EIGHTEENTH ANNUAL REPORT

of the

FEDERAL RESERVE BANK OF KANSAS CITY

FOR THE YEAR ENDED DECEMBER 31, 1932

TENTH FEDERAL RESERVE DISTRICT

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TENTH FEDERAL RESERVE DISTRICT

LETTER OF TRANSMITTAL

March 15, 1933.

Sir:

I have the honor to transmit herewith the eighteenth annual report of the Federal Reserve Bank of Kansas City, covering the year 1932.

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 1933

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Frank W. Sponable (1934), Paola, Kans.
E. E. Mullaney (1935), Hill City, Kans.

CLASS B

Willard D. Hosford (1933), Omaha, Nebraska
J. M. Bernardin (1934), Kansas City, Mo.
L. E. Phillips (1935), Bartlesville, Okla.

CLASS C

E. P. Brown (1933), Davey, Nebraska
H. M. Langworthy (1934), Deputy Chairman, Kansas City, Mo.
M. L. McClure (1935), Chairman, Kansas City, Mo.

MEMBER FEDERAL ADVISORY COUNCIL

*W. T. Kemper, 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. Dale Clark (1933), Omaha, Nebraska
A. H. Marble (1934), Cheyenne, Wyo.
W. E. Hardy (1935), Lincoln, Nebr.

Daniel M. Hildebrand (1933), Seward, Nebraska
Wm. Diesing (1934), Omaha, Nebr.
T. L. Davis (1935), Omaha, Nebr.

L. H. Earhart (1933), Managing Director
G. A. Gregory, Cashier
Wm. Phillips, Assistant Cashier
O. P. Cordill, Assistant Cashier

DENVER BRANCH

DIRECTORS AND OFFICERS

Harold Kountze (1933), Denver, Colo.
H. W. Farr (1934), Greeley, Colo.
R. H. Davis (1935), Denver, Colo.

Merritt W. Gano (1933), Denver, Colo.
Murdo MacKenzie (1934), Denver, Colo.
Henry Swan (1935), Denver, Colo.

J. E. Olson (1933), Managing Director
S. A. Brown, Cashier
John A. Cronan, Assistant Cashier

OKLAHOMA CITY BRANCH

DIRECTORS AND OFFICERS

F. T. Chandler (1933), Chickasha, Okla.
Ned Holman (1934), Guthrie, Okla.
Austin Miller (1935), Oklahoma City, Okla.

J. B. Doolin (1933), Alva. Okla,
Lee Clinton (1934), Tulsa, Okla.
H. H. Ogden (1935), Muskogee, Okla.

C. E. Daniel (1933), Managing Director
R. O. Wunderlich, Cashier
R. L. Mathes, Assistant Cashier

* Appointed April 12, 1933, to succeed Walter S. McLucas, resigned.
† Appointed April 13, 1933, to succeed R. O. Marnell, deceased.

EIGHTEENTH ANNUAL REPORT
FEDERAL RESERVE BANK OF KANSAS CITY

The world-wide economic conditions which prevailed throughout 1930 and 1931 were continued and accentuated during the past year, and the situation in the Tenth Federal Reserve District has, of course, reflected national and world conditions. During the early part of the depression its influence in this section of the country was exerted for the most part through low prices for agricultural products and other raw materials and there was relatively little curtailment of production, unemployment, or slackening of business activity. These other phases of depression, however, have developed rapidly during the past year or eighteen months, as continued low prices have drastically cut buying power and forced curtailment of operations. Such favorable adjustments as were made during 1932 were largely negative in character. The further substantial decline in prices of farm and live stock products and the continued low prices for most other commodities should act as a curb on further price recessions; wholesale and retail inventories and cold storage holdings of meats and poultry products are at abnormally low levels; replacements and improvements of plants and equipment have not kept pace with essential requirements; reduced acreage and poor crop prospects promise a substantial cut in production of winter wheat and rye; and adjustments have been made toward lower operating costs on farms and in other industries.

