

OPERATION OF
Federal Reserve Bank
of Kansas City

1924



TENTH ANNUAL REPORT
TO THE
FEDERAL RESERVE BOARD

ANNUAL REPORT
of the
Federal Reserve Agent
of the
Tenth Federal Reserve District
to the
Federal Reserve Board

COVERING THE CALENDAR YEAR

1924

M. L. McCLURE

Chairman and Federal Reserve Agent

LETTER OF TRANSMITTAL

January 24, 1925.

Sir:

I have the honor to transmit herewith the tenth annual report of the Federal Reserve Bank of Kansas City covering the year 1924.

Respectfully yours,

M. L. McCLURE,
Chairman and Federal Reserve Agent.

HON. D. R. CRISSINGER,
Governor, Federal Reserve Board,
Washington, D. C.

DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF KANSAS CITY
FOR 1925

DIRECTORS

CLASS A

FRANK W. SPONABLE (1925), Paola, Kan.
E. E. MULLANEY (1926), Hill City, Kan.
J. C. MITCHELL (1927), Denver, Colo.

CLASS B

J. M. BERNARDIN (1925), Kansas City, Mo.
H. W. GIBSON (1926), Muskogee, Okla.
THOMAS C. BYRNE (1927), Omaha, Neb.

CLASS C

FRED O. ROOF (1925), Denver, Colo.
M. L. McCLURE (1926), Chairman, Kansas City, Mo.
HEBER HORD (1927), Central City, Neb.

MEMBER ADVISORY COUNCIL

E. F. SWINNEY, Kansas City, Mo.

OFFICERS

M. L. McCLURE, Chairman Board of Directors
and Federal Reserve Agent
HEBER HORD, Deputy Chairman
C. K. BOARDMAN, Assistant Federal Reserve
Agent and Secretary
S. A. WARDELL, Auditor
A. E. BOLT, Assistant Auditor
H. G. LEEDY, Counsel

W. J. BAILEY, Governor
C. A. WORTHINGTON, Deputy Governor
J. W. HELM, Cashier
JOHN PHILLIPS, JR., Assistant Cashier
E. P. TYNER, Assistant Cashier
G. E. BARLEY, Assistant Cashier
M. W. E. PARK, Assistant Cashier
A. M. McADAMS, Assistant Cashier
G. H. PIPKIN, Assistant Cashier

OMAHA BRANCH

DIRECTORS AND OFFICERS

Wm. J. COAD (1925), Omaha, Neb.
A. H. MARBLE (1925), Cheyenne, Wyo.
J. E. MILLER (1926), Lincoln, Neb.
R. O. MARNELL (1927), Nebraska City, Neb.
L. H. EARHART, Managing Director
G. A. GREGORY, Cashier
W. D. LOWER, Assistant Cashier
L. H. EARHART (1925), Omaha, Neb.
T. L. DAVIS (1926), Omaha, Neb.
A. J. WEAVER (1927), Falls City, Neb.
Wm. PHILLIPS, Assistant Cashier
T. GORDON SANDERS, Assistant Auditor

DENVER BRANCH

DIRECTORS AND OFFICERS

H. W. FARR (1925), Greeley, Colo.
J. E. OLSON (1925), Denver, Colo.
R. H. DAVIS (1926), Denver, Colo.
C. C. PARKS (1927), Denver, Colo.
J. E. OLSON, Managing Director
ALBERT J. CONWAY, Cashier
John A. Cronan, Assistant Cashier
MURDO MACKENZIE (1925), Denver, Colo.
A. C. FOSTER (1926), Denver, Colo.
Wm. L. PETRIKIN (1927), Denver, Colo.
R. W. SMITH, Assistant Auditor

