

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

FOR THE YEAR ENDED DECEMBER 31, 1930



TENTH FEDERAL RESERVE DISTRICT

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LETTER OF TRANSMITTAL

February 20, 1931

Sir:

I have the honor to transmit herewith the sixteenth annual report of the Federal Reserve Bank of Kansas City, covering the year 1930.

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 1931

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E. E. MULLANEY (1932), Hill City, Kans.
C. C. PARKS (1933), Denver, Colo.

DIRECTORS

CLASS B

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L. E. PHILLIPS (1932), Bartlesville, Okla.
WILLARD D. HOSFORD (1933), Omaha, Nebraska

CLASS C

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M. L. McCLURE (1932), Chairman, Kansas City, Mo.
WAYLAND W. MAGEE (1933), Bennington, Nebraska

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WALTER S. McLUCAS, Kansas City, Missouri

OFFICERS

M. L. McCLURE, Chairman Board of Directors
and Federal Reserve Agent
WM. L. PETRIKIN, Deputy Chairman
A. M. McADAMS, Assistant Federal Reserve
Agent and Secretary
S. A. WARDELL, Auditor
H. G. LEEDY, Counsel

W. J. BAILEY, 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

A. H. MARBLE (1931), Cheyenne, Wyo.
W. E. HARDY (1932), Lincoln, Nebr.
R. O. MARNELL (1933), Nebraska City, Nebr.

WM. DIESING (1931), Omaha, Nebr.
T. L. DAVIS (1932), Omaha, Nebr.
DANIEL M. HILDEBRAND (1933), Seward, Nebraska

L. H. EARHART (1931), Managing Director
G. A. GREGORY, Cashier

WM. PHILLIPS, Assistant Cashier

O. P. CORDILL, Assistant Cashier

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DIRECTORS AND OFFICERS

H. W. FARR (1931), Greeley, Colo.
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HAROLD KOUNTZE (1933), Denver, Colo.

MURDO MacKENZIE (1931), Denver, Colo.
HENRY SWAN (1932), Denver, Colo.
MERRITT W. GANO (1933), Denver, Colo.

J. E. OLSON (1931), Managing Director

S. A. BROWN, Cashier

JOHN A. CRONAN, Assistant Cashier

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DIRECTORS AND OFFICERS

NED HOLMAN (1931), Guthrie, Okla.
AUSTIN MILLER (1932), Oklahoma City, Okla.
WM. MEE (1933), Oklahoma City, Okla.

W. F. NICHOLS (1931), Tulsa, Okla.
H. H. OGDEN (1932), Muskogee, Okla.
J. B. DOOLIN (1933), Alva, Okla.

C. E. DANIEL (1931), Managing Director

R. O. WUNDERLICH, Cashier

R. L. MATHES, Assistant Cashier

SIXTEENTH ANNUAL REPORT FEDERAL RESERVE BANK OF KANSAS CITY

CONDITIONS contributing to and resulting from the existing world-wide business depression have had a decidedly adverse effect on the general economic situation in the Tenth Federal Reserve District. In this section of the country, however, the influence of unsatisfactory conditions has been exerted to a much greater extent through low prices for agricultural products and other raw materials than through curtailment of production, lessened business activity, and unemployment.

Harvested acreage of farm crops in the District was slightly larger in 1930 than in 1929, and estimates indicate that actual production was slightly greater during the past year than in 1929. Production of wheat, oats, rye, barley, dry beans, and sugar beets exceeded or compared favorably with average yields, but drought damage, largely confined to Kansas, Missouri, and Oklahoma, resulted in short production of corn, cotton, grain sorghums, and hay. In contrast with the generally satisfactory record of production, however, the farm value of 1930 crops is estimated at a figure 31.7 per cent under the corresponding figure for the previous year.