Farming operations during 1932 were on about the same scale as in prior years, although the acreage of field crops harvested in the District was 4.8 per cent under the 1931 acreage and the value of production declined sharply for the third successive year. The most important changes in crop production were in winter wheat, which dropped 54 per cent from the record harvest of 1931, and in corn, which increased substantially over 1931 and was greater than in any year since 1927. The reduction in the wheat crop was due to drought and other unfavorable growing conditions, following a reduction from the previous year of 13.2 per cent in the fall sown acreage. The United States Department of Agriculture estimates a further reduction of 4.8 per cent in the acreage of winter wheat sown in this District last fall, and states that this reduced acreage and the abnormally poor condition of the crop at this time promise a 1933 winter wheat harvest substantially smaller than any crop for many years. Feed grains other than corn were produced in about normal volume, as was true of cotton, tame and wild hay, forage crops, and white potatoes and most other vegetables. The yields of sugar beets and fruits were substantially below average. All grain prices at the close of the year were at the lowest levels of the present century, with wheat the lowest in the history of the American grain trade. On December 28, No. 2 hard and dark wheat at Kansas City was quoted at 36½; No. 2 mixed corn, 20½;

No. 2 white oats, 17; No. 2 kafir, 41; No. 2 rye, 30½; and No. 2 barley, 22½ cents per bushel. The 1931 closing prices were wheat, 50; corn, 36; oats, 29; kafir, 61; rye, 40; and barley, 36 cents per bushel. In 1929 wheat closed at $1.27; corn, 90; and oats, 46 cents per bushel.

The following table, showing four years' production of selected crops in the seven States whose areas or parts thereof comprise the Tenth Federal Reserve District, is prepared from reports of the United States Department of Agriculture. The figures stated are in thousands of units of measure:

	1929	1930	1931	1932
Winter wheat, bu.	271,017	310,440	424,382	196,278
Spring wheat, bu.	12,539	10,531	4,504	6,340
All wheat, bu.	283,556	320,971	428,886	202,618
Corn, bu.	548,990	488,040	531,480	676,625
Oats, bu.	180,262	187,036	193,287	174,410
Barley, bu.	49,991	45,091	34,528	39,702
Grain sorghums, bu.	48,731	25,006	42,979	39,231
White potatoes, bu.	36,356	44,157	30,931	35,391
Cotton, bales	1,453	1,205	1,651	1,441
Tame hay, tons	16,931	10,702	9,836	10,878
Wild hay, tons	5,198	4,021	3,260	4,248
Sugar beets, short tons	4,153	5,094	3,975	3,184
Dry beans, bags	4,832	3,775	1,952	1,016
Apples, bu.	9,142	4,042	11,306	5,561
Peaches, bu.	3,908	987	3,471	1,676
Pears, bu.	1,622	648	1,426	643

The live stock industry of the District has suffered severely from three successive years of declining prices, and operations of both raisers and feeders of live stock have been generally unprofitable. The number of animals handled through the public markets of the District has declined substantially, reflecting an increase in direct movements from farm to feed lot, gradual growth of sales direct to packers, and the unwillingness of growers to offer animals for sale at present prices. The year's receipts of cattle, calves, and sheep, at the six principal markets in the District, were the lightest since 1914, 1918, and 1927, respectively. Swine receipts were slightly larger than in 1931 but were smaller than in any other year since 1927.

At various times during the year all species of live stock sold at the lowest levels in twenty years or more, and end-of-year prices were, in most instances, near the bottom. The December top at Kansas City for beef steers was $6.75 per hundredweight, as compared to the year's best price of $9.75. Top prices in recent years have ranged from $18 in 1927 and 1928 to $12 in 1931. Prices of stocker and feeder steers held up better than other classes, with net losses varying from 50 cents to $1 per hundredweight. Hogs seldom sold above $4 per hundredweight during the year and closed at $2.80, the lowest in fifty-three years. The 1931 top was $8 and the best closing price $4.30. The highest post-war top was $15 in 1925. Sheep and lamb values were more in accord with those of the preceding year than either pork or beef. Best lambs sold up to $10 per hundredweight in March and down to $5.55 in October, as against $5.45 the year before, and closed the year at $5.85. The 1929 top for lambs was $20.50, 1930 top $13.75, and the 1931 top $12 per hundred pounds. Wool prices, the lowest in thirty-five years, ranged from 17 cents a pound for top grades early in the season to 5 cents for low grades in the summer, with the yearly average in the neighborhood of 10 cents a pound.