OKLAHOMA CITY BRANCH

DIRECTORS AND OFFICERS

E. K. THURMOND (1925), Oklahoma City, Okla.
NED HOLMAN (1925), Guthrie, Okla.
FRANK BUTTRAM (1926), Oklahoma City, Okla.
Wm. MEE (1927), Oklahoma City, Okla.
C. E. DANIEL, Managing Director
R. O. WUNDERLICH, Cashier
R. L. MATHES, Assistant Cashier
C. E. DANIEL (1925), Oklahoma City, Okla.
WALTER FERGUSON (1926), Okla. City, Okla.
W. A. STUART (1927), Okmulgee, Okla.
O. A. LEAMON, Assistant Auditor

OPERATIONS OF THE
FEDERAL RESERVE BANK
OF KANSAS CITY
IN 1924

GENERAL BUSINESS CONDITIONS IN 1924

MOST important among the major developments of 1924 in the Tenth Federal Reserve District was a remarkable economic improvement, the result of unusually large production of commodities in basic industries, accompanied by substantial advances in prices paid producers for those commodities, notably of grain, certain classes of live stock, and metals. In round figures the value of agricultural, live stock and mineral production in the District during the last twelve months was approximately \$2,500,000,000 exclusive of the value added by manufacture. By all odds it was the best balanced production in recent years, the total value exceeding that of 1923 production by upwards of \$500,000,000. The enormous amount of newly-created wealth flowing into the District wrought an improvement in conditions affecting industry, trade and banking such as would not have seemed possible in the early months of the year, or even at the beginning of the harvest season.

First of all, the year's production brought almost complete recovery of agriculture from the burdens that had in recent years oppressed the greatest of all industries. This year's wheat crop in the District, totaling 295,244,000 bushels on the final estimate, exceeded the 1923 crop by 113,209,000 bushels, or 62%. However the money return to the farmers under advanced prices gave the year's crop a value of \$384,407,000, which was \$216,389,000, or 128%, above the value of the crop harvested in the previous year. The corn crop of 452,646,000 bushels, fell short of the 1923 crop by 62,259,000 bushels, but the price of corn rose to such high levels that the short crop of 1924 was estimated in value at \$446,751,000, or about \$73,000,000 more than that of 1923. The cotton growers, like the wheat farmers, saw the Government's estimate of their prospective yields increased month by month, the final estimate placing the total for the District at 1,350,000 bales, of a value of \$152,550,000, as compared with 665,000 bales in 1923 valued at \$103,075,000. The oats crop was reported at 174,000,000 bushels with a value of \$83,500,000, an increase over 1923 of 15,000,000 bushels and

\$18,000,000 in value. It was a year of expansion of the sugar beet industry in the irrigated sections with a high record production of 3,250,000 tons of beets. The crop of tame hay, 17,655,000 tons, was worth approximately \$244,000,000, a decrease of 932,000 tons and \$18,642,000 in value. There were large crops of potatoes, broom corn, kafirs, vegetables, melons and fruits, with prices of some products above and of others below 1923 prices.

This enormous production and better prices afforded an opportunity for the farmers to pay off a large part of their indebtedness at banks, stores, and to mortgage holders, and as a result of heavy liquidations agriculture at the close of the year was on a sounder and more prosperous basis than since the World War.

Live stock moved into stronger position during the year, though it is felt there is room for further improvement, particularly with reference to cattle and hogs. While the number of cattle sent from the farms and ranges to market during the twelve months' period was slightly less than in the previous year, it was observed there were heavy liquidations of cattle from ranges of the Southwest where for more than three years the industry had been depressed. Although much of the indebtedness had been paid off and the cattle industry was on a sounder basis at the end of the year, it was apparent the number of cattle on ranges had been considerably reduced. The supply of hogs in the district continued to decline, although the marketing of hogs during the year was about 1,000,000 head, or 8%, less than in 1923. Prices during the greater part of the year were relatively low, though in the closing months there were advances which placed hogs on levels around \$2.00 per hundred pounds above the corresponding period in 1923, and the situation at the close of the year was encouraging. The sheep industry moved to a relatively stronger position than for years, with prices ranging slightly higher than those prevailing a year ago and practically three fourths of the 1925 spring wool clip contracted at from 40 cents to 47 cents per pound. Sheepmen found substantial profit in their business during the last year and reports from over the District seemed to indicate that a great many farmers were stocking their farms with small flocks. An encouraging feature of the live stock situation was a substantial increase in dairying. In Kansas the dairy products for the year exceeded \$31,500,000, an increase of about \$5,000,000 for the year. Increases were also reported in Missouri, Oklahoma, Nebraska and Colorado, with large returns from poultry and eggs.

