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OPERATION OF
Federal Reserve Bank
of Kansas City

1925



ELEVENTH ANNUAL REPORT
TO THE
FEDERAL RESERVE BOARD

ANNUAL REPORT
of the
Federal Reserve Agent
of the
Tenth Federal Reserve District
to the
Federal Reserve Board

COVERING THE CALENDAR YEAR

1925

M. L. McCLURE
Chairman and Federal Reserve Agent

LETTER OF TRANSMITTAL

February 1, 1926

Sir:

I have the honor to transmit herewith the eleventh annual report of the Federal Reserve Bank of Kansas City covering the year 1925.

Respectfully yours,

M. L. McCLURE,

Chairman and Federal Reserve Agent.

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

OPERATIONS OF THE
FEDERAL RESERVE BANK OF KANSAS CITY
IN 1925

GENERAL CONDITIONS

THE year just closed was one of great industrial and trade activity in the Tenth Federal Reserve District. It was a year of average good crops and one in which supplies of live stock were ample for requirements, with fair to good prices for most agricultural products and with an adjustment in live stock values to more consistent levels, particularly beneficial to breeders and feeders. It was a period in which former high records of production of petroleum and of zinc and lead were exceeded, and which brought an increase in production of bituminous coal throughout the District and an increase in metal mining in the Rocky Mountain camps. Building operations increased materially and highway construction and public works were more extensive than in any previous year of record. Manufacturing in all lines was heavy and the volume of trade at wholesale firms was the largest since 1920. Sales at retail firms were the largest for any year for which statistics are available. Sales of farm implements, tractors and machinery, dairy equipment, poultry supplies, and automobiles and trucks, were exceptionally large.

These excellent conditions combined in the making of enormous banking transactions, and a substantial increase in the amount of payments by check was indicated by an increase over 1924 of more than 11 per cent in dollar value of debits to individual accounts in reporting banks located in twenty-nine cities of the District.

The value of farm crops produced in 1925, as reported for the states and parts of states comprising the District, was \$1,229,500,000, this total being \$284,000,000 less than the value of 1924 crops but \$149,000,000 greater than in 1923. The larger crops of corn, oats, and cotton brought a much lower price per bushel or pound than was paid for the crop of the preceding year, but the smaller crops of winter wheat, potatoes, and hay brought considerably higher prices per unit than were received by growers for their 1924 crops of these commodities. Considering both production and values, the general agricultural situation improved during the year.

The live stock industry in the District advanced during the year to a stronger position than has existed since 1920, this improvement being principally due to advances in values of breeding cattle, although all classes of cattle rose in price during the year. There was a more confident feeling among cattlemen than has been manifest for five years, and re-stocking of cattle on ranges and increases in dairy herds on farms were reported at the end of the year. The sheep and wool industry maintained the high position attained in the fall of 1924 and further expansion was indicated by the reports. There was a reduction of 22.7 per cent in the market supply of hogs, and smaller spring and fall pig crops gave no indication of any immediate or near future increases in the supply.

The mineral industries exhibited greater activity in production and shipments than ever before reported. The output of 246,819,000 barrels of crude oil in five producing states was the high yearly record for all time, and the value was 23.8 per cent greater than that of 1924 production. The year's production and shipment of zinc and lead ores were the largest in tonnage and value in the history of the Missouri-Kansas and Oklahoma field. Colorado metal mines produced less gold and copper but more silver, zinc, and lead than in 1924, and the value of the five metals produced was 12.8 per cent greater than that for the previous year. Coal mining activity for the last half of the year was at a higher percentage of capacity, and production for the year was slightly larger than the previous year's output. The value of all mineral production in the District was approximately \$763,000,000, an increase of 16.1 per cent over 1924 values.

The returns from eighteen regularly reporting cities showed 34,804 building permits, aggregating \$123,048,924, an increase of 3.1 per cent in number and 24.3 per cent in value over corresponding figures reported for 1924. There was an increase in mileage of hard surfaced roads and more money was expended for public improvements in cities and towns than in any of the previous years. The year was an exceptional one for building and construction operations throughout the entire District, with a resulting increase in manufacture and sale of lumber, brick, cement, paint, glass, and other materials, and also full time employment for workmen of all crafts.

Mercantile trade throughout the District expanded steadily from the opening of spring, and in December reached the highest peak recorded for any year since 1920. The value of wholesale trade in all lines except groceries, which was slightly smaller, exceeded that for 1924. Retail trade, evidenced by reports of department stores in leading cities, was 5.6 per cent larger than in the previous year.

