10

SEVENTEENTH ANNUAL REPORT

of the

FEDERAL RESERVE BANK OF KANSAS CITY

FOR THE YEAR ENDED DECEMBER 31, 1931

TENTH FEDERAL RESERVE DISTRICT

SEVENTEENTH ANNUAL REPORT

of the

FEDERAL RESERVE BANK OF KANSAS CITY

FOR THE YEAR ENDED DECEMBER 31, 1931

TENTH FEDERAL RESERVE DISTRICT

LETTER OF TRANSMITTAL

February 15, 1932.

Sir:

I have the honor to transmit herewith the seventeenth annual report of the Federal Reserve Bank of Kansas City, covering the year 1931.

Respectfully yours,

M. L. McCLURE,

Chairman and Federal Reserve Agent.

Hon. Eugene Meyer
Governor, Federal Reserve Board,
Washington, D. C.

DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF KANSAS CITY
FOR 1932

DIRECTORS

CLASS A

E. E. Mullaney (1932), Hill City, Kans.
C. C. Parks (1933), Denver, Colo.
Frank W. Sponable (1934), Paola, Kans.

CLASS B

L. E. Phillips (1932), Bartlesville, Okla.
Willard D. Hosford (1933), Omaha, Nebraska
J. M. Bernardin (1934), Kansas City, Mo.

CLASS C

M. L. McClure (1932), Chairman, Kansas City, Mo.
E. P. Brown (1933), Davey, Nebraska
H. M. Langworthy (1934), Deputy Chairman, Kansas City, Mo.

MEMBER FEDERAL ADVISORY COUNCIL

Walter S. McLucas, Kansas City, Missouri

OFFICERS

M. L. McClure, Chairman Board of Directors and Federal Reserve Agent
H. M. Langworthy, Deputy Chairman
A. M. McAdams, Assistant Federal Reserve Agent and Secretary
S. A. Wardell, Auditor
H. G. Leedy, Counsel

George H. Hamilton, Governor
C. A. Worthington, Deputy Governor
J. W. Helm, Deputy Governor and 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
N. R. Oberwortmann, Assistant Cashier

OMAHA BRANCH

DIRECTORS AND OFFICERS

W. E. Hardy (1932), Lincoln, Nebr.
R. O. Marnell (1933), Nebraska City, Nebr.
A. H. Marble (1934), Cheyenne, Wyo.

T. L. Davis (1932), Omaha, Nebr.
Daniel M. Hildebrand (1933), Seward, Nebraska
Wm. Diesing (1934), Omaha, Nebr.

L. H. Earhart (1932), Managing Director
G. A. Gregory, Cashier

Wm. Phillips, Assistant Cashier
O. P. Cordill, Assistant Cashier

DENVER BRANCH

DIRECTORS AND OFFICERS

R. H. Davis (1932), Denver, Colo.
Harold Kountze (1933), Denver, Colo.
H. W. Farr (1934), Greeley, Colo.

Henry Swan (1932), Denver, Colo.
Merritt W. Gano (1933), Denver, Colo.
Murdo MacKenzie (1934), Denver, Colo.

J. E. Olson (1932), Managing Director

S. A. Brown, Cashier
John A. Cronan, Assistant Cashier

OKLAHOMA CITY BRANCH

DIRECTORS AND OFFICERS

Austin Miller (1932), Oklahoma City, Okla.
Wm. Mee (1933), Oklahoma City, Okla.
Ned Holman (1934), Guthrie, Okla.

H. H. Ogden (1932), Muskogee, Okla.
J. B. Doolin (1933), Alva, Okla.
Lee Clinton (1934), Tulsa, Okla.

C. E. Daniel (1932), Managing Director

R. O. Wunderlich, Cashier
R. L. Mathes, Assistant Cashier

SEVENTEENTH ANNUAL REPORT
FEDERAL RESERVE BANK OF KANSAS CITY

General economic conditions in the Tenth Federal Reserve District were most unsatisfactory during all of the year 1931, because of the abnormally low prices obtainable for the most important items of the District's production. Values of all agricultural and live stock products and of the principal mineral products of the District were at disturbingly low levels at the beginning of the year, and while there was some subsequent improvement in a few items, the general price level for the year was lower than at any time in many years. This situation, bringing curtailment of production, stagnation in sales of real estate, unemployment, and reduction of buying power, necessarily had a serious effect on all business, and the resultant reductions in bank deposits and impairment of debt paying ability made it particularly difficult for the banks of the District to function in a normal manner.

