

TWENTIETH ANNUAL REPORT
of the
**FEDERAL RESERVE BANK
OF KANSAS CITY**

FOR THE YEAR ENDED DECEMBER 31, 1934



TENTH FEDERAL RESERVE DISTRICT

LETTER OF TRANSMITTAL

March 15, 1935

Sir:

I have the honor to transmit herewith the twentieth annual report of the Federal Reserve Bank of Kansas City, covering the year 1934.

Respectfully yours,

A. M. McADAMS
Assistant Federal Reserve Agent

Hon. Marriner S. Eccles
Governor, Federal Reserve Board
Washington, D. C.

TWENTIETH ANNUAL REPORT
FEDERAL RESERVE BANK OF KANSAS CITY

General business activity in the Tenth Federal Reserve District was somewhat improved over the year 1933, as indicated by reports showing increases of 16.4 per cent in retail trade, 14.8 per cent in wholesale trade, 4.2 per cent in retail lumber sales, 3.5 per cent in building operations, and varying degrees of increased production of flour, cement, zinc, lead, coal, and petroleum. Debits to individual accounts in reporting banks were 15.4 per cent greater than in 1933, life insurance sales in the District increased 12.5 per cent over the previous year, and the number of business failures was smaller than in any year since 1920.

The District experienced in 1934 the most extensive and devastating drought in its history, and as a result the production of farm crops was the lowest of record. The effect of the general crop failure was offset to some extent by higher prices and by conservation of all farm vegetation having a food value, and these factors, together with Government benefit payments and higher prices for live stock and poultry products, resulted in a gross farm income estimated to be equal to or greater than that of either of the two preceding years.

Gross farm income in the seven States whose areas or parts thereof comprise this District was greatly increased by the Government's rental and benefit payments under wheat, cotton, tobacco, corn, and hog acreage and production adjustment contracts. Department of Agriculture reports show that payments aggregating \$127,490,000 were made to farmers in the seven States up to January 1, 1935, and that additional payments aggregating about \$65,000,000, less administrative costs, would be made subsequent to that date under then existing contracts. Payments made and to be made in the seven States amount to nearly 25 per cent of the total for the entire country, and in amounts received up to December 1, Kansas ranked second, Oklahoma fourth, Nebraska fifth, and Missouri tenth, among the States of the nation.

The following table shows Department of Agriculture estimates of rental and benefit payments made and to be made through the Agricultural Adjustment Administration:

	(000 omitted)						
	Cotton Total	Tobacco Total	Wheat Total	Corn-Hogs		Total	Grand Total
				Corn	Hogs		
Colorado.....	\$	\$	\$ 4,336	\$ 1,211	\$ 1,510	\$ 2,721	\$ 7,057
Kansas.....	6	.....	49,940	5,814	10,460	16,274	66,220
Missouri.....	4,418	288	3,139	8,666	17,105	25,771	33,616
Nebraska.....	.....	.....	12,055	12,970	16,460	29,430	41,485
New Mexico.....	1,442	.....	1,019	234	250	484	2,945
Oklahoma.....	20,471	.....	13,998	1,213	4,085	5,298	39,767
Wyoming.....	.....	.....	830	159	165	324	1,154
Seven States.....	\$ 26,337	\$ 288	\$ 85,317	\$ 30,267	\$ 50,035	\$ 80,302	\$192,244
United States.....	231,100	41,702	200,600	111,000	195,000	306,000	779,402

NOTE—Cotton and tobacco payments include both the 1933 and 1934 programs and wheat contracts include the crop years 1933-34 and 1934-35. Corn-hog contracts run for but one year, 1934.

The foregoing rental and benefit payments do not include drought relief and surplus removal purchases by the Government of cattle, hogs, sheep and goats, wheat, butter and cheese, and seed, which purchases throughout the nation amounted to \$170,297,000 up to January 1. The reports show that of the 8,000,000 cattle and 4,000,000 sheep purchased

by the Government during the last half of 1934, approximately two fifths of the cattle and one third of the sheep were purchased in this District, and that payments made for drought relief and surplus removal purposes up to January 1 included \$48,252,000 through the disbursing office at Kansas City, Missouri, for purchase of drought relief cattle, \$15,482,000 through the Omaha, Nebraska, office, for purchase of hogs, and \$2,294,000 through the Denver, Colorado, office, for purchase of sheep and goats.

The exceedingly poor crops of 1934, following the unusually low yields of 1933, transformed the surpluses of recent years into a prevailing scarcity of most farm commodities. Heavy abandonment and Government control measures greatly reduced harvested acreage, the reduction for forty-four leading crops in the seven States of the District being estimated at 19.3 per cent as compared to 1933, 26 per cent as compared to 1932, and 29 per cent as compared to the large acreage of 1931. The drastic reduction in the seven States is shown by the following Department of Agriculture estimates of 1934 production of certain important crops, expressed in percentages of average production over the five year period, 1927 to 1931: Corn, 12.5 per cent; dry beans, 26.9 per cent; grain sorghums, 34.7 per cent; oats, 36.5 per cent; white potatoes, 40.2 per cent; wild hay, 41.1 per cent; tame hay, 54.1 per cent; winter wheat, 47.6 per cent; cotton, 48.6 per cent; and sugar beets, 58.8 per cent.