MOVEMENT OF PRINCIPAL ASSETS AND LIABILITIES

The movement for the year in principal items of assets and liabilities of the Federal Reserve Bank of Kansas City reflects stability of financial conditions in this district. Changes in the amount of member banks' reserve deposits were small, except for temporary variations, and the movement of Federal reserve notes in circulation was the same as has obtained for the past few years, contracting somewhat toward the middle of the year and expanding a corresponding amount toward the close. Loans to member banks were light, falling to \$3,878,000 on March 14 and reaching a high point of \$23,329,000 on November 25. The average for the year was \$9,053,000.

Total cash reserves declined from \$120,568,000 on February 4 to \$68,915,000 on November 4, this movement being largely a reflection of increased holdings during the same period of about \$10,000,000 in Government securities, \$20,000,000 in bills bought in the open market, and the increase in loans to member banks referred to above.

EARNINGS, EXPENSES, AND VOLUME OF OPERATIONS

Gross earnings for the year were \$2,309,985.39, as compared with \$2,262,910.11 for the year 1924, this showing being due to carrying a larger investment in purchased bills and United States securities to offset greatly reduced holdings in bills discounted for member banks. Earnings from loans to member banks, \$362,177.00, were about 58% under 1924 figures; penalties on deficient reserves were \$24,543.99 as against \$36,380.20 the previous year; and miscellaneous earnings, \$267,121.55, which include \$206,965.94 income from rented space, were slightly in excess of the corresponding figures for 1924.

The following table is given to show the division of earning assets, earnings therefrom, and the rate of interest return on each classification for the years 1922 to 1925:

NOTE: Statement of resources and liabilities at close of business December 31 1925 and December 31, 1924; detail statement of Earnings, Current Expenses and Profit and Loss Account for 1925; and other statements and tables of general interest may be referred to in the annual report of the Federal Reserve Board for the year 1925.

HOLDINGS OF EARNING ASSETS, EARNINGS THEREFROM, AND ANNUAL RATES OF EARNINGS, FEDERAL RESERVE BANK OF KANSAS CITY

	Year	Bills Discounted	Bills Bought in the Open Market	United States Government Securities	Other Earning Assets	Total
Daily Aver. Holdings	1922	\$30,126,595	\$ 178,859	\$38,246,933	\$ 6,575	\$68,558,962
	1923	39,861,590	688,661	23,346,470	45,912	63,942,633
	1924	19,252,047	5,183,349	24,512,289	94,273	49,041,958
	1925	9,052,881	16,819,307	30,781,256	585,184	57,238,628
Earnings	1922	1,492,657	8,828	1,408,738	328	2,910,551
	1923	1,793,861	29,361	971,271	2,066	2,796,559
	1924	859,534	158,580	947,929	3,093	1,969,136
	1925	362,177	538,179	1,117,964	20,795	2,039,115
Aver. Rates of Earnings (per cent)	1922	4.95	4.94	3.68	5.00	4.24
	1923	4.50	4.26	4.16	4.50	4.37
	1924	4.46	3.06	3.87	3.28	4.02
	1925	4.00	3.20	3.63	3.55	3.56

After deducting from earnings the amounts of current expenses, furniture and equipment purchased, and depreciation and reserves for replacement of bank buildings and fixed machinery and equipment, the net earnings for the year were sufficiently in excess of the amount required for the usual 6% dividend to stockholding member banks to permit payment of \$22,045.33 franchise tax to the United States Government and an addition to surplus of \$2,449.48.

A comparison of gross and net earnings and disposition of net earnings since organization is given below:

**GROSS AND NET EARNINGS OF FEDERAL RESERVE BANK OF KANSAS CITY
1914-1925**

Period	Gross	Net	Dividends	Transferred to Surplus	Franchise Tax paid to United States Gov't
1914 to 1919	\$ 9,898,760	\$ 7,085,727	\$ 969,694	\$6,116,033	\$
1920	7,409,987	5,540,681	257,672	3,042,781	2,240,228
1921	5,712,858	3,056,096	268,620	486,918	2,300,558
1922	3,094,660	783,036	275,655	(1) 157,432	664,813
1923	2,993,919	347,711	275,313	7,240	65,158
1924	2,262,910	(2) 253,182	265,697	(3) 518,879	
1925	2,309,985	282,921	258,427	2,449	22,045
Totals	\$33,683,079	\$16,842,990	\$2,571,078	\$8,979,110	\$5,292,802

- (1) Net reduction in surplus account after charging surplus and crediting franchise tax with \$208,170.00 paid as an additional franchise tax for 1921.
- (2) Deficit in earnings before payment of dividends.
- (3) Deficit in earnings after payment of dividends, charged to surplus account.