Estimates by the United States Department of Agriculture show the following comparisons of volume of the District's 1930 production of five of the more important crops, with 1929 and the ten year average figures, and of 1930 and 1929 farm value of all crops in each of the seven States whose areas or parts thereof comprise the Tenth District:

VOLUME OF PRODUCTION

	1930	Per cent of 1929	Per cent of ten year average
All wheat, bushels.....	296,197,000	110.7	111.6
Corn, bushels.....	404,168,000	90.9	87.6
Oats, bushels.....	167,547,000	110.3	101.3
Tame hay, tons.....	11,678,000	94.1	77.9
Cotton, bales.....	847,000	72.5	78.2

FARM VALUE OF CROPS

	1930	1929	Percentage of decrease
Colorado.....	\$121,453,000	\$ 135,950,000	10.7
Kansas.....	203,840,000	305,187,000	33.2
Missouri.....	164,104,000	253,176,000	35.2
Nebraska.....	257,020,000	343,827,000	25.3
New Mexico.....	19,539,000	38,741,000	49.6
Oklahoma.....	132,248,000	243,678,000	45.7
Wyoming.....	28,571,000	36,301,000	21.3
	\$926,775,000	\$1,356,860,000	31.7

The live stock industry in the District has suffered from declining prices during the year. Prices for beef cattle declined \$2.00 to \$3.00 a hundred-weight, or 25 per cent to 30 per cent, and prices for sheep and lambs dropped 35 per cent or more from levels considered low at the beginning of the year. Hog prices were maintained at fairly satisfactory levels until late in the year, but declined rapidly until at the close of the year they were lower than at any time since 1924. Summer pastures on farms and ranges were reasonably good in most sections, and feed supplies have been adequate for fall and winter needs. There was very little forced selling of live stock because of feed shortage during the summer drought, but forced selling from

other drought stricken regions, and reduction of the usual demand from those sections for stock cattle, lambs, and hogs, to be fattened for market, were important factors in the price declines.

The total number of live stock sold through the six principal primary markets of the District was about 4 per cent under the corresponding figure for 1929, calves and sheep being the only classes showing increased marketings over the previous year. Animals purchased for slaughter by packers at the six markets were fewer in number for all classes except sheep, in which the unusually large slaughter reflects a demand created by abnormally low prices for mutton.

The following comparison of number and value of livestock on farms and ranges in the seven States whose areas or parts thereof comprise the Tenth District is based on the annual live stock survey of the United States Department of Agriculture:

	NUMBER			VALUE		
	Jan. 1, 1930	Jan. 1, 1931	Change	Jan. 1, 1930	Jan. 1, 1931	Change
All cattle and calves.....	13,180,000	13,624,000	3.4	\$659,696,000	\$466,837,000	-29.2
Milk cows and heifers.....	3,225,000	3,316,000	2.8	228,434,000	155,777,000	-31.8
Sheep and lambs.....	12,717,000	12,700,000	-0.1	110,979,000	67,118,000	-39.5
Swine (including pigs).....	13,415,000	13,003,000	-3.1	182,915,000	148,951,000	-18.6
Horses and colts.....	3,147,000	3,015,000	-4.2	154,280,000	125,298,000	-19.0
Mules and colts.....	943,000	908,000	-3.7	62,442,000	50,288,000	-19.5

Abnormally low prices for mineral products throughout the year resulted in substantial curtailment of production of oil and oil products, and of coal, zinc, lead, and silver. Production of cement was also less than in the previous year, the reduction being due to slackening demand rather than to unprofitable price levels.

Flour mills in the District produced 25,815,000 barrels of flour during the year, a volume which has been exceeded in only two years, 1928 and 1929. Flour and mill feed prices declined during the year in sympathy with grain prices.

Reports show a marked decline throughout the District in the volume of residential construction, but the total value of all types of construction, as reported by the F. W. Dodge Corporation, was 20.6 per cent greater in 1930 than in 1929.