The confusion and uncertainty that existed in the petroleum industry in 1931 was clarified somewhat in 1932. Proration restrictions and agreements continued to curtail production and Tenth District output for the year totaled but 214,141,000 barrels, the smallest for any year since 1922 and equivalent to 80 per cent of the ten-year average. Mid-continent crude oil prices were maintained at higher levels than prevailed in 1931. Quotations which ranged from 61 to 85 cents per barrel, depending on gravity grade, at the beginning of the year, advanced 15 cents per barrel March 24, where they remained until December 15, when reductions carrying closing prices to 45 to 77 cents per barrel were announced by numerous purchasing companies. Field operations, as measured by the number of completions and rigs up and wells drilling, although somewhat more active than in the preceding year, were otherwise the lightest in years. Year-end stocks of crude oil held in Oklahoma and Kansas were the lightest since the forepart of 1927.

The District's production of coal for the year is estimated at eighteen million tons, a decrease of 13.3 per cent as compared to 1931 and of 36 per cent as compared to the ten-year average. Cement production declined 39.3 per cent for the year. Output exceeded shipments, and stocks at the close of the year were 7.5 per cent heavier than on December 31, 1931. Shipments of zinc ore and lead ore from mines in Missouri, Kansas, and Oklahoma were 22.1 and 11 per cent, respectively, less than in 1931, and their combined value was the smallest recorded in over thirty-five years.

The dollar volume of department store sales, which makes no allowance for price changes, declined 22.3 per cent for the year. In 1931 sales declined 13.3 per cent and in 1930 4.8 per cent, as compared to the preceding year. Dollar sales of five representative wholesale lines combined declined 21.8 per cent as compared to declines of 21.1 per cent and 11.4 per cent one and two years ago. Stocks at both wholesale and retail were reduced during the year, the five wholesale lines reporting a combined reduction of 17.4 per cent and the reporting department stores a reduction of 20.5 per cent.

Building activity declined to the lowest levels in many years. The total value of building contracts awarded in the District, as reported by the F. W. Dodge Corporation, declined 46.8 per cent, and of residential contracts 62.7 per cent, as compared to 1931, and 66.7 and 84.9 per cent, respectively, as compared to the five-year average.

Banking and credit conditions during the year reflected the long continued low prices and the resultant drain on reserve funds of the depositors and the inability of many borrowers to meet their commitments. In some communities and in individual banks withdrawal of deposits has reached serious proportions. In many cases, however, the disinclination of solvent customers to extend their operations through the use of borrowed money, and the unwillingness of banks to make other than thoroughly liquid loans, have created an unusually high degree of bank liquidity. The lack of demand for acceptable loans, the low interest return on high grade investment securities, and the development of losses in loan and security accounts combined to make the year an unsatisfactory one for most banks, from the standpoint of earnings.

Reports of condition of all member banks in the District, as of December 31, 1932, show a decline in total deposits of about 6.5 per cent from the same date in 1931, and a reduction in total loans and investments over the same period of about 14.4 per cent. The reduction in total loans was about 23.1 per cent, made up of a 26.3 per cent reduction in the item "all other loans" (mostly agricultural and commercial loans), a reduction of 16.5 per cent in loans on securities, and minor changes in the other loan classifications. An increase of 4.4 per cent in United States Government securities and a reduction of 9.6 per cent in other bonds, stocks, and securities combined for a net reduction of 3 per cent in total investments. The 6.5 per cent drop in deposits was considerably less severe than the deposit loss in 1931, and occurred during the first half of the year, the total on June 30 having been somewhat less than on December 31.

There was a net reduction of 243 banks during the year, bringing the number of operating banks in the District down to 2,430 on December 31, a reduction of 46 per cent from the 4,503 operating banks at the high point in 1921. There were 205 bank suspensions in the District during 1932, of which 28 were national banks, 2 were State bank members of the Federal Reserve System, and 175 were nonmember State banks. There were 24 banks, all nonmember State banks, reopened during the year. The failures were confined for the most part to the smaller institutions, deposits averaging about $151,000 for each suspension.

OPERATIONS OF FEDERAL RESERVE BANK OF KANSAS CITY

Member bank reserve deposits declined further during the year, averaging $67,135,000, as compared with averages of $80,156,000 in 1931 and $87,741,000 in 1930. The average figures by months ranged from a high of $70,987,000 in January to a low of $65,257,000 in October. Slight increases occurred in November and December, the average for the latter month being $65,833,000.