Mineral production in the District during 1924, including crude oil, natural gas, coal, lead, zinc, precious metals and salt, exceeded \$700,000,000 in value, about \$10,000,000 greater than for 1923. The crude oil output in Oklahoma, Kansas, Wyoming, Colorado and New Mexico was 240,000,000 barrels. However, there was an improvement in the demand for gasoline and fuel oil in the latter part of the year which reduced to an extent the stocks of both crude and refined products on hand. The year closed with a larger production of and higher prices for lead and zinc than were ever recorded for the Tri-State District, embracing the states of Oklahoma, Kan-

sas and Southwest Missouri. Lead ores at the close of December sold at \$132.50 per ton and zinc ores at \$55 per ton. Total production of ores for the year was 104,325 tons of lead and 731,113 tons of zinc. The combined value of lead and zinc ores was \$42,375,394. A renewal of activity in the metal mining industry in Colorado brought the value of production in that state to \$22,368,750, an increase of about \$900,000 over the previous year. The value of gold produced was \$8,500,000 and of silver \$2,178,000, an increase of \$1,900,000 in gold and a decrease of \$2,400,000 in silver. Production of radium lead and zinc increased—while the output of copper decreased. The coal output for the year in producing states of the District was around 30,000,000 tons, about 1,000,000 tons less than that of 1923.

The manufacturing output in the District varied but slightly from that of the previous year, although general conditions had improved to such an extent as to greatly increase activity during the last quarter. In flour milling the total production exceeded that of any previous year, while in meat packing and allied industries the output for the year was exceedingly heavy and above normal.

The volume of mercantile trade, money value, both wholesale and retail, ran about even with that of the previous year and continued to exhibit signs of conservatism and the practice of economy on the part of the consuming public. In the latter part of the year the implement trade took on renewed activity with a substantially large increase in retail dealers' orders for implements and machinery in 1925 trade.

Building operations reported for the leading cities were unusually large, although falling slightly below the record of 1923. Plans were formed for the carrying out, during 1925, of extensive progress for highway construction, public works and the construction of an unusually large number of public buildings.

*MOVEMENT OF PRINCIPAL ASSETS AND LIABILITIES

General improvement in conditions throughout the District during the year, resulting from increased revenues from commodities produced, brought about a more substantial readjustment than had occurred in any previous year since the World War. Through heavy liquidations of indebtedness to banks and increased deposits in banks, the position of member banks was improved to such an extent as to enable them to handle the volume of business without extensive use of the credit facilities afforded by the Federal Reserve Bank.

The earning assets of the Federal Reserve Bank of Kansas City were reduced from \$59,919,000 on January 2, 1924 to \$54,794,000

*NOTE: Statistical tables embodying the figures discussed in this section may be found in Part II of the annual report of the Federal Reserve Board for the year 1924, to be published in the immediate future.

on December 31, 1924, a decrease for the year of 8.5%. The largest amount of earning assets was shown at the first reporting date of the year, and the low point was reached on February 6. During the last four months of the year the trend of earning assets was slightly upward. An analysis of the fifty-three condition statements during the twelve months' period shows the average earning assets for 1924 as \$49,042,000, which compares with an average of \$63,943,000 in 1923, \$68,270,000 in 1922 and \$102,485,000 in 1921. Based on the earliest average, the percentages of shrinkage were: 1922, 33.4; 1923, 4.2; 1924, 14.5, making a total decrease from 1921 of 52.1.