Farming operations in the District were as extensive as in past years, even a larger number of acres of farm crops being harvested in 1931 than in either of the two preceding years, and production of farm crops was normal except as interfered with by climatic conditions in certain sections. Winter wheat production was the largest of record and 51 per cent above the ten year average, cotton production was 18.5 per cent above the ten year average, and yields of barley, grain sorghums, broom corn, sweet potatoes, tobacco, and all varieties of fruit exceeded those of 1930. Yields of corn, oats, tame and wild hay, spring wheat, dry beans, sugar beets, and white potatoes were somewhat below those of the preceding year. There was a very substantial decline in the value of farm crops produced, reflecting the low prices for practically all items of production.

Estimates by the United States Department of Agriculture show the following comparisons of volume of the District's 1931 production of five of the more important crops, with 1930 and the ten year average figures, and of 1931, 1930, and 1929 farm value of all crops in each of the seven States whose areas or parts thereof comprise the Tenth District:

VOLUME OF PRODUCTION

	1931	Per cent change from 1930	Per cent change from Ten year average
All wheat, bushels	400,897,000	30.3	51.0
Corn, bushels	395,516,000	— 5.1	—14.3
Oats, bushels	147,711,000	— 2.3	—10.7
Tame hay, tons	7,209,000	—16.7	—51.9
Cotton, bales	1,283,000	49.2	18.5

FARM VALUE OF CROPS

	1931	Per cent change from 1930	Per cent change from 1929
Colorado	$ 60,289,000	—49.5	—53.3
Kansas	160,004,000	—18.3	—46.8
Missouri	126,181,000	—14.9	—44.0
Nebraska	140,026,000	—42.4	—57.2
New Mexico	17,664,000	— 7.7	—48.9
Oklahoma	106,000,000	—15.1	—55.7
Wyoming	16,967,000	—37.0	—48.8
	$627,131,000	—28.5	—51.4

The number of cattle, swine, and sheep on farms and ranges of the District increased to some extent during the year, and climatic conditions and adequate supplies of cheap forage and grain favored both growers and feeders. The live stock industry could not prosper, however, because of the drastic reductions in herd values and in returns for marketed animals, and the low and declining prices which made feeding operations hazardous and generally unprofitable. The top price for hogs on the Kansas City market dropped to $3.85 per hundred-weight in mid-December, the lowest price since 1899, and fat lambs sold on November 30 at $5.25 per hundred-weight, the lowest price in twenty years. Prices for cattle and calves were low and unstable, and values of some grades, particularly stockers and feeders, were at times at the lowest levels reached in twenty years.

The following comparison of number and value of live stock on farms and ranges in the seven States whose areas or parts thereof comprise the Tenth District is based on the annual live stock survey of the United States Department of Agriculture:

	NUMBER			VALUE		
	January 1, 1932	Per cent change from 1-1-31	Per cent change from 1-1-30	January 1, 1932	Per cent change from 1-1-31	Per cent change from 1-1-30
All cattle and calves	14,855,000	3.6	7.9	$333,240,000	—32.4	—51.7
*Milk cows and heifers	3,714,000	4.2	8.0	118,786,000	—29.2	—51.3
Swine (including pigs)	14,252,000	14.6	6.9	80,189,000	—41.5	—54.2
Sheep and lambs	13,742,000	5.4	5.3	42,303,000	—38.8	—63.1
Horses and colts	3,027,000	— 3.3	— 7.1	110,820,000	—14.4	—30.6
Mules and mule colts	865,000	— 4.3	— 7.5	43,013,000	—15.0	—31.9

*Included in "All cattle and calves."