Prices of all grains, hay, and forage feeds advanced rapidly after the mid-year, as the effects of the drought became more apparent. The farm value of sixty-four crops produced in the seven States, as estimated by the Department of Agriculture on the basis of December 1 prices, was \$494,925,000. This valuation represents a decrease of 13.9 per cent as compared to 1933 crop values but an increase of 26.6 per cent as compared to 1932, when prices were at the low level. Crops for the years 1931, 1930, and 1929 were valued at \$646,284,000, \$762,963,000, and \$1,098,025,000, respectively.

The following table, based on reports and estimates of the United States Department of Agriculture, shows harvested acreage, production, and farm value, based on December 1 prices, of the principal crops grown during the past three years in the seven States whose areas or parts thereof comprise the Tenth Federal Reserve District.

	(In thousands of units of measure and value)						Farm Value		
	Harvested Acreage			Production			1932	1933	1934
	1932	1933	1934	1932	1933	1934			
Winter wheat, bu.....	18,666	13,820	16,545	216,986	136,275	158,087	\$ 63,027	\$ 93,353	\$137,540
Spring wheat, bu.....	579	870	418	6,739	8,508	3,608	1,966	4,966	3,146
All wheat, bu.....	19,245	14,690	16,963	223,725	144,783	161,695	64,993	98,319	140,686
Corn, bu.....	30,200	28,773	18,494	688,283	505,895	75,176	112,361	174,381	68,088
Oats, bu.....	7,689	7,030	5,200	177,736	111,599	62,765	23,133	32,732	33,677
Barley, bu.....	2,358	1,834	999	40,269	21,345	10,091	6,663	6,411	7,549
Grain sorghums, bu.....	3,654	3,788	2,974	39,528	37,290	13,988	7,679	14,692	11,128
White potatoes, bu.....	416	373	346	35,626	33,143	16,260	11,630	22,206	10,573
Cotton, bales.....	3,638	3,367	3,153	1,472	1,613	662	38,955	72,269	39,067
Tame hay, tons.....	8,445	8,505	7,075	11,272	10,800	6,405	60,282	65,280	92,533
Wild hay, tons.....	5,311	4,932	3,868	4,349	3,273	1,762	16,759	14,956	22,951
Sugar beets, short tons	262	349	281	3,160	4,288	2,553	14,745	20,062	
Dry beans, bags.....	424	601	268	1,160	2,299	663	1,792	6,133	3,091
Apples, bu.....				5,406	7,072	5,496	3,563	5,540	5,096
Peaches, bu.....				1,735	921	2,558	1,050	1,169	2,501
Pears, bu.....				591	602	990	351	477	723

In an effort to supplement the shortage of feed and poor pastures, farmers in the District increased their fall sown acreage of wheat and rye.

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The acreage seeded to winter wheat in the fall of 1934 for harvest in 1935 was 7.5 per cent larger than that seeded in the fall of 1933, and was the largest acreage sown since 1930. The following table shows estimates of the fall sown acreage, and estimated condition as of December 1:

	Fall Seeded Acreage (000 omitted)					Condition December 1,		
	1930	1931	1932	1933	1934	1923-32	1933	1934
Colorado.....	1,433	1,218	924	1,205	964	78	67	37
Kansas.....	13,884	12,945	12,853	12,082	13,049	79	64	71
Missouri.....	1,605	1,553	1,412	1,550	1,938	84	83	93
Nebraska.....	3,504	3,120	2,890	3,063	3,247	86	75	79
New Mexico.....	466	453	400	344	361	84	60	71
Oklahoma.....	4,615	4,407	4,419	4,338	4,685	79	75	76
Wyoming.....	210	228	202	180	171	86	63	50
Seven States.....	25,717	23,924	23,100	22,762	24,415	80.3	69.0	73.3
United States.....	45,240	42,283	42,669	41,850	44,306	82.4	74.3	77.8

Recent estimates of the Department of Agriculture show that stocks of wheat on farms in the seven States on January 1, 1935, were only approximately three fourths, one half, and one fourth the quantity so held on January 1 of 1934, 1933, and 1932, respectively, and that farm holdings of corn amounted to but 15.6 per cent, 11.6 per cent, and 15.8 per cent, respectively, of the quantities held on January 1 of 1934, 1933, and 1932. Holdings of oats as of January 1, 1935, had declined 38 per cent as compared to the like date in 1934 and 60 per cent as compared to January 1, 1933, and January 1, 1932. The year's receipts of grain at the five principal market centers of the District were greatly under normal, as compared with average receipts for the past ten years. Wheat receipts were 55 per cent; corn, 95 per cent; oats, 49 per cent; rye, 40 per cent; barley, 20 per cent; and kafir, 29 per cent of the average volume of the past ten years. The reductions in production and reserve stocks were reflected in grain prices, which increased rapidly after the middle of the year, as the effects of the drought became more pronounced. Changes in cash grain prices at Kansas City during the year, and as compared to the low prices in effect two years ago, are indicated in the following table:

	Dec. 31 1932	Dec. 30 1933	July 2 1934	Nov. 30 1934	Dec. 31 1934	Jan. 15 1935
No. 1 dark wheat, bu.....	\$.40 1/2	\$.80	\$.86	\$1.02	\$1.01 1/4	\$.96 1/2
No. 2 mixed corn, bu.....	.21 1/2	.43 1/2	.57 1/4	.95 3/4	.95	.91 1/2
No. 2 white oats, bu.....	.16 1/2	.36 1/2	.42	.61	.59 1/2	.58 1/2
No. 2 rye, bu.....	.31 1/2	.55	.64	.88	.87	.83
No. 2 barley, bu.....	.23	.43	.58	.90	.90	.86
No. 2 kafir, cwt.....	.41	.73	1.00	2.07	2.06	1.96

Live stock numbers and breeding and feeding operations in the District have been reduced to the lowest levels in many years through forced liquidations, resulting from the drought and the consequent scarcity of and high prices for feed, and, as to hogs, from voluntary adjustments in conformity with allotments under Government contracts. The national fall pig crop was probably the smallest in thirty-five years, and estimates of decreases for this District of 30 per cent in the 1934 spring pig crop, 64 per cent in the fall pig crop, 35 per cent in the fall and spring crops combined, as compared to 1933, and a prospective decrease of 33 per cent in the number of sows bred or to be bred to farrow in the spring of 1935 from the number farrowed in 1934, are considerably greater proportionately than the decreases estimated for the entire United States.

The Bureau of Agricultural Economics estimated 46 per cent less cattle on feed in the eleven corn belt States on January 1, 1935, than on January 1, 1934, with reductions in Kansas amounting to 80 per cent, Missouri, 65 per cent, and Nebraska, 60 per cent. These decreases are much the largest in over thirteen years of available records, with present numbers on feed the smallest in many years. The number of sheep and lambs on feed January 1 in the seven States is estimated at 10 per cent under a year ago, as compared to an estimated 5 per cent reduction for all of the principal feeding States. Tenth District operations also show reductions of 19 per cent as compared to January 1, 1933, and 26 per cent from the record numbers on feed on January 1, 1932.

Liquidations of cattle and calves and sheep and lambs the past year, and swine the past two years, and steady decreases in the numbers of horses and colts and mules and mule colts since 1920, have reduced total live stock numbers on farms in this District and the United States as of January 1, 1935, to the lowest point in many years. Reductions in numbers in the seven States of the District the past year were in percentages as follows: All cattle and calves, 19.2 per cent; milk cows, 9.9 per cent; swine, including pigs, 47.2 per cent; sheep and lambs, 6.9 per cent; horses and colts, 1.2 per cent; mules and mule colts, 7.7 per cent. Decreases for the United States of 11 per cent in cattle numbers and 35 per cent in swine numbers were much the largest ever reported for any one year.

Notwithstanding the decrease in numbers, the estimated value of each species of live stock on farms in the United States on January 1 was larger than a year ago, the total value of all live stock being placed at \$3,103,136,000, an increase of \$225,292,000 or about 8 per cent over the value on January 1, 1934. However, reductions of cattle, hogs, and sheep being proportionately heavier in this District than in the United States as a whole, the January 1 inventory value for the District of these species showed losses as compared to January 1, 1934, and the total value of all species of \$542,379,000 is \$15,030,000 below a year ago.

The following comparisons of number and value of live stock on farms and ranges in the seven States whose areas or parts thereof comprise the Tenth District are based on the annual live stock survey of the United States Department of Agriculture as of January 1 of each year:

	NUMBER OF HEAD (000 omitted)					
	All Cattle and Calves	Milk Cows and Heifers	Swine, Including Pigs	Sheep and Lambs	Horses and Colts	Mules and Mule Colts
1935.....	13,480	3,615	6,891	11,838	2,831	720
1934.....	16,676	4,010	13,048	12,719	2,866	780
1933.....	15,571	3,839	14,690	12,933	2,913	843
1932.....	14,760	3,697	14,569	13,588	3,004	873
1931.....	14,331	3,563	12,441	13,041	3,129	904
1930.....	13,766	3,440	13,329	13,049	3,258	935
1929.....	12,527	3,115	13,255	11,272	3,277	1,017

	TOTAL VALUE (000 omitted)					
	All Cattle and Calves	Milk Cows and Heifers	Swine, Including Pigs	Sheep and Lambs	Horses and Colts	Mules and Mule Colts
1935.....	\$226,125	\$ 83,369	\$ 36,108	\$ 51,086	\$170,581	\$ 58,479
1934.....	253,027	83,910	49,210	49,649	149,924	55,599
1933.....	267,428	91,951	56,577	36,510	113,700	44,050
1932.....	331,944	118,225	82,503	41,832	110,113	43,478
1931.....	492,712	167,766	137,101	69,357	129,661	50,627
1930.....	689,575	244,071	175,235	114,606	159,582	63,187
1929.....	683,444	232,382	174,553	120,453	160,341	67,227