There was a marked downward trend in the discounting of bills for member banks from the beginning to the end of the year. The statement as of January 9, 1924, showed a total of \$48,619,000 with a continued shrinkage until the low point of \$4,976,000 was reached on December 31, 1924. On the other hand, open market purchases of bills increased materially, the year starting with \$545,000 and the amount gradually increasing to \$15,661,000 at the close of the year. The bank's holdings of United States Government securities also increased materially during the year, from \$14,862,000 at the beginning to \$33,381,000 at the close.

Cash reserves fluctuated but slightly during the year, the high point being reached on December 31, with the total standing at \$113,883,000. The initial statement of the year showed reserves of \$95,856,000 with gradual increases during the first quarter to a secondary high point of \$108,426,000 during the first quarter, which was followed by a series of decreases until the low point of the year \$89,100,000 was reached June 25. Recovery came immediately thereafter, with fairly level reserves continuing during the remaining six months of the year. Percentages varied from 63.1 to 75.5. The minimum reported was on December 24 and the maximum on April 9.

Reserve deposits of member banks increased slightly during the earlier weeks of the year, then took a downward turn and at the end of April reached the year's low point of \$71,142,000. Thereafter the trend was steadily upward, with the final statement for the year showing a total of \$92,692,000.

The movement of Federal Reserve notes in circulation was very similar in trend to that of 1923, contraction coming in the fore part of the year and expansion in the latter part. The minimum for the year was \$62,484,000, on June 25, and the maximum \$74,681,000, was attained on December 24. There was a net increase of \$5,768,000 between the first and last weekly reports of the year. The average for the year of \$65,879,000 was most nearly approximated on October 1. This average compares with \$63,369,000 for 1923, approximated by the amount reported on September 19 of that year.

FINANCIAL RESULTS OF OPERATION.

Current earnings from operation during the year amounted to \$2,262,910.11, derived from sources as follows: From the discounting of paper for member banks, \$859,533.86, or 37.98%; from purchases of acceptances, \$158,579.67, or 7.01%; from United States securities held, \$947,929.25, or 41.89%; from rented space in buildings at Kansas City and Omaha, \$201,470.36, or 8.9%; from deficient reserve penalties, \$36,380.20, or 1.61%; from miscellaneous sources, \$59,016.77, or 2.61%.

Current expenses for the year totaled \$1,866,086.59, leaving current net earnings of \$396,823.52. Miscellaneous recoveries and items credited to profit and loss amounted to \$18,186.50, and sundry charges to \$3,315.48, exclusive of furniture and equipment amounting to \$36,408.67 purchased during the year. Depreciation allowances of \$488,496.30 were charged off and reserves for replacement of buildings and machinery at Kansas City and Oklahoma City were increased \$139,971.61.

The resulting deficit of \$253,182.04, augmented by dividend payments of \$265,697.05 reduced the surplus from \$9,495,539.69 at the close of 1923, to \$8,976,660.60 at the close of 1924.

DISCOUNT AND INVESTMENT TRANSACTIONS

A summary of operations during 1924 shows there were material decreases in the volume of loans discounted at the head office and branches, and fewer banks applied for accommodations. Loans aggregating \$227,744,000 were discounted for 586 banks, as against loans of \$901,126,000 for 653 banks in 1923; loans of \$328,019,000 for 733 banks in 1922; loans of \$944,074,000 for 920 banks in 1921.

Open market purchases, including purchases from other Federal Reserve Banks, amounted to \$53,631,000 in 1924, as compared with \$4,018,000 in 1923. Purchases of United States securities aggregated \$65,714,000 for the year, against \$107,858,000 in 1923 and \$85,122,000 in 1922.

The current discount rate maintained at 4½% during the first half of this year, was reduced to 4% on July 1, continuing at that figure to the end of this year.