The dollar volume of both wholesale and retail trade was smaller throughout the District in 1930 than in 1929, the reduction in wholesale trade being 11.4 per cent, as indicated by combined totals for all reporting lines, and in retail trade 4.8 per cent, as indicated by combined totals of reporting department stores. It seems worthy of comment that after giving consideration to price reductions in many articles of merchandise, the declines stated above, in the dollar volume of trade, indicate but little if any decline in the volume of goods consumed. Stocks of both wholesale and retail merchandising establishments were reduced during the year, the average reduction being approximately 10 per cent.

The banking and credit situation in the District has been directly concerned with and affected by the low prices for farm crops and live stock. Many banks suffered substantial declines in deposits during the year, and total deposits, based on comparisons of net demand and time deposits as reported by member banks, averaged about 3.6 per cent under the average for 1929. The level of total deposits changed little during the first

ten months of the year but dropped noticeably during November and December. Investments of member banks increased about 5 per cent during the year, a slight decline in investments of country banks being more than offset by larger holdings by reserve city banks. Loans and discounts were reduced substantially, both in reserve city and country banks, and both as to loans secured by stocks and bonds and other loans. The total reduction in loans and discounts was approximately 11 per cent. Generally speaking, the amount of loanable funds in the banks of the District was sufficient to care for all legitimate credit needs. The banks, however, have pursued a cautious policy in their loaning operations.

Bank suspensions in the District were confined almost entirely to small institutions, as was true of prior years, but a larger number of banks failed than in any previous year except 1929, when failures recorded included many banks in Nebraska which had practically failed in earlier years but which were kept open until that year by the Nebraska Guarantee Fund Commission. The inability of banks with a small amount of deposits to earn enough to meet their operating expenses and provide reserves for losses which may occur was an important factor in a large proportion of the suspensions, and it was also the controlling factor in influencing a good many banks to voluntarily quit business, either through liquidation or through consolidation with other banks.

The number of banks in this District increased rapidly in the years from 1915 to 1921, and many of the banks permitted to organize during that time were located in communities whose resources would not support a bank or whose patronage was necessary to the successful operation of existing banks. The high point in the number of banks in this District was reached in the middle of 1921, with 4,503 operating banks, but before the end of that year the trend turned downward and each succeeding year brought a reduction as the number of suspensions, liquidations, and consolidations exceeded the number of new organizations and reopenings of suspended banks, until the number of active banks at the end of 1930 stood at 2,977. The net reduction in the number of banks in the District during the past year was 205. The various changes which accounted for this reduction are shown in the following table:

	Member Banks		Non-member State Banks	Total
	National	State		
Number of active banks on December 31, 1929	872	21	(1) 2,289	(1) 3,182
Changes effected during the year 1930:				
Suspension	—15	0	—122	—137
Voluntary liquidation	0	0	—17	—17
Consolidation	(2) —23	0	(3) —63	—86
Opening of new bank	2	0	8	10
Reopening of suspended bank	1	0	24	25
Conversion:				
National bank to State bank	—6	0	6	0
State bank to national bank	19	0	—19	0
Withdrawal of State bank from membership		—1	1	0
Admission of State bank to membership		1	—1	0
Net Change	—22	0	—183	—205
Number of active banks on December 31, 1930	850	21	2,106	2,977

(1) Adjusted.

(2) 4 national banks consolidated with State banks, and 19 with other national banks.

(3) 21 State banks consolidated with national banks, and 42 with other State banks.

OPERATIONS OF FEDERAL RESERVE BANK OF KANSAS CITY

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, the distribution of loans to member banks, and comparative tables of earning assets, income and disbursements, and volume of operations.