The success of the effort made during the past few years by all Federal reserve banks, under the direction and encouragement of the Federal Reserve Board, to eliminate unnecessary expense and to develop mechanical operations on the most economical plane consistent with efficiency, is indicated by a continuing reduction in current operating expenses of this bank during the past five years. Current expenses for these years, exclusive of expense of fiscal agency operations reimbursable by the Treasury Department and the War Finance Corporation, were as follows: 1921, \$2,227,856; 1922, \$2,010,820; 1923, \$1,928,119; 1924, \$1,866,087; and 1925, \$1,727,443. That this reduction in expenses has been due to economy in operation rather than to a smaller volume of business handled will be noted by reference to the following table, which shows a steadily increasing volume in most operations and material reduction only in Fiscal Agency and Discount Department activities:

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS

	Year	Number of Pieces	Amount
Notes discounted or rediscounted for member banks	1921	110,067	\$ 944,074,132
	1922	70,249	328,019,400
	1923	67,667	901,125,313
	1924	55,574	227,743,605
	1925	28,883	298,936,616
Currency received and counted	1921	38,515,319	320,102,050
	1922	41,487,661	288,220,756
	1923	48,265,119	256,299,840
	1924	48,617,887	243,904,537
	1925	51,354,987	256,838,800
Coin received and counted	1921	67,260,864	10,657,561
	1922	71,079,944	11,009,724
	1923	66,187,747	10,256,881
	1924	63,203,382	10,800,194
	1925	63,559,440	12,142,654
Checks handled	1921	58,245,769	8,980,368,025
	1922	54,519,969	8,290,020,578
	1923	58,567,542	8,817,168,509
	1924	61,975,039	9,786,001,503
	1925	68,301,676	11,061,945,198
Collection items handled	1921	136,068	144,270,988
	1922	214,556	166,830,477
	1923	237,504	193,651,786
	1924	280,757	230,103,325
	1925	264,717	234,036,442
United States Gov- ernment Coupons Paid.	1921	4,352,252	22,217,349
	1922	3,359,806	20,362,337
	1923	2,863,313	20,684,367
	1924	2,141,022	18,060,109
	1925	1,961,171	18,657,628
United States Securi- ties — Issues, re- demptions, and ex- changes by Fiscal Agency Dep't	1921	1,534,272	666,996,083
	1922	819,376	530,648,827
	1923	9,031,743	317,045,087
	1924	894,427	161,888,845
	1925	384,886	146,542,867
Transfers of Funds	1921	113,918	2,690,016,945
	1922	112,756	3,753,239,495
	1923	113,264	3,189,811,978
	1924	119,412	4,358,822,341
	1925	122,373	5,075,400,624

OPERATION OF BRANCHES

With the occupancy on October 24 and November 28, respectively, of the new branch buildings at Denver and Omaha, our three branches are now housed in modern banking quarters, with adequate vault facilities and ample working space for all departments.

The volume and growth of Branch operations are indicated by the following table giving the number of items and the amounts involved in transactions handled in principal departments during 1924 and 1925:

	Number of Pieces		Aggregate Amount	
	1924	1925	1924	1925
OMAHA BRANCH				
Notes discounted	11,554	7,022	\$ 54,941,411	\$ 70,451,140
Checks handled	10,167,728	11,208,999	1,239,494,581	1,428,689,737
Collection items handled	35,138	35,933	36,998,341	38,590,968
Currency rec. and counted	4,803,572	4,759,672	26,803,418	25,347,550
Coin received and counted	3,465,205	2,551,503	1,192,919	1,226,802
DENVER BRANCH				
Notes discounted	8,977	6,732	36,868,884	69,499,535
Checks handled	8,210,510	8,581,693	1,530,943,618	1,727,998,461
Collection items handled	42,949	40,497	35,646,050	37,283,636
Currency rec. and counted	6,369,366	6,881,560	42,624,100	47,869,100
Coin received and counted	7,577,780	7,706,734	2,476,435	2,686,340
OKLA. CITY BRANCH				
Checks handled	16,317,837	17,845,762	2,051,597,514	2,377,306,547
Collection items handled	62,445	54,812	43,488,830	38,796,403
Currency rec. and counted	4,453,702	4,970,858	22,574,550	23,870,900
Coin received and counted	4,197,108	5,012,578	805,769	1,357,277

GENERAL COMMENTS

Discount operations for member banks were materially less than in any year since 1916, no great demand for accommodations developing at any time and loans to member banks fluctuating only about \$20,000,000, with a low point of \$3,878,327.08 on March 14 and a high point of \$23,329,501.41 on November 25. Such demand as existed was well distributed, advances being made to 72 member banks in Colorado; 74 in Kansas; 21 in Missouri; 108 in Nebraska; 6 in New Mexico; 118 in Oklahoma; and 11 in Wyoming. The requirements of individual member banks for advances from the Federal Reserve Bank were very largely to meet temporary conditions, as indicated by the fact that 12,656 notes, aggregating \$79,249,878.70, discounted for 369 different member banks, were taken up by the respective member banks prior to maturity.