The volume and value of mineral production in the District suffered greatly on account of low prices. Zinc and lead ore shipments were 47.8 per cent and 41.5 per cent, respectively, under the previous year, and the combined value of such shipments was less than in any year since 1899. Cement production declined approximately 25 per cent, and coal production, reduced 21.5 per cent, fell below 20,000,000 tons for the first time in many years. Production of crude oil, influenced by low prices and by emergency regulations and proration agreements, was 13.1 per cent below 1930, and was less than in any year since 1926. Conditions in the industry discouraged drilling operations and fewer wells were completed in 1931 than in any of the past fifteen years.

Building activity in the District was in relatively small volume. The value of building permits issued in eighteen reporting cities declined 41.9 per cent from the previous year, and the values of total building contracts and of residential building contracts, as reported for the District by the F. W. Dodge Corporation, declined 49.6 per cent and 45.4 per cent, respectively.

The dollar volume of retail trade in the District, as measured by sales of reporting department stores, was 13.3 per cent under the previous year and 18 per cent under 1929. These reductions do not indicate comparable declines in the volume of merchandise consumed, since lower prices have offset to a large extent the lower dollar amount of sales. The dollar sales of five representative wholesale lines declined 21.1 per cent during the year. Both retailers and wholesalers reduced their stocks of merchandise during the year, the department stores reporting a reduction of 13.7 per cent and the five wholesale lines a combined reduction of 12.4 per cent.

Banking and credit conditions were seriously affected by the long continued low prices and the resultant declines in deposits and impairment of debt paying ability. These conditions reduced the loanable funds of banks and influenced many banks to adopt a cautious loaning policy. Total loans and investments of member banks in the District were reduced 11.5 per cent during the year, there being a slight increase in total investments and a decrease of about 20 per cent in loans and discounts. The average amount of member bank net demand and time deposits for the year was 8.2 per cent under the average for 1930 and 11.5 per cent under the average for 1929. Deposits at the beginning of 1930 were only about 3 per cent under the average for 1929, and were maintained at approximately that level during the first nine months of the year, but substantial reductions were shown in the five subsequent quarterly periods to December 31, 1931. About 58 per cent of the total reduction over the fifteen months' period came in the last six months of 1931, and the average for December of that year was about 14 per cent under December, 1930, and nearly 18 per cent under December, 1929.

Bank suspensions throughout the District were more numerous than in any previous year. The failures occurred, for the most part, among the smaller institutions, deposits of the 222 suspended banks averaging about $225,000 per bank. There was a net reduction of 304 in the number of operating banks in the District between December 31, 1930, and the same date in 1931. The number of banks has been reduced steadily during the past ten years, from a high point of 4,503 in 1921 to 2,673 at the end of 1931.

The various changes which accounted for the reduction of 304 banks during 1931 are shown in the following table:

	Member Banks		Non-member State Banks	Total
	National	State		
Number of active banks on December 31, 1930	850	21	2,106	2,977
Changes effected during the year 1931:				
Suspension	—21		—201	—222
Voluntary liquidation	— 1		— 14	— 15
Consolidation	—23		— 73	— 96
Opening of new bank	1		11	12
Reopening of suspended bank			17	17
Conversion:				
National bank to State bank	— 7		7	0
State bank to national bank	2		— 2	0
Admission of State bank to membership		2	— 2	0
Net change	—49	2	—257	—304
Number of active banks on December 31, 1931	801	23	1,849	2,673

OPERATIONS OF FEDERAL RESERVE BANK OF KANSAS CITY

Complete statistics of each Federal reserve bank are published in the annual report of the Federal Reserve Board and detailed figures of the operations of this bank are omitted from this report, except that on the following pages are shown the statement of condition at the beginning and end of the year, the distribution of loans to member banks, and comparative tables of earning assets, income and disbursements, and volume of operations.

