industry lifted farmland values and strengthened the demand for farm loans in the quarter.

Copies of the Third Quarter 1997 *Regional Economic Digest* will be available soon from the Public Affairs Department in Kansas City, at (800) 333-1010, extension 2989. The publication will also be available on the Bank’s Internet site at [http://www.kc.frb.org](http://www.kc.frb.org).

Ag credit conditions in the seven states of the Tenth Federal Reserve District continued to improve in the second quarter, according to a survey of 344 agricultural bankers. A large wheat harvest and a positive outlook for corn and soybeans boosted farmland values and fueled demand for farm loans. Loan repayment rates were down seasonally. Interest rates edged up, reflecting the movement in money market rates.

Results of the survey appear in an article by Kendall McDaniel, research associate, and Russell Lamb, economist, in the Bank’s Third Quarter 1997 *Regional Economic Digest*, which will be published soon.

The average value of farmland rose throughout the district in the second quarter, led by gains in ranchland values. Ranchland values rose 1.3 percent in the district during the second quarter. During the past year, district ranchland values rose 8.2 percent, reflecting a rebound in feeder cattle prices. Increases in cropland values likely reflect optimism about prospects for crop returns this year. Cropland values rose 2 percent in Missouri and 1.3 percent in Kansas. States that are more dependent on the cattle industry, such as Oklahoma and the mountain states, had the smallest gains in overall land values.

Bankers report that demand for farm loans surpassed the availability of funds in the second quarter. This pushed up loan-deposit ratios at district banks. The district index of farm loan demand for the quarter jumped due to the demand for seasonal credit related to springtime planting by district producers. The average loan-deposit ratio at district agricultural banks jumped to 65 percent, which is the highest level since the survey began in 1976. This rise resulted in somewhat more banks refusing farm loans due to a shortage of funds.

Expectations of relatively high prices prompted district farmers to expand their crop production. The winter wheat harvest was the largest since 1990. District producers planted more acres in soybeans this spring than last year and about the same acreage in corn. Livestock production also expanded in the second quarter. District feedlots have been full in recent months, and this has resulted in large inventories of fed cattle and strong meat production. Smaller herds will likely reduce the supply of feeder cattle this fall and throughout next
year. Increased export opportunities have encouraged many large hog operations to locate in the district and have prompted several current operations to expand.

The district index of farm commodity prices edged up in the second quarter but remained below last year’s levels. Prices rose for feeder cattle, hogs, and soybeans; this offset declines in prices for fed cattle, wheat, corn, and sorghum.

Since the end of the second quarter, corn prices have rebounded. Soybean prices have fallen due to expectations of record world output. However, strong export demand should keep soybean prices at profitable levels. Wheat prices also have declined seasonally after a record harvest. Prices of feeder cattle and fed cattle have climbed in recent months, while hog prices have moved down.

The farm loan repayment rate in the district fell in the second quarter after rising the past two quarters. The index of loan extensions rose slightly but remains below 100 for only the second time in almost four years. More than 80 percent of bankers surveyed report no significant problems in loan repayment rates. Bankers expect district producers to have no problems repaying their operating loans this fall due to record soybean plantings, a large winter wheat harvest, and higher feeder cattle prices.

Interest rates on new farm loans in the district averaged 9.46 percent on farm real estate loans, 9.93 percent on feeder cattle loans, 9.94 percent on intermediate loans, and 10.09 percent on farm operating loans. The rise in interest rates reflects a delayed response to an increase in money market rates in March. One-year Treasury rates have moved up since July, and thus farm interest rates could trend somewhat higher.

According to the authors, the outlook for the district farm economy is bright. Higher farm incomes for district producers could boost farmland values further in the coming year and help maintain a healthy demand for loans at district agricultural banks.

Copies of the Third Quarter 1997 Regional Economic Digest will be available soon from the Public Affairs Department in Kansas City. The publication also will be available on the Bank’s Internet site.

The Federal Reserve Bank of Kansas City will be closed Veterans Day, Tuesday, November 11 and Thanksgiving Day, Thursday, November 27.