There was a marked increase in the volume of checks collected, the total number of checks handled at the several offices—68,301,676—being over 10 per cent greater than the number handled last year. The dollar value of checks handled was over eleven billion dollars.

All operations in connection with the custody and safekeeping of securities increased greatly during the year. At the close of the year securities aggregating over \$100,000,000 were held for safekeeping for 477 member banks.

Transfers of funds effected during the year numbered 122,373 for a total of over five billion dollars. A substantial proportion of these transactions consisted of transfers to or from other Federal Reserve Districts, with settlements made through the Gold Settlement Fund.

Fiscal Agency operations on behalf of the United States Government were of considerable volume, although showing a reduction from last year and prior years, and operations on behalf of the War Finance Corporation were confined to transactions necessary in liquidating existing loans in this District.

During the year 680 visits to banks throughout the District were made by representatives of the bank, as compared with 381 such visits in 1924 and 239 in 1923.

Currency and coin transactions, both in the currency and coin service extended to member banks and in the exercise of sub-treasury functions, were in excess of operations of previous years. The outstanding currency operation of the year was the furnishing of \$7,000,000 in currency to member banks in Denver and vicinity within two days, this unusual demand being occasioned by the desire of member banks to maintain a particularly strong cash position during the period immediately following the closing of several of the smaller Denver banks.

MOVEMENT OF MEMBERSHIP

There was a net decrease in membership for the year of forty-five national banks and two state banks, as appears in the following summary:

STATE	ADDITIONS				WITHDRAWALS			
	Number 12-31-24	Nat'l Banks	State Banks	Total	Nat'l Banks	State Banks	Total	Number 12-31-25
Colorado	144	1	0	1	8	0	8	137
Kansas	265	4	0	4	3	0	3	266
Missouri*	49	3	1	4	4	0	4	49
Nebraska	187	2	0	2	6	1	7	182
New Mexico*	12	0	0	0	3	0	3	9
Oklahoma*	390	3	0	3	32	0	32	361
Wyoming	39	1	0	1	3	2	5	35
Totals	1,086	14	1	15	59	3	62	1,039

* Within District No. 10

Changes in state bank membership consisted of admission to membership of the Empire Trust Company, Saint Joseph, Missouri; the voluntary withdrawal of the Pender State Bank, Pender, Nebraska; and the withdrawal of two state member banks due to insolvency.

Of the fourteen national banks organized during the year, five were primary organizations, six succeeded national banks, one succeeded a non-member bank, and two were conversions of non-member banks.

Withdrawals of 59 national banks resulted from three mergers with other national banks, fifteen insolvencies, and forty-one voluntary liquidations.

PERSONNEL

P. W. Goebel, Kansas City, Kansas, was appointed member of the Federal Advisory Council to succeed E. F. Swinney, who advised that other affairs would make it impossible for him to continue in this work. Mr. Swinney has served the Tenth Federal Reserve District in this capacity since the organization of this bank.

C. C. Parks, Vice President of the First National Bank, Denver, Colorado, was elected Class A Director by member banks of Group 1, to serve the unexpired term of J. C. Mitchell, deceased, ending December 31, 1927.

Frank W. Sponable, President of the Miami County National Bank, Paola, Kansas, was re-elected Class A Director by member banks of Group 2; and J. M. Bernardin, President of the J. M. Bernardin Lumber Company, Kansas City, Missouri, was re-elected Class B Director by member banks of Group 1; both terms expiring December 31, 1928.

The Federal Reserve Board appointed W. S. Bulkley, President of the Kerr Dry Goods Company, Oklahoma City, Oklahoma, as Class C Director for the term expiring December 31, 1928.

The following were appointed as directors of the Omaha, Denver, and Oklahoma City Branches, for terms expiring on December 31 of the years indicated:

OMAHA BRANCH

L. H. Earhart, Managing Director Omaha Branch, 1926; A. H. Marble, President of the Stockgrowers National Bank, Cheyenne, Wyoming, 1928; and William Diesing, Manager and Director of the Cudahy Packing Company, Omaha, Nebraska, 1928;

DENVER BRANCH

J. E. Olson, Managing Director Denver Branch, 1926; Murdo MacKenzie, Manager and Director of the Matador Land and Cattle Company, Denver, Colorado, 1928; and Harold Kountze, Vice President of the Colorado National Bank, Denver, Colorado, 1927;

OKLAHOMA CITY BRANCH

C. E. Daniel, Managing Director Oklahoma City Branch, 1926; Ned Holman, President of the First National Bank, Guthrie, Oklahoma, 1928; and W. F. Nichols, merchant and stockman, Tulsa, Oklahoma, 1928.