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	AVERAGE VALUE PER HEAD (000 omitted)					Mules and Mule Colts
	All Cattle and Calves	Milk Cows and Heifers	Swine, Including Pigs	Sheep and Lambs	Horses and Colts	
1935.....	\$ 16.77	\$ 23.06	\$ 5.24	\$ 4.32	\$ 60.25	\$ 81.22
1934.....	15.17	20.93	3.77	3.90	52.31	71.28
1933.....	17.17	23.95	3.85	2.82	39.03	52.25
1932.....	22.49	31.98	5.66	3.08	36.66	49.80
1931.....	34.38	47.09	11.02	5.32	41.44	56.00
1930.....	50.09	70.95	13.15	8.78	48.98	67.58
1929.....	54.56	74.60	13.17	10.69	48.93	66.10

Live stock prices finished the year at or near the 1934 peaks, and continued to advance the first two weeks of January, with January prices for hogs the highest since 1930 and for cattle and lambs the highest since 1931. The January top of \$8.30 for hogs at Kansas City, exclusive of the processing tax of \$2.25 per hundredweight, is an advance of \$3.20 over the 1933 top and \$5.75 above the all-time low top for this market on December 31, 1932. Feed prices having advanced more rapidly than pork, feeding ratios were unfavorable throughout the year and fall marketings contained an unusually large percentage of pigs and light and unfinished offerings. Stock pigs sold as low as 10 cents each at country auctions and those weighing sixty to one hundred pounds sold at from 50 cents to \$1 per head at terminal markets in December. On the cattle market choice yearling steers sold up to \$12.50 per hundredweight on January 22, 1935. This price compares with the 1934 top of \$10.60 paid in September, a 1933 top of \$7.15, and a 1929 top of \$16.75. Forced liquidations, due to a shortage of feed and water, resulted in record or near record marketings of stockers and feeders, cows, and common and low grade animals through regular market channels or to the Government, with values at times the lowest in many years. Native spring lambs sold up to \$11.80 per hundredweight in May, which price compares with a top of \$8.10 in 1933, \$10 in 1932, and \$20.50 in 1929.

Changes in live stock prices the past year and declines from the 1929 and war-time levels are indicated by the following comparison of top prices per hundredweight at the Kansas City market:

	Years 1918-19	Year 1929	Year 1932	Year 1933	Year 1934
Beef steers.....	\$25.25	\$16.75	\$ 9.85	\$ 7.15	\$10.60
Stockers and feeders.....	17.50	14.00	7.50	6.25	8.10
Cows.....	18.00	12.50	5.00	4.00	5.00
Calves.....	18.00	17.60	8.00	7.00	8.25
Hogs.....	23.40	12.05	5.00	5.10	7.80
Sheep.....	20.00	15.00	5.85	4.75	8.00
Lambs.....	21.75	20.50	10.00	8.10	11.80

Reports of trade in the District at both wholesale and retail indicated a notable improvement during the year. Aggregate sales of five representative wholesale lines were 14.8 per cent larger than in 1933 and 18.3 per cent larger than in 1932. By individual lines, percentage increases for the year were as follows: Dry goods, 9.4 per cent; groceries, 5.5 per cent; hardware, 17.3 per cent; furniture, 26.0 per cent; and drugs, 25.5 per cent. The dollar volume of sales at reporting department stores ran consistently above the like month of the previous year, with gains during the first half of the year comparatively larger than for the last half. The increase for the year amounted to 16.4 per cent and sales exceeded those of 1932 by 14.3 per cent. The increase for the year was the first reported since that of 1929 over 1928. Inventories of department stores were

reduced 4.2 per cent for the year and stocks as of December 31 were the lowest for that date in many years, with the index at 59 per cent of the 1925 average of 100. Retail lumber sales were up 4.2 per cent for the year. Sales of new paid-for ordinary life insurance, although 12.5 per cent larger than in 1933, were otherwise the smallest since 1918.

Building activity, other than residential construction, was slightly above a year ago, although the total expenditure of \$70,693,799 was 60 per cent less than the average for the past eight years. Residential construction was, with the exception of 1932, lower than in any year since the war, declining 6 per cent as compared to 1933 and 77 per cent as compared to the eight year average. Flour production, although subject to the processing tax of \$1.38 per barrel and with bookings restricted to ninety days under the code, was slightly above 1933 production and only 8 per cent below the ten year average. Operations at meat packing establishments were unusually heavy throughout the year, with packers processing meats for Government account in addition to handling heavier commercial supplies of cattle.

Mineral production exceeded that of 1933. The output of crude oil in five States, restricted by Federal allowables, increased 2.9 per cent and was the largest since 1930. Posted prices for crude oil were stationary throughout the year, mid-continent schedules ranging according to gravity from 76 cents to \$1.08 per barrel, but markets were weak and unsettled at times, due to interference from oil and refined products produced in violation of established restrictions. Field activity displayed marked improvement, new completions during the year being nearly 50 per cent greater in number than in 1933. Mines in six States produced slightly more bituminous coal in 1934 than in the preceding year, but production was down to 67 per cent of normal. Production of finished Portland cement at mills in the District during 1934 was the largest since 1931. Shipments of cement were greater than in 1933, but stocks accumulated in the final quarter of the year and on December 31 were second only to end-of-year stocks on December 31, 1930. Shipments of zinc ore from the Tri-State district were 14.7 per cent larger and of lead ore 4.7 per cent smaller than a year ago, but the combined tonnage and value exceeded that of all prior years back to 1930. Prices for zinc and lead ore at the end of the year were, respectively, \$2.50 and \$12.50 per ton lower than at the end of 1933. Gold and silver mining developments in the District were enlarged extensively.