COMPARATIVE STATEMENT OF CONDITION

Resources	Dec. 31, 1930	Dec. 31, 1931
Cash reserves held by this bank against its deposits and note circulation:		
Gold held by the Federal Reserve Agent as part of the collateral deposited by the bank when it obtains Federal reserve notes. This gold is lodged with the Treasurer of the United States.	$ 62,000,000.00	$ 66,680,000.00
Gold redemption fund in the hands of the Treasurer of the United States to be used to redeem such Federal reserve notes as are presented to the Treasury for redemption.	1,449,261.50	3,125,610.30
Gold and gold certificates in vault	7,371,058.47	12,227,954.50
Gold in the gold settlement fund lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal reserve districts.	21,551,233.15	15,737,573.18
Legal tender notes, silver, and silver certificates in the vaults of the bank (available as reserve only against deposits)	7,199,856.00	7,665,279.00
Total cash reserves	$ 99,571,409.12	$105,436,416.98
Non-reserve cash, consisting largely of national bank notes and minor coin	$ 2,344,986.95	$ 2,653,496.81
Loans and Investments:		
Loans:		
On the security of obligations of the United States (including adjusted service certificates)	$ 1,298,364.10	$ 4,568,283.00
On the security of or by the discount of commercial or agricultural paper or acceptances:		
To member banks	13,743,383.04	20,636,465.22
To Federal Intermediate Credit Banks	0	2,521,087.45
Acceptances bought in the open market	12,970,649.15	11,666,125.72
United States Government bonds, notes, and certificates of indebtedness	31,611,500.00	18,707,600.00
Federal Intermediate Credit Bank Debentures	0	400,000.00
Total loans and investments	$ 59,623,896.29	$ 58,499,561.39
Miscellaneous Resources:		
Bank premises, less reserves	$ 3,803,394.68	$ 3,649,065.89
Checks and other items in process of collection	33,472,735.56	22,872,601.41
Due from suspended banks	179,520.20	957,529.69
All other miscellaneous resources	82,150.13	347,490.74
Total miscellaneous resources	$ 37,537,800.57	$ 27,826,687.73
Total resources	$199,078,092.93	$194,416,162.91

COMPARATIVE STATEMENT OF CONDITION

Liabilities	Dec. 31, 1930	Dec. 31, 1931
Currency in Circulation:		
Federal reserve notes in actual circulation, payable on demand. These notes are secured in full by gold and discounted and purchased paper.	$ 68,424,180.00	$ 82,711,485.00
Total currency in circulation	$ 68,424,180.00	$ 82,711,485.00
Deposits:		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers	$ 87,705,066.26	$ 75,228,701.09
United States Government deposits carried at the reserve bank for current requirements of the Treasury	1,597,225.82	1,510,133.26
Other deposits	226,663.51	2,289,090.26
Total deposits	$ 89,528,955.59	$ 79,027,924.61
Miscellaneous Liabilities:		
Deferred items, composed mostly of uncollected checks on banks in all parts of the country. Such items are credited as deposits after the average time needed to collect them elapses, ranging from 1 to 7 days.	$ 27.711,522.03	$ 19,674,173.87
All other miscellaneous liabilities	401,026.20	693,501.08
Total miscellaneous liabilities	$ 28.112,548.23	$ 20,367,674.95
Capital and Surplus:		
Capital paid in, equal to 3 per cent of the capital and surplus of member banks	$ 4,310,750.00	$ 4,184,800.00
Surplus—that portion of accumulated net earnings which the bank is legally permitted to retain	8,701,659.11	8,124,278.35
Total capital and surplus	$ 13,012,409.11	$ 12,309,078.35
Total liabilities	$199,078,092.93	$194,416,162.91

HOLDINGS OF EARNING ASSETS, EARNINGS THEREFROM, AND ANNUAL RATES OF EARNINGS

	Year	Bills Discounted	Bills Purchased	United States Government Securities	Other Earning Assets	Total
Daily average holdings	1927	$13,064,641	$10,713,383	$31,549,966	$ 0	$55,327,990
	1928	24,034,188	12,994,944	21,006,968	69,672	58,105,772
	1929	40,823,097	8,688,491	4,980,199	963,893	55,455,680
	1930	14,816,919	7,880,069	18,909,064	0	41,606,052
	1931	16,322,944	12,608,768	30,895,477	182,336	60,009,525
Earnings	1927	500,769	375,715	1,106,482	0	1,982,966
	1928	1,034,216	521,901	778,027	2,975	2,337,119
	1929	1,985,508	447,700	198,424	44,060	2,675,692
	1930	624,945	204,411	530,153	0	1,359,509
	1931	544,242	221,531	499,884	4,267	1,269,924
Average rates of earnings (per cent)	1927	3.83	3.51	3.51	0	3.58
	1928	4.30	4.02	3.70	4.27	4.02
	1929	4.86	5.15	3.98	4.57	4.82
	1930	4.22	2.59	2.80	0	3.27
	1931	3.33	1.76	1.62	2.34	2.12