Federal reserve notes of this bank in actual circulation increased substantially, averaging $87,266,000 as against averages of $69,100,000 in 1931 and $72,950,000 in 1930. Notes in circulation averaged $82,233,000 in January, fluctuated narrowly to a June average of $81,821,000, increased sharply to a July average of $91,105,000 and an August high average of $95,027,000. Succeeding months showed reductions to an average of $90,635,000 in November, followed by a less than usual seasonal increase to a December average of $91,822,000.

Credit extended during the year by the Federal Reserve Bank of Kansas City was in the daily average amount of $70,261,000, as compared to $60,010,000 in 1931 and $41,606,000 in 1930. Two thirds of this amount was represented by holdings of United States Government securities, which averaged $42,817,000 for the year. Average holdings of such securities were about $20,000,000 in January and February, with gradual increases thereafter to an average amount of $57,000,000 in August and the succeeding months of the year. Bills discounted for member banks, including a small volume of discounts of adjusted service certificates for nonmember banks, minor direct loans, and advances to Federal Intermediate Credit Banks, averaged $24,780,000 for the year. Bills discounted averaged $33,237,000 in January, increased to an average of $38,566,000 in February, and thereafter declined each month to an average of $12,-818,000 in December. There was no demand for advances under the provisions of Sections 10-(a) and 10-(b) of the Federal Reserve Act, and very little demand for advances which could be made direct to individuals, partnerships, and corporations, as authorized in the amendment to Section 13 of the Act, approved February 27, 1932. Such direct loans did not exceed $60,000 at any time. Holdings of acceptances averaged $2,563,000 for the year, the average amount of $9,379,000 for January having been reduced sharply to about $2,000,000 in April and to less than $1,000,000 during the last five months of the year. Federal Intermediate Credit Bank debentures were held during January and February, in amounts averaging $626,000 and $359,000 respectively.

Demands from member banks for Federal reserve bank credit were not heavy and this bank was in a position to care for such requests for credit as were made of it by the Federal Intermediate Credit Banks and to participate to a considerable extent in Federal Reserve System purchases of bills and United States Government securities. An aggregate amount of $346,617,000 was loaned at various times during the year to 474 different banks. At the end of the year 253 banks and one corporation were borrowing $11,511,000. At the end of 1931, 245 banks were borrowing $27,725,000.

The distribution of loans and the number of borrowing banks, by States, are shown in the following table:

DISTRIBUTION OF LOANS

State	Number of banks served		Number of offerings accepted		Average amount of loans outstanding during	
	1931	1932	1931	1932	1931	1932
Colorado	66	78	641	1,146	$ 1,624,494.92	$ 3,348,903.70
Kansas	118	123	1,369	2,193	2,858,205.23	5,015,977.01
*Missouri	18	18	240	397	1,389,423.28	3,215,794.11
Nebraska	102	108	1,392	2,278	5,348,560.82	6,746,000.23
*New Mexico	7	7	140	194	240,706.04	† 477,121.42
*Oklahoma	107	115	1,307	1,647	4,216,275.73	4,125,099.38
Wyoming	18	25	135	361	645,277.98	1,870,770.85
Totals	x 436	x 474	5,224	8,216	$16,322,944.00	$24,799,666.70

* Within District No. 10
† Includes loans made direct to 1 private corporation.
x Includes 2 Federal Intermediate Credit Banks and 2 nonmember banks.

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 $8,065,000, or about 2.3 per cent of the amount of all paper offered, and consisted of 4,487 notes, or approximately 7.5 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, 85 per cent; commercial and business paper, 11 per cent; and United States Government securities and Adjusted Service Certificates, 4 per cent.