Banking conditions in the District improved during the year, in that excellent progress was made toward completion of the program for the rehabilitation of weakened banks, through the issuance of preferred stock or otherwise, and in that the volume of deposits increased steadily throughout the year. The continued liquidation of existing loans and the very limited demand for new loans, together with the prevailing low interest returns on investment securities, prevented any substantial general improvement in the banking business from the standpoint of earnings, but some improvement in net earnings was accomplished through various operating economies and through reducing the rates of interest paid on deposits. The severity and extent of the failures of crops curtailed the normal demand for funds with which to carry on or expand business and

agricultural activities, and the disparity between prices for live stock and the cost of feed greatly reduced the usually heavy demand in this District for funds to finance operations in cattle, hogs, and sheep. Under such conditions the banks of the District have been and continue to be greatly in need of loans. They report themselves as desiring to make all loans which can be made on a sound basis, and their cash position is such that they are in excellent condition to meet demands for loans as they may develop.

OPERATIONS OF FEDERAL RESERVE BANK OF KANSAS CITY

Member bank reserve deposits were greater than in any year of the bank's history, and increased from an average of \$127,602,000 during January to an average of \$157,597,000 for December. The Federal reserve note circulation of this bank also increased during the year, the average circulation for January having been \$106,393,000 and that for December \$118,288,000. A related increase in the principal items of the bank's assets occurred during the year in that cash reserves increased from a January average of \$166,119,000 to a December average of \$194,970,000, and the investment in Government securities was increased from an average of \$83,444,000 for January to a December average of \$91,844,000. Holdings of bills discounted at the beginning of the year were at the low point for many years, but continued to decline from an average of \$1,174,332 in January to an average of \$116,000 in December. Holdings of bills purchased averaged \$4,420,000 in January, but were rapidly reduced, and the average amount held in December was \$154,000. The first advances on industrial loans, as authorized in the amendment to the Federal Reserve Act approved June 19, 1934, were made in August. At the end of the year the bank had \$433,000 invested in such loans and had outstanding commitments for \$28,000.

The average rate of income on earning assets during the year was 1.87 per cent, as compared with 1.97 per cent for the previous year. Total current earnings in 1934 were \$1,960,097.91 as compared to \$1,742,259.93 in 1933, the increase being due to larger holdings of Government securities and to a slightly higher average rate of income on such securities held. Current operating expense for the year was \$1,721,940.24 as compared to \$1,723,115.86 for 1933. Net earnings for the year were substantially increased by profits on sales of Government securities, and were sufficient to permit the payment of dividends and the establishment of appropriate reserve accounts for replacement of bank buildings and fixed machinery and equipment, for self insurance reserves, and for other purposes. A charge of \$3,622.37 was made to the special surplus account (Surplus-Section 13b), there having been a difference of that amount between the earnings on the funds paid to the bank by the Secretary of the Treasury for employment in industrial loans and the proportionate amount of expense incurred in connection with such loans.

There was very little occasion for member banks to borrow from or rediscount with this bank during the year. Such transactions were had with only fifty-one member banks, and the average amount outstanding of Federal reserve bank funds so advanced was only \$329,000 during the

year. Advances were made direct to four non-banking corporations during the year, under authority of Paragraph 3 of Section 13 of the Federal Reserve Act, such advances aggregating \$47,470.71 and representing the discounting of twenty-six individual notes.

The amendment to the Federal Reserve Act which was approved on June 19, 1934, authorized the Federal reserve banks, under certain conditions, to make advances for the purpose of furnishing working capital to established industrial or commercial businesses. Under the provisions of this law and the Federal Reserve Board regulation issued on June 26, 1934, an Industrial Advisory Committee for this District was appointed, consisting of R. L. Gray, President of the Sheffield Steel Corporation, Kansas City, Missouri, Walter J. Berkowitz, Secretary-Treasurer of the Berkowitz Envelope Company, Kansas City, Missouri, D. Bruce Forrester, Vice President and General Manager of the General Box Company, Kansas City, Missouri, Ed. S. Miller, President of the Miller Cereal Company, Omaha, Nebraska, and L. F. Rooney, Vice President of the Manhattan Construction Company, Muskogee, Oklahoma.

Both the bank and the Industrial Advisory Committee endeavored to acquaint banks and other financing institutions, and the public generally, with the provisions of this law, to the end that loans thereunder might be made to any businesses which could make constructive use of additional working capital and to which such loans might be made on a sound basis, but which for one reason or another were unable to arrange the needed financing. A great number of inquiries were received which did not develop into formal applications for loans, and a substantial proportion of the loans formally applied for could not be made because of the limitations in the law or for other reasons. By the end of the year, however, the Industrial Advisory Committee and the bank had approved loans aggregating \$2,855,500. Of these loans \$574,300 had actually been completed and either disbursed or covered by formal commitments, this bank having advanced \$442,400 and issued commitments for \$28,000, and participating financing institutions having advanced \$96,900 and issued commitments for \$7,000.