CLEARING OPERATIONS

During the twelve months' period, the number of checks handled by the bank and its branches exceeded those handled in 1923 by

nearly four million, while the value increased from \$8,410,321,000 in 1923 to \$9,372,785,000 in 1924. Checks payable within the Tenth District increased in number 4,902,000 and in amount \$986,689,000. Those drawn on the Treasurer of the United States increased in number 36,000 and in amount \$30,872,000. Checks payable outside the Tenth District decreased in number 1,099,000 and in amount \$55,097,000.

OPERATION OF BRANCHES

The volume of transactions at the three branches during 1924 is here shown in the number of items handled and the amounts involved, as compared with the volume during 1923.

	OMAHA BRANCH		AMOUNT	
	1924	1923	1924	1923
Notes Discounted.....	11,554	16,516	\$ 54,941,411.92	\$ 178,498,739.29
Transit Items (checks).....	10,169,000	9,940,000	1,239,494,000.00	1,298,461,000.00
Collections.....	35,138	33,946	36,998,341.54	35,027,427.99
Currency & coin transactions..			27,996,337.00	29,622,000.00
	DENVER BRANCH		AMOUNT	
Notes Discounted.....	8,977	11,447	\$ 36,868,884.53	\$ 140,844,728.99
Transit Items (checks).....	8,210,000	8,120,000	1,530,944,000.00	1,408,098,000.00
Collections.....	42,949	36,691	35,646,050.84	34,935,631.81
Currency & coin transactions..			45,100,535.00	45,781,316.00
	OKLAHOMA CITY BRANCH		AMOUNT	
Transit Items (checks).....	16,318,000	14,419,000	\$2,051,598,000.00	\$1,733,581,000.00
Collections.....	62,445	56,873	43,488,830.16	38,668,672.26
Currency & coin transactions..			23,380,319.00	20,623,701.00

GENERAL

Subscriptions to four issues of United States Government securities were received during 1924 by the Fiscal Agency department of the Federal Reserve Bank of Kansas City. The amount subscribed was \$110,746,900, of which \$41,721,200 was allotted for the Tenth District. Transactions of this department, on the whole, were less than in 1923.

War Finance Corporation transactions in the Tenth District decreased materially during the year. Loans outstanding at the close of the year amounted to \$3,259,856.45.

The business handled by the Custody department made further increase in the year. Securities held at the head office for the accounts of member banks on December 31 amounted to \$77,918,-279.60, as against \$50,778,318.65 at the close of 1923 and \$22,552,-905.60 at the close of 1922.

Items for collection numbering 280,757, for sums aggregating \$230,103,000 were handled during 1924 by the collection department. These totals are compared with 238,000 items for \$193,652,-000 in 1923; with 215,000 items for \$166,830,000 in 1922, and 136,-000 items for \$144,271,000 in 1921. Wire transfers of funds were 119,412 in number and \$4,358,822,000 in amount, an increase over 1923 of 6,412 transfers and \$1,169,010,000 in amount.

Currency and coin transactions showed but little change from those reported for 1923. Coupon redemptions decreased approximately 25% in number and 10% in amount.

Representatives of the Federal Reserve Bank of Kansas City visited 381 member banks during 1924. In 1923 such visits numbered 239. Contracts for the construction of the new buildings in Omaha and Denver were awarded in November, 1924, and preliminary work was under way at date of this report.

Federal Reserve Notes aggregating \$35,140,000 were received by the Federal Reserve Agent from the Comptroller of the Currency compared with \$46,140,000 received in 1923. The Agent issued to the Federal Reserve Bank during 1924 a total of \$48,080,000 in Federal Reserve Notes, against the pledge of gold and eligible paper. In 1923 the total issued was \$39,830,000.