Total current earnings for the year were about $466,000 greater than in 1931, reflecting substantially larger holdings of earning assets and an increase in the average earning rate from 2.12 per cent in 1931 to 2.49 per cent in 1932, and current net earnings for the year were $408,-753.55, as compared to an operating deficit of $109,198.08 for 1931. After adjustment to account for miscellaneous additions to and deductions from earnings, including a substantial profit on United States Government securities sold during the year, and reserves for replacement of bank buildings and fixed machinery and equipment, and after payment of the usual dividends to member banks, the sum of $160,280.32 remained in profit and loss account. This amount was used to create a reserve for self insurance of $100,000, and to add to the existing reserve for possible losses. Surplus account was credited $138,274.26 at the end of the year, being the return of the amount charged direct to surplus at the end of 1931, to permit the establishment of a reserve for depreciation in United States Government securities. This year was the third successive year, and the fourth year since 1919, in which this bank paid no franchise tax to to the United States Government. Franchise tax payments made by the bank since its organization aggregate $6,939,099.60.

There were substantial changes from the previous year in the volume of work handled by certain of the departments of the bank and its branches at Omaha, Denver, and Oklahoma City. The notable variations were reductions in the number of checks handled and in the numbers of pieces of currency and coin received and counted, and increases in the number of notes discounted, the numbers of purchases and sales of United States Government securities for other than own account, and in the number of securities handled in connection with safekeeping transactions for member banks. Securities aggregating $154,301,000 were held in safekeeping at the end of the year. These securities were held for account of 732 member banks, or about 96 per cent of the total membership. The bank and each of its branches opened new departments during the year, to handle the work incident to acting as custodian and fiscal agent for the Reconstruction Finance Corporation. This work was carried on, to a large extent, by employees transferred from other departments in which the reduction in the volume of work had resulted in a surplus of help.

The discount rate of 3½ per cent, for all classes of paper and all maturities, which was established for this bank on October 23, 1931, was maintained throughout the year 1932.

MOVEMENT OF MEMBERSHIP

The number of active member banks in the Tenth Federal Reserve District decreased from 824 on December 31, 1931, to 785 on December 31, 1932. The distribution of member banks by States, at the end of 1931 and 1932, and the various changes during 1932 which effected a net reduction of 39 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, 1931			†Gains to Member-ship	†Losses to Member-ship	Active Member Banks December 31, 1932		
	Natl	State	Total			Natl	State	Total
Colorado	105	3	108	1	7	98	4	102
Kansas	232	5	237	0	13	219	5	224
*Missouri	33	5	38	0	1	32	5	37
Nebraska	158	3	161	4	6	156	3	159
*New Mexico	8	1	9	0	0	8	1	9
*Oklahoma	240	1	241	0	16	224	1	225
Wyoming	25	5	30	0	1	25	4	29
Totals	801	23	824	5	44	762	23	785

* Within District No. 10

† Gains and losses to membership were all national banks except as follows: 1 Colorado State bank and 2 Nebraska State banks were admitted to membership, 2 Nebraska State member banks suspended, and 1 Wyoming State member bank was absorbed by a national bank.

CHANGES IN MEMBERSHIP DURING 1932

Procedure effecting changes in membership during 1932	Colorado	Kansas	*Missouri	Nebraska	*New Mexico	*Oklahoma	Wyoming	Total
Additions to membership:								
Organization of national bank				1				1
Conversion of nonmember bank to national				1				1
Admission of State bank	1			2				3
Total additions	1	0	0	4	0	0	0	5
Losses to membership:								
Suspension and insolvency	6	9	1	5		9		30
Merger between national banks	1	2		1		2		6
Absorption of State member by national bank							1	1
Absorption of national bank by nonmember		1				2		3
Conversion of national bank to nonmember						2		2
Voluntary liquidation		1				1		2
Total losses	7	13	1	6	0	16	1	44
Net change in membership	—6	—13	—1	—2	0	—16	—1	—39
Number of member banks, end of 1931	108	237	38	161	9	241	30	824
Number of member banks, end of 1932	102	224	37	159	9	225	29	785
Number of nonmember banks, end of 1931	128	694	203	494	12	269	49	1,849
Number of nonmember banks, end of 1932	105	619	173	452	11	242	43	1,645

*Within District No. 10

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, and comparative tables of earning assets, income and disbursements, and volume of operations.