With the exception of the discount department, the volume of work in the various departments of the bank and its branches at Omaha, Denver, and Oklahoma City was maintained at about normal levels or increased substantially over the previous year. Operations as fiscal agent of the United States were unusually heavy, necessitating an increase in the number of employees in that department to the highest point in more than ten years. Contracts were signed in June and July under which a large volume of fiscal agency operations are conducted for the Farm Credit Administration, the Federal Farm Mortgage Corporation, the Federal Land Banks at Wichita and Omaha, and the Home Owners Loan Corporation. The bank also continued to act during the year in the capacity of custodian and fiscal agent for the Public Works Administration, the Reconstruction Finance Corporation, and the Commodity Credit Corporation. The corn loan activities handled at the Omaha branch for the Commodity Credit Corporation required the employment of ninety-seven additional people and the renting of quarters outside the branch

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building. The volume of corn loans at the branch numbered at the peak 76,765 for a total of \$46,739,000. At the end of the year, however, such loans had been reduced to approximately 1,900 in number and \$1,375,000 in amount, and the number of employees handling such transactions had been reduced to six.

The generally increased volume of business handled during the year is indicated by the fact that the bank and its branches handled, in 1934, 248,276 more pieces of ordinary mail and 99,992 more pieces of registered mail than were handled in the previous year, this being an increase of nearly 10 per cent in the total volume of mail handled.

The discount rate for advances to member banks under the provisions of Sections 13 and 13a of the Federal Reserve Act, as amended, was reduced on February 9 from 3½ per cent to 3 per cent, and was further reduced on December 21 from 3 per cent to 2½ per cent.

Complete statistics of each Federal reserve bank are published in the annual report of the Federal Reserve Board, and detailed figures of the operation 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, 1933	Dec. 31, 1934
Cash reserves held by this bank against its deposits and note circulation:		
*Gold certificates lodged with the Treasurer of the United States or in the vaults of the Federal Reserve Bank, and held by the Federal Reserve Agent as part of the collateral deposited by the bank when it obtains Federal reserve notes.....	\$102,290,000.00	\$124,550,000.00
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.....	1,169,851.88	613,186.29
*Gold certificates in vault.....	10,985,039.61	0
*Gold certificates in the gold settlement fund lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal reserve districts.....	32,254,959.77	62,758,350.18
Other cash.....	9,397,250.08	11,431,107.44
Total cash reserves.....	\$156,097,101.34	\$199,352,643.91
Loans and Investments:		
Loans:		
On the security of obligations of the United States (including adjusted service certificates).....	\$ 39,332.50	\$ 24,000.00
On the security of or by the discount of commercial or agricultural paper or acceptances.....	1,382,061.16	102,361.84
Acceptances bought in the open market.....	4,565,954.93	154,014.92
Industrial advances—working capital loans.....	0	433,292.08
United States Government securities.....	83,441,200.00	91,844,250.00
Total loans and investments.....	\$ 89,428,548.59	\$ 92,557,918.84
Miscellaneous Resources:		
Bank premises, less reserves.....	\$ 3,485,144.72	\$ 3,447,208.57
Checks and other items in process of collection.....	24,914,141.68	26,420,079.81
All other miscellaneous resources.....	1,771,169.85	282,856.49
Total miscellaneous resources.....	\$ 30,170,456.25	\$ 30,150,144.87
Total resources.....	\$275,696,106.18	\$322,060,707.62

*On December 31, 1933, these items consisted of gold and gold certificates.

TWENTIETH ANNUAL REPORT

COMPARATIVE STATEMENT OF CONDITION

Liabilities	Dec. 31, 1933	Dec. 31, 1934
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 certificates. (Gold was included in the security for notes outstanding on December 31, 1933.).....	\$106,814,235.00	\$117,654,575.00
Federal reserve bank notes in actual circulation, payable on demand. These notes are direct obligations of this Federal Reserve Bank, and are secured by United States Government securities or by notes, drafts, bills of exchange, or bankers acceptances.....	9,615,100.00	0
Total currency in circulation.....	\$116,429,335.00	\$117,654,575.00
Deposits:		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers.....	\$118,731,118.79	\$162,475,418.34
United States Government deposits carried at the reserve bank for current requirements of the Treasury.....	67,382.51	4,002,432.45
Other deposits.....	4,130,027.81	2,858,788.30
Total deposits.....	\$122,928,529.11	\$169,336,639.09
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.....	\$ 23,555,486.27	\$ 26,244,561.66
All other miscellaneous liabilities.....	961,448.85	851,748.62
Total miscellaneous liabilities.....	\$ 24,516,935.12	\$ 27,096,310.28
Capital and Surplus:		
Capital paid in, not less than 3 per cent of the capital and surplus of member banks.....	\$ 4,077,350.00	\$ 4,067,550.00
Surplus:		
(Section 7)—That portion of accumulated net earnings which the bank is legally permitted to retain.....	7,743,956.95	* 3,612,680.65
(Section 13b)—Net amount paid by the Secretary of the Treasury to further the making of working capital loans as authorized in Section 13b of the Federal Reserve Act.....	0	292,952.60
Total capital and surplus.....	\$ 11,821,306.95	\$ 7,973,183.25
Total liabilities.....	\$275,696,106.18	\$322,060,707.62

* Reduction of \$4,131,276.30 represents bank's subscription to stock of the Federal Deposit Insurance Corporation.