INCOME AND DISBURSEMENTS

	1930	1931
Earnings:		
From loans and rediscounts	$ 624,944.93	$ 544,242.16
From acceptances owned	204,411.23	221,530.40
From United States Government obligations owned	530,153.40	499,884.08
From penalties for deficient reserves	11,382.42	6,947.58
Income from rented space	276,028.75	261,649.00
Other earnings	20,746.48	20,830.56
Total current earnings	$1,667,667.21	$1,555,083.78
Additions to Earnings:		
Profit on United States Government securities sold	$ 85,439.02	$ 92,551.71
All other additions	8,892.76	3,585.27
Total additions	$ 94,331.78	$ 96,136.98
Deductions from Earnings:		
For current bank operation, exclusive of cost of currency. These figures include most of the expenses incurred as fiscal agent of the United States.	$1,698,289.63	$1,614,412.71
For Federal reserve currency, mainly the cost of printing new notes to replace worn notes in circulation, and to maintain supplies unissued and on hand	86,319.61	49,869.15
Depreciation and replacement reserves on buildings, fixed machinery and equipment	168,188.36	160,510.91
Furniture and equipment purchased	5,270.87	5,203.68
All other deductions	4,906.74	6,710.41
Total deductions	$1,962,975.21	$1,836,706.86
Net income available for dividends, additions to surplus, and payment to the United States Government	$ *200,976.22	$ *185,486.10
Distribution:		
In dividends paid to member banks, at the rate of 6 per cent on paid-in capital	$ 259,396.67	$ 253,620.40
In addition to surplus—The bank is required by law to accumulate out of net earnings, after payment of dividends, a surplus amounting to 100 per cent of the subscribed capital, and after such surplus has been accumulated, to pay into surplus each year 10 per cent of the net income remaining after paying dividends.	0	0
In franchise tax—Any net income remaining after paying dividends and making additions to surplus (as above) is paid to the United States Government as a franchise tax.	0	0
Charged to surplus—The deficit in earnings, plus the amount paid out in dividends	460,372.89	†439,106.50
Total net income	$ *200,976.22	$ *185,486.10

* Deficit.

† Surplus was also charged $138,274.26 to create a reserve for depreciation in United States Government securities held.

DISTRIBUTION OF LOANS

State	Number of banks served		Number of offerings accepted		Average amount of loans outstanding during 1930	Average amount of loans outstanding during 1931
	1930	1931	1930	1931		
Colorado	68	66	705	641	$ 1,999,937.43	$ 1,624,494.92
Kansas	121	118	1,559	1,369	3,471,623.84	2,858,205.23
*Missouri	25	18	365	240	1,424,041.49	1,389,423.28
Nebraska	102	102	1,117	1,392	3,645,066.52	5,348,560.82
*New Mexico	4	7	91	140	151,968.85	240,706.04
*Oklahoma	115	107	927	1,307	3,649,178.65	4,216,275.73
Wyoming	15	18	96	135	475,102.49	645,277.98
Totals	‡450	†436	4,860	5,224	$14,816,919.27	$16,322,944.00

* Within District No. 10.

‡ Includes 2 Federal Intermediate Credit Banks and 1 nonmember bank.

† Includes 2 Federal Intermediate Credit Banks and 2 nonmember banks.

GROSS AND NET EARNINGS, AND DISTRIBUTION OF NET EARNINGS SINCE ORGANIZATION

Period	Gross	Net	Dividends	Transferred to Surplus	Franchise Tax Paid to United States Government
1914 to 1919	$ 9,898,760	$ 7,085,727	$ 969,694	$ 6,116,033	$ 0
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	0
1925	2,309,985	282,921	258,427	2,449	22,045
1926	2,677,340	756,469	252,764	50,370	453,335
1927	2,304,938	414,726	252,754	16,197	145,775
1928	2,597,968	659,760	253,254	40,651	365,855
1929	2,976,576	1,013,586	256,549	75,704	681,333
1930	1,667,667	(2) 200,976	259,397	(3) 460,373	0
1931	1,555,084	(2) 185,486	253,620	(4) 577,381	0
Totals	$47,462,652	$19,301,069	$4,099,416	$ 8,124,278	$6,939,100

(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.