COMPARATIVE STATEMENT OF CONDITION

Resources	Dec. 31, 1931	Dec. 31, 1932
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 or held in the vaults of the Federal Reserve Bank	$ 66,680,000.00	$ 61,480,000.00
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	3,125,610.30	2,100,525.11
Gold and gold certificates in vault	12,227,954.50	9,601,152.00
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	15,737,573.18	13,876,248.53
Legal tender notes, silver, and silver certificates in the vaults of the bank (available as reserve only against deposits)	7,665,279.00	6,762,029.00
Total cash reserves	$105,436,416.98	$ 93,819,954.64
Non-reserve cash, consisting largely of national bank notes and minor coin	$ 2,653,496.81	$ 3,224,359.89
Loans and Investments:		
Loans:		
On the security of obligations of the United States (including adjusted service certificates)	$ 4,568,283.00	$ 464,176.50
On the security of or by the discount of commercial or agricultural paper or acceptances	23,157,552.67	11,047,299.32
Acceptances bought in the open market	11,666,125.72	855,195.39
United States Government securities	18,707,600.00	57,252,100.00
Federal Intermediate Credit Bank Debentures	400,000.00	0
Total loans and investments	$ 58,499,561.39	$ 69,618,771.21
Miscellaneous Resources:		
Bank premises, less reserves	$ 3,649,065.89	$ 3,558,674.15
Checks and other items in process of collection	22,872,601.41	19,107,904.57
All other miscellaneous resources	1,305,020.43	904,321.31
Total miscellaneous resources	$ 27,826,687.73	$ 23,570,900.03
Total resources	$194,416,162.91	$190,233,985.77

COMPARATIVE STATEMENT OF CONDITION

Liabilities	Dec. 31, 1931	Dec. 31, 1932
Currency in Circulation:		
Federal reserve notes in actual circulation, payable on demand. These notes are secured in full by discounted and purchased paper, United States Government securities, or gold. Gold held as collateral and/or as reserves must be not less than forty per centum of Federal reserve notes in actual circulation.	$ 82,711,485.00	$ 90,490,215.00
Total currency in circulation	$ 82,711,485.00	$ 90,490,215.00
Deposits:		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers	$ 75,228,701.09	$ 68,490,304.39
United States Government deposits carried at the reserve bank for current requirements of the Treasury	1,510,133.26	268,485.73
Other deposits	2,289,090.26	765,555.51
Total deposits	$ 79,027,924.61	$ 69,524,345.63
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	$ 19,674,173.87	$ 16,631,179.53
All other miscellaneous liabilities	693,501.08	1,273,843.00
Total miscellaneous liabilities	$ 20,367,674.95	$ 17,905,022.53
Capital and Surplus:		
Capital paid in, equal to 3 per cent of the capital and surplus of member banks	$ 4,184,800.00	$ 4,051,850.00
Surplus—that portion of accumulated net earnings which the bank is legally permitted to retain	8,124,278.35	8,262,552.61
Total capital and surplus	$ 12,309,078.35	$ 12,314,402.61
Total liabilities	$194,416,162.91	$190,233,985.77

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	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
	1932	24,799,667	2,562,927	42,816,951	81,544	70,261,089
Earnings	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
	1932	873,477	97,208	772,554	3,652	1,746,891
Average rates of earnings (per cent)	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
	1932	3.52	3.79	1.80	4.48	2.49

INCOME AND DISBURSEMENTS

	1931	1932
Earnings:		
From loans and rediscounts	$ 544,242.16	$ 873,477.46
From acceptances owned	221,530.40	97,208.07
From United States Government obligations owned	499,884.08	772,554.05
From penalties for deficient reserves	6,947.58	13,655.52
Income from rented space	261,649.00	237,862 40
Other earnings	20,830.56	26,710.63
Total current earnings	$1,555,083.78	$2,021,468.13
Additions to Earnings:		
Profit on United States Government securities sold	$ 92,551.71	$ 98,454.84
All other additions	3,585,27	5,021.06
Total additions	$ 96,136.98	$ 103,475.90
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	$1,614,412.71	$1,562,372.15
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	49,869.15	50,342.43
Depreciation and replacement reserves on buildings, fixed machinery and equipment	160,510.91	91,081.49
Reserve for self insurance	0	100,000.00
Reserve for possible losses	0	60,280.32
Furniture and equipment purchased	5,203.68	14,848.94
All other deductions	6,710.41	663.07
Total deductions	$1,836,706.86	$1,879,588.40
Net income available for dividends, additions to surplus, and payment to the United States Government	$* 185,486.10	$ 245,355.63
Distribution:		
In dividends paid to member banks, at the rate of 6 per cent on paid-in capital	$ 253,620.40	$ 245,355.63
In addition to surplus—The bank is authorized 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	† 439,106.50	0
Total net income	$* 185,486.10	$ 245,355.63

* Deficit.