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	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
	1933	10,108,108	2,186,673	66,064,211	0	78,358,992
	1934	335,255	857,501	90,464,180	93,524	91,750,460
Earnings	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
	1933	* 314,596	25,636	1,199,837	0	* 1,540,069
	1934	* 10,925	4,805	1,691,986	3,665	* 1,711,381
Average rates of earnings (per cent)	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
	1933	* 3.11	1.17	1.82	0	* 1.97
	1934	* 3.26	0.56	1.87	3.92	* 1.87

* Adjusted to give effect in 1933 to \$17,852.92 of interest on past due bills discounted for banks in conservatorship which was earned in 1933 but not collected until 1934.

FEDERAL RESERVE BANK OF KANSAS CITY

INCOME AND DISBURSEMENTS

	1933	1934
Earnings:		
From loans and rediscounts.....	\$ 296,743.55	\$ 28,777.83
From acceptances owned.....	25,635.55	4,805.20
From United States Government obligations owned.....	1,199,837.30	1,691,986.23
From penalties for deficient reserves.....	5,161.38	589.08
Income from rented space.....	187,716.23	171,157.73
Other earnings.....	27,165.92	62,781.84
Total current earnings.....	\$ 1,742,259.93	\$ 1,960,097.91
Additions to Earnings:		
Profit on United States Government securities sold.....	\$ 33,847.66	\$ 297,301.84
All other additions.....	12,739.53	28,880.23
Total additions.....	\$ 46,587.19	\$ 326,182.07
Deductions from Earnings:		
For current bank operations, exclusive of cost of currency.....	\$ 1,612,466.43	\$ 1,684,828.35
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.....	110,649.43	37,111.89
Depreciation and replacement reserves on buildings and fixed machinery and equipment.....	85,491.08	96,811.02
Reserve for self insurance.....	2,949.30	183,802.20
Reserve for possible losses (net).....	205,681.79	28,749.67
Furniture and equipment purchased.....	3,263.49	7,794.48
All other deductions.....	36,619.87	3,648.52
Total deductions.....	\$ 2,057,121.39	\$ 2,042,746.13
Net income.....	\$ *268,274.27	\$ 243,533.85
Distribution:		
In dividends paid to member banks, at the rate of 6 per cent on paid-in capital.....	\$ 250,321.39	\$ 247,156.22
Charged to Surplus:		
Section 7.....	518,595.66	0
Section 13b.....	0	3,622.37
Total net income.....	\$ *268,274.27	\$ 243,533.85

* Deficit.

TWENTIETH ANNUAL REPORT

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS

	Year	Number of pieces	Amount
Notes discounted or rediscounted	1932	54,776	\$ 346,617,137
	1933	23,138	134,429,151
	1934	500	5,298,393
Currency received and counted	1932	53,935,549	238,200,565
	1933	60,934,699	307,056,499
	1934	63,243,652	270,626,150
Coin received and counted	1932	63,342,579	10,669,202
	1933	52,297,145	18,845,027
	1934	50,056,996	9,771,589
Checks handled	1932	51,085,000	6,326,036,000
	1933	50,433,000	6,787,932,000
	1934	61,776,000	9,240,630,000
Collection items handled	1932	353,827	192,431,000
	1933	381,187	235,151,309
	1934	370,597	332,397,420
United States Government coupons paid	1932	956,372	15,649,926
	1933	1,042,246	16,511,425
	1934	1,394,217	20,973,251
*United States securities — Issues, redemptions, and exchanges by Fiscal Agency Department	1932	89,871	245,748,475
	1933	207,026	390,744,410
	1934	361,491	597,502,919
Transfers of funds	1932	109,122	3,580,168,722
	1933	98,676	3,208,224,786
	1934	84,973	3,528,031,558

*Including Federal Intermediate Credit Bank debentures and Federal Land Bank bonds.

MOVEMENT OF MEMBERSHIP

The number of active member banks in the Tenth Federal Reserve District decreased from 746 on December 31, 1933, to 734 on December 31, 1934. The distribution of member banks by States, at the end of 1933 and 1934, and the various changes during 1934 which effected a net reduction of 12 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, 1933			Gains to Membership	Losses to Membership	Active Member Banks December 31, 1934		
	Natl.	State	Total			Natl.	State	Total
Colorado.....	84	4	88	3	5	81	5	86
Kansas.....	204	11	215	4	13	192	14	206
*Missouri.....	33	8	41	6	2	35	10	45
Nebraska.....	140	7	147	7	7	138	9	147
*New Mexico.....	7	1	8	0	0	7	1	8
*Oklahoma.....	214	1	215	0	8	207	1	208
Wyoming.....	25	7	32	2	0	26	8	34
Totals.....	707	39	746	22	35	686	48	734

* Within District No. 10.