MOVEMENT OF MEMBERSHIP

There was a net decrease in membership for the year of fifty-seven National banks and three State banks, as appears in the following summary:

STATE	Number 12-31-23	ADDITIONS			WITHDRAWALS			Number 12-31-24
		Nat'l Banks	State Banks	Total	Nat'l Banks	State Banks	Total	
Colorado.....	146	2	1	3	4	1	5	144
Kansas.....	278	1	0	1	13	1	14	265
Missouri*.....	51	0	1	1	2	1	3	49
Nebraska.....	194	2	0	2	9	0	9	187
New Mexico*.....	13	1	0	1	2	0	2	12
Oklahoma*.....	415	4	0	4	27	2	29	390
Wyoming.....	49	1	0	1	11	0	11	39
Totals.....	1,146	11	2	13	68	5	73	1,086

*Within District No. 10

Of the eleven National banks organized during the year, three were primary organizations, three were conversions of State banks, and five succeeded National banks. State banks admitted to membership were the Colorado Savings and Trust Company of LaJunta, Colorado, and the First Trust Company of King City, Missouri, which succeeded the First National Bank of that place.

Withdrawals due to insolvencies numbered thirty-five, and included one State bank member. Thirty-three National banks and four State bank members went into voluntary liquidation. Of the former, seventeen were absorbed or succeeded by National banks, fourteen were absorbed or succeeded by non-member and two by member State banks; the four latter were succeeded by National banks. The Peoples National Bank and the Miami County National Bank, of Paola, Kansas, consolidated under the act of November 7, 1918, under the name of the latter institution.

PERSONNEL

The Federal Reserve Board reappointed M. L. McClure as Chairman of the Board of Directors and Federal Reserve Agent, Heber Hord as Deputy Chairman and Class C Director for a term of three years, and C. K. Boardman as Assistant Federal Reserve Agent. Fred O. Roof of Denver resigned as a Class C. Director on September 29 and was appointed on December 31 to serve the remainder of his original term. Member banks re-elected J. C. Mitchell of Denver as a Class A Director and Thomas C. Byrne of Omaha as a Class B Director, each for a term of three years.

The directorates of the branches were increased from five to seven members and the terms of office arranged to expire, three in 1925 and two each in 1926 and 1927; terms of Directors to be of uniform duration, three years, thereafter.

Geo. E. Abbott resigned as Director of the Omaha Branch and was succeeded by A. H. Marble of Cheyenne. Wm. J. Coad and L. H. Earhart, both of Omaha, and Mr. Marble were reappointed for terms ending with the year 1925. Mr. Earhart was designated Managing Director. J. E. Miller of Lincoln and R. O. Marnell of Nebraska City were reappointed for terms of two and three years, respectively, and T. L. Davis of Omaha and A. J. Weaver of Falls City were new appointees for similar terms.

Murdo MacKenzie, J. E. Olson, A. C. Foster and C. C. Parks, all of Denver, were reappointed as Directors of the Denver branch. Mr. MacKenzie and Mr. Olson are to serve one year, Mr. Foster two years and Mr. Parks three years. R. H. Davis and Wm. L. Petrikin, also of Denver, were appointed Directors for terms of two and three years, respectively. Mr. Olson was chosen to be Managing Director.

E. K. Thurmond, C. E. Daniel, Walter Ferguson and Wm. Mee, all residents of the Branch city, were reappointed Directors of the Oklahoma City branch, with terms assigned so that the first two will serve one year, the third two years and the last three years. Mr. Daniel was chosen Managing Director. Ned Holman of Guthrie, Frank Buttram of Oklahoma City and W. A. Stuart of Okmulgee, were also appointed Directors, their terms to expire in the order of naming in one, two and three years.

The only changes in the official staff of the Bank and Branches were the resignation of A. G. Frost, Assistant Cashier in charge of the Fiscal Agency Department, and the transfer of H. H. Rhodes, formerly Assistant Auditor, to the Federal Reserve Agent's Department.

During the year under review the number of employees was still further reduced. On December 31 the Bank had 658 officers and employees, against 760 at the close of 1923 and 835 at the close of 1922.