

FEDERAL RESERVE BANK OF CHICAGO

79 WEST MONROE STREET

Chicago, March 30, 1918.
Bulletin No. 104.

TO BANKS AND BANKERS
IN FEDERAL RESERVE DISTRICT NUMBER SEVEN:

Dear Sir:

We beg to call your attention to the following letter addressed by W. P. G. Harding, Governor of the Federal Reserve Board, which is self-explanatory:

"The Board has received many inquiries of late as to the eligibility of notes given by farmers in payment of tractors used by them in agricultural operations. The Board has already ruled that notes given for the purchase price of farm implements which are to be resold may be discounted as commercial paper, and if the implements are to be used for an agricultural purpose, notes given in payment may be discounted as agricultural paper. The Board has considered the question whether a tractor can be regarded as a farming implement or whether it must be treated as a permanent fixed investment. While it is expected that the use of a tractor will be extended over several seasons, this circumstance does not make necessary the classification of a tractor as a fixed investment. Horses and Mules bought for farm work are purchased with several years' use in view, yet there can be no question that a note given by a farmer in payment of a pair of mules to be used in farm work, maturing within six months, is eligible as agricultural paper. Where tractors are used to supplement the work of horses or mules or are used altogether instead of these animals, it seems to the Board that notes given by farmers for the purchase price of tractors, and maturing within six months, should be admitted to discount as agricultural paper, and you are requested to advise your member banks accordingly."

Very truly yours,

JAMES B. McDOUGAL,

Governor.