† See note (1) under following table

FEDERAL RESERVE BANK OF KANSAS CITY

CHANGES IN MEMBERSHIP DURING 1934

Procedure effecting changes in membership during 1934	Colorado	Kansas	*Missouri	Nebraska	*New Mexico	*Oklahoma	Wyoming	Total
Additions to membership:								
Organization of national bank.....	2	1	1	1			1	6
Conversion of nonmember bank to national bank.....			1	2				3
Admission of State bank.....	1	3	4	4			1	13
Total additions.....	3	4	6	7	0	0	2	22
Losses to membership:								
Suspension and insolvency.....	2	2		1		1		6
Merger between national banks.....	1	2		1		4		8
Absorption of national bank by nonmember bank.....			2					3
Conversion of national bank to nonmember bank.....		3						3
Voluntary liquidation.....	2	4	2	5		1		14
Total losses.....	5	13	2	7	0	7	0	34
Net change in membership.....	-2	-9	+4	0	0	-7	+2	-12

* Within District No. 10.

The foregoing changes do not include new national banks organized to succeed existing national banks. The 24 such cases were located as follows: Colorado, 6; Kansas, 3; Missouri, 1; Nebraska, 9; Oklahoma, 5.

Number of member banks, end of 1933.....	88	215	41	147	8	215	32	(1) 746
Number of member banks, end of 1934.....	86	206	45	147	8	208	34	734
Number of nonmember banks, end of 1933.....	88	562	154	377	9	213	30	(2) 1,433
Number of nonmember banks, end of 1934.....	76	538	143	298	10	188	26	(2) 1,279

- (1) The number of member banks at the end of 1933 included 38 national banks in conservatorship. There were no such banks at the end of 1934, the 38 conservatorships having been terminated during the year, as follows: Reorganized, 5; succeeded by newly organized national banks, 18; merged with other national banks, 2; absorbed by nonmember bank, 1; voluntarily liquidated, 6; suspended, 6.
- (2) Included in these figures are 180 nonmember banks operating under restrictions at the end of 1933 and 17 such banks at the end of 1934.

PERSONNEL

ELECTION AND APPOINTMENT OF DIRECTORS

Frank W. Sponable, President of the Miami County National Bank, Paola, Kansas, was reelected Class A Director by member banks of Group 2, for the term expiring December 31, 1937.

J. M. Bernardin, Kansas City, Missouri, lumberman, was reelected Class B Director by member banks of Group 1, for the term expiring December 31, 1937.

J. B. Doolin, Alva, Oklahoma, engaged in the farm mortgage and investment business, was reappointed by the Federal Reserve Board as Class C Director, for the term expiring December 31, 1937.

The following were appointed as directors of the Denver, Oklahoma City, and Omaha Branches, to succeed directors whose terms expired December 31, 1934. These appointments were for terms expiring on December 31 of the years indicated.

Denver Branch — J. E. Olson, Managing Director of Denver Branch, 1935; H. W. Farr, stockman, Greeley, Colorado, 1937; and Murdo MacKenzie, President of the Matador Land and Cattle Company, Denver, Colorado, 1935.

Oklahoma City Branch — C. E. Daniel, Managing Director of Oklahoma City Branch, 1935; Ned Holman, President of the Liberty National Bank, Oklahoma City, Oklahoma, 1937; and Lee Clinton, land owner and investor, Tulsa, Oklahoma, 1937.

Omaha Branch — L. H. Earhart, Managing Director of Omaha Branch, 1935; A. H. Marble, President of the Stockgrowers National Bank, Cheyenne, Wyoming, 1937; and William Diesing, Vice President of the Cudahy Packing Company, Omaha, Nebraska, 1935.

R. E. Campbell, merchant, Lincoln, Nebraska, was appointed as director of the Omaha Branch on October 5, for the unexpired portion of the term ending December 31, 1935, to fill the vacancy made by the death of W. E. Hardy.

MEMBER OF ADVISORY COUNCIL

W. T. Kemper, Chairman of the Board of Directors of the Commerce Trust Company, Kansas City, Missouri, was reappointed by the Board of Directors to serve as member of the Federal Advisory Council from the Tenth Federal Reserve District for the year 1935.

OFFICERS AND EMPLOYEES OF THE BANK AND BRANCHES

No appointment has been made to the offices of Chairman of the Board of Directors and Federal Reserve Agent, left vacant by the death of M. L. McClure on December 5, 1934.

The Federal Reserve Board reappointed E. P. Brown as Deputy Chairman of the Board of Directors, and continued the appointments of A. M. McAdams and N. R. Oberwortmann as Assistant Federal Reserve Agents, all for the year 1935. Mr. Oberwortmann resigned as Assistant Federal Reserve Agent on January 15, 1935, to accept an appointment as Chief National Bank Examiner for the Seventh Federal Reserve District.

John A. Cronan, Assistant Cashier of the Denver Branch, retired at the end of the year on account of ill health.

The Board of Directors appointed J. W. Jones as Assistant Cashier at the Denver Branch, and reappointed all other officers of the bank and branches for the year 1935.

At the close of the year the bank and branches had a total of 21 officers and 727 other employees, as compared with 22 officers and 691 other employees at the close of 1933.