COMPARATIVE STATEMENT OF CONDITION

Resources	Dec. 31, 1929	Dec. 31, 1930
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.	\$ 70,000,000.00	\$ 62,000,000.00
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.	3,240,805.69	1,449,261.50
Gold and gold certificates in vault	6,476,159.87	7,371,058.47
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.	52,001,896.42	21,551,233.15
Legal tender notes, silver, and silver certificates in the vaults of the bank (available as reserve only against deposits)	6,172,445.00	7,199,856.00
Total cash reserves	\$137,891,306.98	\$ 99,571,409.12
Non-reserve cash, consisting largely of national bank notes and minor coin	\$ 2,867,004.26	\$ 2,344,986.95
Loans and Investments:		
Loans:		
On the security of obligations of the United States (including adjusted service certificates)	\$ 12,996,129.39	\$ 1,298,364.10
On the security of or by the discount of commercial or agricultural paper or acceptances:		
To member banks	16,319,828.38	13,743,383.04
To Federal Intermediate Credit Banks	333,150.44	0
Acceptances bought in the open market	8,195,165.54	12,970,649.15
United States Government bonds, notes, and certificates of indebtedness	3,063,000.00	31,611,500.00
Total loans and investments	\$ 40,907,273.75	\$ 59,623,896.29
Miscellaneous Resources:		
Bank premises, less reserves	\$ 3,971,583.04	\$ 3,803,394.68
Checks and other items in process of collection	40,636,234.86	33,472,735.56
Due from suspended banks	103,693.87	179,520.20
All other miscellaneous resources	84,879.26	82,150.13
Total miscellaneous resources	\$ 44,796,391.03	\$ 37,537,800.57
Total resources	\$226,461,976.02	\$199,078,092.93

FEDERAL RESERVE BANK OF KANSAS CITY

COMPARATIVE STATEMENT OF CONDITION

Liabilities	Dec. 31, 1929	Dec. 31, 1930
Currency in Circulation:		
Federal reserve notes in actual circulation, payable on demand. These notes are secured in full by gold and discounted and purchased paper.	\$ 89,434,280.00	\$ 68,424,180.00
Total currency in circulation	\$ 89,434,280.00	\$ 68,424,180.00
Deposits:		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers	\$ 86,407,876.06	\$ 87,705,066.26
United States Government deposits carried at the reserve bank for current requirements of the Treasury	1,554,661.30	1,597,225.82
Other deposits	326,446.52	226,663.51
Total deposits	\$ 88,288,983.88	\$ 89,528,955.59
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.	\$ 34,803,993.51	\$ 27,711,522.03
All other miscellaneous liabilities	486,636.63	401,026.20
Total miscellaneous liabilities	\$ 35,290,630.14	\$ 28,112,548.23
Capital and Surplus:		
Capital paid in, equal to 3 per cent of the capital and surplus of member banks	\$ 4,286,050.00	\$ 4,310,750.00
Surplus—that portion of accumulated net earnings which the bank is legally permitted to retain	9,162,032.00	8,701,659.11
Total capital and surplus	\$ 13,448,082.00	\$ 13,012,409.11
Total liabilities	\$226,461,976.02	\$199,078,092.93

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	1926	\$16,075,773	\$14,306,927	\$33,035,187	\$182,007	\$63,599,894
	1927	13,064,641	10,713,383	31,549,966	0	55,327,990
	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
Earnings	1926	643,032	507,513	1,213,542	8,077	2,372,164
	1927	500,769	375,715	1,106,482	0	1,982,966
	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
Average rates of earnings (per cent)	1926	4.00	3.55	3.67	4.44	3.73
	1927	3.83	3.51	3.51	0	3.58
	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

