

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, September 30, 1930

**SPECIAL PROVISIONS TO FACILITATE THE ORDERLY MARKETING OF THE
PRESENT COTTON CROP**

To the Member Bank Addressed:

Unusual circumstances in connection with the marketing of this year's cotton crop have in some instances created a disturbed feeling resulting in considerable involuntary liquidation, with the possibility of serious congestion of storage facilities at terminals and ports on account of a too rapid movement. This is in a large measure due to the fact that it is the custom in this district to make the maturity of agricultural paper coincident with the normal maturity of the crop. As a result the greater portion of the loans made to the producers of cotton are payable between September 15 and November 1. Where such paper has been rediscounted with the Federal Reserve Bank it frequently works a hardship on banks located in agricultural sections which have been unable to obtain anticipated liquidation and find it impracticable to offer other paper in substitution.

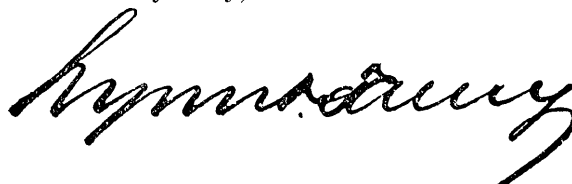
Under date of September 10 this bank issued a circular entitled "Orderly Marketing of Agricultural Products and Livestock," proffering to its member banks its services and making particular reference to the acceptability of cotton paper secured by warehouse receipts or where the commodity is stored on the maker's farm, secured by chattel mortgage and insured. It is now considered advisable to supplement that circular with the statement that this bank has a full appreciation of existing circumstances and a desire to be helpful in alleviating the present situation in any way it properly can. While ordinarily member banks are expected to make prompt provision for maturing rediscounts we are always ready to recognize unusual conditions and provide for them as seems to us desirable. The announcement is therefore made that in those cases where member banks find it difficult to meet their maturities all possible forbearance will be shown, and where in our judgment conditions warrant it, such paper will be allowed to remain overdue pending the time that member banks have an opportunity to take renewals secured by the actual cotton in the manner heretofore indicated, to be substituted for the maturing obligations.

It is of course realized that from the standpoint of the member bank it is frequently not desirable or advisable to take renewals, as the paper can be handled to better advantage after it has matured. In order to preserve this right of the holder to demand payment at any time and also in order to make renewal notes eligible for rediscount with the Federal Reserve Bank, the suggestion is offered that the new notes may be made to read "On demand; if no demand is made, then on..... (Date)....." (naming some specific date, say thirty or sixty days from the maturity of the old note). Notes made payable in this manner conform to the requirements of eligibility and are acceptable to the Federal Reserve Bank for rediscount, provided, of course, they are satisfactory from a credit standpoint.

It is of course not the purpose of this circular to suggest or endorse any holding movement as that is a matter not within our province. It is believed, however, that many of our member banks, including those who are not at the present time indebted to us, can avail themselves of the facilities here offered to their own advantage, as well as that of their customers. It is, therefore, hoped that this institution may take its proper place in the orderly marketing of this year's crop without the necessity of selling cotton at sacrifice prices.

In this connection, for the information of our member banks, there is enclosed herewith a statement of the Federal Reserve Board which was given to the press on September 24.

Yours very truly,



Governor.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3:00 p.m.

September 24, 1930.

At a preliminary conference held by the Federal Reserve Board in connection with the regular fall meeting of the governors and chairmen of the twelve Federal reserve banks, a comprehensive review was made of the agricultural, general economic and credit situation throughout the country. Being the season of usual marketing of the country's crops, reports were made with particular reference to the status of agricultural staples in each of the Federal reserve districts and there was special discussion of the conditions affecting their marketing and financing.

The Board was assured and satisfied that in each of the twelve Federal reserve districts ample credit facilities are available for financing the marketing of the crops, and that such facilities are being provided by the banks and other agencies concerned in the orderly marketing of agricultural commodities. The twelve Federal reserve banks through rediscounts for their member banks, loans to Federal Intermediate Credit Banks on agricultural paper of cooperative associations and purchases of bankers' acceptances covering agricultural commodities, are making their resources available for the marketing of the country's crops at the lowest rates in the history of the System.

It was the view of the conference that the extension of credit to support the orderly marketing of crops - at all times an important function of the Federal reserve banks - is of special importance at the present