(4) Deficit in earnings after payment of dividends, $439,106.50, and reserve for depreciation in United States Government securities, $138,274.26, charged to surplus account.

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS

	Year	Number of pieces	Amount
Notes discounted or rediscounted for member banks	1929	30,643	$ 1,673,244,950
	1930	29,742	290,628,489
	1931	40,624	266,449,895
Currency received and counted	1929	66,691,598	315,847,389
	1930	66,563,635	314,560,708
	1931	58,563,679	260,343,100
Coin received and counted	1929	67,038,107	12,966,024
	1930	66,617,533	12,286,876
	1931	75,763,380	11,643,681
Checks handled	1929	72,155,000	12,091,899,000
	1930	69,881,000	10,430,350,000
	1931	64,412,000	8,461,469,000
Collection items handled	1929	326,828	298,309,928
	1930	316,593	257,938,231
	1931	353,272	239,015,625
United States Government coupons paid	1929	1,152,151	19,919,320
	1930	1,064,176	17,132,331
	1931	980,610	15,156,663
United States securities—Issues, redemptions, and exchanges by Fiscal Agency Department	1929	139,347	246,938,160
	1930	86,645	142,561,396
	1931	107,047	259,026,243
Transfers of funds	1929	149,439	6,974,730,654
	1930	134,275	7,486,269,834
	1931	123,408	5,376,060,431

COMMENTS ON OPERATIONS

The average amount of total earning assets during 1931 was $60,010,000, as compared to $41,606,000 for 1930. The increase consisted principally of increases in holdings of bills discounted, bankers acceptances, and United States Government securities, which averaged $16,323,000, $12,609,000, and $30,895,000, respectively, in 1931, as compared with $14,817,000, $7,880,000, and $18,909,000, respectively, in 1930. Average total deposits declined from $89,436,000 in 1930 to $83,922,000 in 1931, and the average amount of Federal reserve notes outstanding dropped from $72,950,000 in 1930 to $69,085,000 in 1931. Total cash reserves during 1931 were substantially less than in the previous year, the average amounts for the two years being $97,188,000 and $123,623,000, respectively.

Member bank reserve deposits declined from a January average of $85,035,000 to an average of $73,539,000 in December. About half of this decline came in the last quarter of the year, but each month except June and July showed a reduction from the preceding month. Federal reserve notes outstanding declined each month of the first half of the year, from a January average of $67,553,000 to a June average of $62,874,000. The amount outstanding increased during each month after June, to a December average of $82,798,000. More than two-thirds of this increase came in the last three months of the year. Bills discounted averaged $17,191,000 for January, declined each month to a low monthly average of $8,992,000 in April, and fluctuated during the next five months between that figure and an average of $13,305,000 for September. Borrowings during the last quarter of the year were somewhat heavier, the monthly averages being $24,355,000 for October, $33,780,000 for November, and $30,270,000 for December.

Demands for credit from our own member banks were not burdensome at any time during the year, and it was deemed advisable to meet such requests for credit as were made of us by the Federal Land Banks and Federal Intermediate Credit Banks located in the District. It was also deemed advisable, during most of the year, to take our full participation in System purchases of bills and United States Government securities. Loans aggregating $260,000,000 were made to 436 banks throughout the District. There were no important changes from the previous year in the total amount loaned or in the number of borrowing banks and their distribution by States. The largest volume of borrowing during 1930, however, was in the early part of the year, while in 1931 loans to member banks were heaviest during the last quarter of the year. Loans aggregating $27,725,000 were outstanding to 245 banks on December 31, 1931, as compared with $15,041,000 of loans to 225 member banks on December 31, 1930.

Notes offered for discount by member banks which were not accepted because of ineligibility, technical irregularities, insufficiency of collateral, unsatisfactory credit showing, etc., amounted to $4,625,000, or about 1.6 per cent of the amount of all paper offered, and consisted of 3,051 notes, or approximately 6.6 per cent of the total number of notes handled. The classification of eligible collateral and rediscounts supporting loans outstanding at the end of the year was substantially as follows: Agricultural and live stock paper, 67.8 per cent; commercial and business paper, 15.7 per cent; United States Government securities, 14.8 per cent, and Adjusted Service Certificates, 1.7 per cent.