The Federal Reserve Board reappointed M. L. McClure as Chairman of the Board of Directors and Federal Reserve Agent, and Heber Hord as Deputy Chairman of the Board.

A. M. McAdams, formerly Assistant Cashier, was designated Assistant Federal Reserve Agent and Secretary of the Board of Directors.

C. K. Boardman resigned as Assistant Federal Reserve Agent and Secretary to become Vice President of the Security National Bank, Norman, Oklahoma; A. E. Bolt and R. W. Smith, Assistant Auditors at the head office and the Denver Branch, respectively, resigned during the year to accept other positions; and T. Gordon Sanders and O. A. Leamon, Assistant Auditors at the Omaha and Oklahoma City Branches, respectively, became audit clerks upon the discontinuance of the official positions of Assistant Auditors at the Branches.

At the close of the year the bank and branches had a total of 22 officers and 571 other employees, as compared with 27 officers and 631 other employees at the close of 1924.

DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF KANSAS CITY
FOR 1926

DIRECTORS

CLASS A

E. E. MULLANEY (1926), Hill City, Kans.
C. C. PARKS (1927), Denver, Colo.
FRANK W. SPONABLE (1928), Paola, Kans.

CLASS B

H. W. Gibson (1926), Muskogee, Okla.
THOMAS C. BYRNE (1927), Omaha, Neb.
J. M. Bernardin (1928), Kansas City, Mo.

CLASS C

M. L. McCLURE (1926), Chairman, Kansas City, Mo.
HEBER HORD (1927), Central City, Neb.
W. S. BULKLEY (1928), Oklahoma City, Okla.

MEMBER FEDERAL ADVISORY COUNCIL

P. W. GOEBEL, Kansas City, Kansas

OFFICERS

M. L. McCLURE, Chairman Board of Directors
and Federal Reserve Agent
HEBER HORD, Deputy Chairman
A. M. McADAMS, Assistant Federal Reserve
Agent and Secretary
S. A. WARDELL, Auditor
H. G. LEEDY, Counsel

W. J. BAILEY, Governor
C. A. WORTHINGTON, Deputy Governor
J. W. HELM, Cashier
JOHN PHILLIPS, JR., Assistant Cashier
E. P. TYNER, ASSISTANT CASHIER
G. E. BARLEY, Assistant Cashier
M. W. E. PARK, Assistant Cashier
G. H. PIPKIN, Assistant Cashier

OMAHA BRANCH

DIRECTORS AND OFFICERS

J. E. MILLER (1926), Lincoln, Neb.
R. O. MARNELL (1927), Nebraska City, Neb.
A. H. MARBLE (1928), Cheyenne, Wyo.

L. H. EARHART (1926), Managing Director

G. A. GREGORY, Cashier

T. L. DAVIS (1926), Omaha, Neb.
A. J. WEAVER (1927), Falls City, Neb.
WM. DIESING (1928), Omaha, Neb.

WM. PHILLIPS, Assistant Cashier

W. D. LOWER, Assistant Cashier

DENVER BRANCH

DIRECTORS AND OFFICERS

R. H. DAVIS (1926), Denver, Colo.
HAROLD KOUNTZE (1927), Denver, Colo.
H. W. FARR (1928), Greeley, Colo.

J. E. OLSON (1926), Managing Director

ALBERT J. CONWAY, Cashier

A. C. FOSTER (1926), Denver, Colo.
WM. L. PETRIKIN (1927), Denver, Colo.
MURDO MACKENZIE (1928), Denver, Colo.

JOHN A. CRONAN, Assistant Cashier

OKLAHOMA CITY BRANCH

DIRECTORS AND OFFICERS

FRANK BUTTRAM (1926), Oklahoma City, Okla.
WM. MEE, (1927), Oklahoma City, Okla.
NED HOLMAN (1928), Guthrie, Okla.

C. E. DANIEL (1926), Managing Director

R. O. WUNDERLICH, Cashier

WALTER FERGUSON (1926), Okla. City, Okla.
E. J. MURPHY (1927), Clinton, Okla.
W. F. NICHOLS (1928), Tulsa, Okla.

R. L. MATHES, Assistant Cashier