† Surplus was also charged $138,274.26 to create a reserve for depreciation in United States Government securities held. This amount was credited back to surplus account December 31, 1932.

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
1932	2,021,468	245,355	245,355	(5) 138,275	0
Totals	$49,484,120	$19,546,424	$ 4,344,771	$ 8,262,553	$ 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.
(5) Credited to surplus from reserve for depreciation in United States Government securities.

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS

	Year	Number of pieces	Amount
Notes discounted or rediscounted	1930	29,742	$ 290,628,489
	1931	40,624	266,449,895
	1932	54,776	346,617,137
Currency received and counted	1930	66,563,635	314,560,708
	1931	58,563,679	260,343,100
	1932	53,935,549	238,200,565
Coin received and counted	1930	66,617,533	12,286,876
	1931	75,763,380	11,643,681
	1932	63,342,579	10,669,202
Checks handled	1930	69,881,000	10,430,350,000
	1931	64,412,000	8,461,469,000
	1932	51,085,000	6,326,036 000
Collection items handled	1930	316,593	257,938,231
	1931	353,272	239,015,625
	1932	353,827	192,431,000
United States Government coupons paid	1930	1,064,176	17,132,331
	1931	980,610	15,156,663
	1932	956,372	15,649,926
United States securities—Issues, redemptions, and exchanges by Fiscal Agency Department	1930	86,645	142,561,396
	1931	107,047	259,026,243
	1932	89,953	248,523,474
Transfers of funds	1930	134,275	7,486,269,834
	1931	123,408	5,376,060,431
	1932	109,122	3,580,168,722

PERSONNEL

ELECTION AND APPOINTMENT OF DIRECTORS

E. E. Mullaney, Hill City, Kansas, President of the First National Bank, Collyer, Kansas, was reelected as Class A director by member banks of Group 3, for the term expiring December 31, 1935.

L. E. Phillips, Bartlesville, Oklahoma, Chairman of the Executive Committee of the Phillips Petroleum Company, was reelected as Class B director by member banks of Group 3, for the term expiring December 31, 1935.

M. L. McClure, Kansas City, Missouri, was reappointed by the Federal Reserve Board as Class C director for the term expiring December 31, 1935.

The following were appointed as directors of the Omaha, Denver, and Oklahoma City Branches, to succeed directors whose terms expired December 31, 1932. These appointments were for terms expiring on December 31 of the years indicated:

Omaha Branch—L. H. Earhart, Managing Director of Omaha Branch, 1933; T. L. Davis, Vice President, First National Bank, Omaha, Nebraska, 1935; and W. E. Hardy, merchant, Lincoln, Nebraska, 1935.

Denver Branch—J. E. Olson, Managing Director of Denver Branch, 1933; Henry Swan, Vice President, United States National Bank, Denver, Colorado, 1935; and R. H. Davis, President, Denver National Bank, Denver, Colorado, 1935.

Oklahoma City Branch—C. E. Daniel, Managing Director of Oklahoma City Branch, 1933; H. H. Ogden, President, First National Bank and Trust Company, Muskogee, Oklahoma, 1935; and Austin Miller, manufacturer, Oklahoma City, Oklahoma, 1935. F. T. Chandler, Vice President of the Oklahoma National Bank, Chickasha, Oklahoma, was appointed to serve the unexpired portion of the term ending December 31, 1933, succeeding Wm. Mee, deceased.

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 1933.

OFFICERS AND EMPLOYEES OF THE BANK AND BRANCHES

The Federal Reserve Board reappointed M. L. McClure as Federal Reserve Agent and Chairman of the Board of Directors and H. M. Langworthy as Deputy Chairman of the Board of Directors, and redesignated A. M. McAdams as Assistant Federal Reserve Agent, all for the year 1933. All other officers of the bank and branches were reappointed by the Board of Directors for the year 1933.

At the close of the year the bank and branches had a total of 22 officers and 555 other employees, as compared with 22 officers and 548 other employees at the close of 1931.