The average rate of earnings on total earning assets during the year was 2.12 per cent as compared with 3.27 per cent in 1930 and 4.82 per cent in 1929. Current earnings for the year were about $113,000 less than in 1930, in spite of the substantially larger volume of earning assets in 1931. Current expenses were about $120,000 less than in the previous year, and the net operating deficit for 1931 was $109,198.08 as compared to a deficit of $116,942.03 in 1930. After adjustment to account for miscellaneous profit and loss items, including the usual reserves for replacement of bank buildings and fixed machinery and equipment, and after payment of the usual dividends to member banks, the deficit for the year aggregated $439,106.50. Our surplus account was charged with the amount of this deficit, and also with an additional amount of $138,274.26 to permit establishment of a reserve for depreciation in United States Government securities held at the end of the year. The past year and the years 1930 and 1924 were the only years since 1919 in which the net earnings of the bank were not sufficiently in excess of dividend requirements to permit payment of a franchise tax to the United States Government and additions to the bank's surplus account. Franchise tax payments made by the bank since its organization aggregate $6,939,099.60.

The volume of work done by the bank and its branches at Omaha, Denver, and Oklahoma City, as measured by transactions in those departments where volume is indicated by the number of pieces handled, compared very favorably with previous years, but there was a substantial reduction in the aggregate dollar amount of transactions in most of the departments. The number of checks handled during the year, 64,412,000, was about 8 per cent less than in 1930, and 11 per cent less than in 1929, whereas the reductions from those years in the dollar value of checks handled were about 19 per cent and 30 per cent, respectively. Checks handled during the three years were in average amounts as follows: 1929, $168; 1930, $149; and 1931, $131. A reduced volume of work as compared to the previous year was shown in the number of pieces of currency received and counted, the number of checks and United States Government coupons handled, and in the number of transfers of funds made for member banks. Increases in volume were shown in the number of notes discounted, coins received and counted, special collection items handled, United States Government securities issued, redeemed, or exchanged, and securities handled in connection with the safekeeping and purchase and sale transactions for member banks.

At the end of the year securities aggregating $174,250,000 were held in safekeeping for 683 member banks. The increase in the amount of securities so held, over December 31, 1930, was about $37,000,000, and the number of banks availing themselves of this service was about 83 per cent of the total membership.

The discount rate of 3½ per cent, for all classes of paper and all maturities, which was established for this bank on August 15, 1930, was maintained until May 21, 1931, at which time a reduction to 3 per cent was made, in conformity with general market rates and with prior reductions to 3 per cent or less by all but one of the other Federal reserve banks. The 3 per cent rate was in effect until October 23, 1931, when a 3½ per cent rate was established, the change following a general stiffening of market rates and advances by most of the other Federal reserve banks.

MOVEMENT OF MEMBERSHIP

The number of active member banks in the Tenth Federal Reserve District decreased from 871 on December 31, 1930, to 824 on December 31, 1931. The distribution of member banks by States, at the end of 1930 and 1931, and the various changes during 1931 which effected a net reduction of 47 in the number of member banks, are shown in the following tables. The number of nonmember banks in each State is shown also, for purposes of comparison:

MEMBER BANKS—TENTH FEDERAL RESERVE DISTRICT

State	Active Member Banks December 31, 1930			†Gains to Membership	†Losses to Membership	Active Member Banks December 31, 1931		
	Natl.	State	Total			Natl.	State	Total
Colorado	116	3	119	1	12	105	3	108
Kansas	244	5	249	0	12	232	5	237
*Missouri	35	4	39	1	2	33	5	38
Nebraska	167	3	170	2	11	158	3	161
*New Mexico	8	1	9	0	0	8	1	9
*Oklahoma	255	1	256	0	15	240	1	241
Wyoming	25	4	29	1	0	25	5	30
Totals	850	21	871	5	52	801	23	824

* Within District No. 10.
† Gains and losses to membership were all national banks except as follows: 1 Missouri State Bank and 1 Wyoming State bank were admitted to membership.

CHANGES IN MEMBERSHIP DURING 1931

Procedure effecting changes in membership during 1931	Colorado	Kansas	*Missouri	Nebraska	*New Mexico	*Oklahoma	Wyoming	Total
Additions to membership:								
Organization of national bank	1							1
Conversion of nonmember bank to national				2				2
Admission of State bank			1				1	2
Total additions	1	0	1	2	0	0	1	5
Losses to membership:								
Suspension and insolvency	7	4	1	8		1		21
Merger between national banks	3	2	1	1		4		11
Absorption of national bank by nonmember	1	6		2		3		12
Conversion of national bank to nonmember						7		7
Voluntary liquidation	1							1
Total losses	12	12	2	11	0	15	0	52
Net change in membership	—11	—12	—1	—9	0	—15	1	—47
*Within District No. 10								
Number of member banks, end of 1930	119	249	39	170	9	256	29	871
Number of member banks, end of 1931	108	237	38	161	9	241	30	824
Number of nonmember banks, end of 1930	145	764	234	600	13	296	54	2,106
Number of nonmember banks, end of 1931	128	694	203	494	12	269	49	1,849

PERSONNEL

ELECTION AND APPOINTMENT OF DIRECTORS

Edward P. Brown, farmer, Davey, Nebraska, was appointed by the Federal Reserve Board on May 29, 1931, as Class C director for the unexpired portion of the term expiring December 31, 1933, succeeding Class C Director Wayland W. Magee, who resigned to accept an appointment as member of the Federal Reserve Board.

F. W. Sponable, President of the Miami County National Bank, Paola, Kansas, was re-elected Class A director by member banks of Group 2, for the term expiring December 31, 1934.

J. M. Bernardin, President of the Bernardin Timber and Manufacturing Company, Kansas City, Missouri, was re-elected as Class B director by member banks of Group 1, for the term expiring December 31, 1934.

H. M. Langworthy, lawyer, Kansas City, Missouri, was appointed by the Federal Reserve Board as Class C director for the term expiring December 31, 1934.

The following were appointed as directors of the Omaha, Denver, and Oklahoma City Branches, to succeed directors whose terms expired December 31, 1931. These appointments were for terms expiring on December 31 of the years indicated.

Omaha Branch—L. H. Earhart, Managing Director of Omaha Branch, 1932; A. H. Marble, President of the Stockgrowers National Bank, Cheyenne, Wyoming, 1934; and William Diesing, Vice-President of the Cudahy Packing Company, Omaha, Nebraska, 1934.

Denver Branch—J. E. Olson, Managing Director of Denver Branch, 1932; H. W. Farr, sheep dealer and feeder, Greeley, Colorado, 1934; and Murdo MacKenzie, Manager and Director of the Matador Land and Cattle Company, Denver, Colorado, 1934.

Oklahoma City Branch—C. E. Daniel, Managing Director of Oklahoma City Branch, 1932; Ned Holman, President of the Liberty National Bank, Oklahoma City, Oklahoma, 1934; and Lee Clinton, land owner and investor, Tulsa, Oklahoma, 1934.

MEMBER OF ADVISORY COUNCIL

Walter S. McLucas, Chairman of the Board of Directors of the Commerce Trust Company, Kansas City, Missouri, was appointed by the Board of Directors to serve as member of the Federal Advisory Council from the Tenth Federal Reserve District for the year 1932.

OFFICERS AND EMPLOYEES OF THE BANK AND BRANCHES

Appointments of officers for the year 1932 were as follows:

The Federal Reserve Board reappointed M. L. McClure as Federal Reserve Agent and Chairman of the Board of Directors, appointed H. M. Langworthy as Deputy Chairman of the Board of Directors, and re-designated A. M. McAdams as Assistant Federal Reserve Agent.

The Board of Directors appointed George H. Hamilton as Governor of the bank, succeeding Governor W. J. Bailey, who retired at the end of 1931, and reappointed all other officers of the bank and branches.

At the close of the year the bank and branches had a total of 22 officers and 548 other employees, as compared with 22 officers and 577 other employees at the close of 1930.