SIXTEENTH ANNUAL REPORT

INCOME AND DISBURSEMENTS

	1929	1930
Earnings:		
From loans and rediscounts	\$1,985,507.94	\$ 624,944.93
From acceptances owned	447,700.60	204,411.23
From United States Government obligations owned	198,424.18	530,153.40
From penalties for deficient reserves	22,361.27	11,382.42
Income from rented space	249,245.24	276,028.75
Other earnings	73,336.56	20,746.48
Total current earnings	\$2,976,575.79	\$1,667,667.21
Additions to earnings:		
Profit on United States Government securities sold	\$ 71,728.25	\$ 85,439.02
All other additions	5,663.29	8,892.76
Total additions	\$ 77,391.54	\$ 94,331.78
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.	\$1,715,036.91	\$1,698,289.63
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	115,795.85	86,319.61
Depreciation and replacement reserves on buildings, fixed machinery and equipment	168,188.36	168,188.36
Furniture and equipment purchased	40,911.02	5,270.87
All other deductions	449.75	4,906.74
Total deductions	\$2,040,381.89	\$1,962,975.21
Net income available for dividends, additions to surplus, and payment to the United States Government	\$1,013,585.44	\$ *200,976.22
Distribution:		
In dividends paid to member banks, at the rate of 6 per cent on paid-in capital	\$ 256,549.25	\$ 259,396.67
In addition to surplus—The bank is required by law to accu- mulate 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.	75,703.62	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.	681,332.57	0
Charged to surplus—The deficit in earnings, plus the amount paid out in dividends	0	460,372.89
Total net income	\$1,013,585.44	\$ *200,976.22
* Deficit		

DISTRIBUTION OF LOANS

State	Number of banks served		Number of offerings accepted		Average amount of loans outstanding during 1929	Average amount of loans outstanding during 1930
	1929	1930	1929	1930		
Colorado	64	68	1,153	705	\$ 3,543,379.13	\$ 1,999,937.43
Kansas	109	121	1,521	1,559	6,849,376.27	3,471,623.84
*Missouri	22	25	1,114	365	11,458,320.19	1,424,041.49
Nebraska	103	102	2,036	1,117	11,191,393.23	3,645,066.52
*New Mexico	7	4	74	91	192,373.49	151,968.85
*Oklahoma	101	115	1,151	927	7,100,378.18	3,649,178.65
Wyoming	14	15	120	96	487,876.76	475,102.49
Totals	x420	x450	7,169	4,860	\$40,823,097.25	\$14,816,919.27

* Within District No. 10.

x Includes 2 Federal Intermediate Credit Banks and 1 nonmember bank.

FEDERAL RESERVE BANK OF KANSAS CITY

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	
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
Totals	\$45,907,568	\$19,486,555	\$3,845,796	\$8,701,659	\$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.

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS

	Year	Number of pieces	Amount
Notes discounted or rediscounted for member banks	1928	23,714	\$ 1,359,337,423
	1929	30,643	1,673,244,950
	1930	29,742	290,628,489
Currency received and counted	1928	59,698,468	279,128,200
	1929	66,691,598	315,847,389
	1930	66,563,635	314,560,708
Coin received and counted	1928	72,308,170	13,165,119
	1929	67,038,107	12,966,024
	1930	66,617,533	12,286,876
Checks handled	1928	69,570,000	11,523,602,000
	1929	72,155,000	12,091,899,000
	1930	69,881,000	10,430,350,000
Collection items handled	1928	323,695	300,200,071
	1929	326,828	298,309,928
	1930	316,593	257,938,231
United States Government coupons paid	1928	1,481,296	18,115,606
	1929	1,152,151	19,919,320
	1930	1,064,176	17,132,331
United States securities—Issues, redemptions, and exchanges by Fiscal Agency Department	1928	440,412	289,561,083
	1929	139,347	246,938,160
	1930	86,645	142,561,396
Transfers of funds	1928	139,879	6,501,914,845
	1929	149,439	6,974,730,654
	1930	134,275	7,486,269,834

COMMENTS ON OPERATIONS

THE principal variations in the important items of resources and liabilities of the bank during 1930, as compared with 1929, consisted of a reduction from \$55,456,000 to \$41,606,000 in the average total of earning assets, an increase from \$113,570,000 to \$123,623,000 in average cash reserves, and decreases in the average amounts of Federal reserve notes in circulation and member banks' reserve deposits, the first from \$74,304,000 to \$72,950,000, and the latter from \$90,643,000 to \$87,741,000. The large decline in average earning assets was due to a reduction of about \$26,000,000 in loans to member banks and small reductions in holdings of bills purchased and other earning assets, partly offset by an increase of nearly \$14,000,000 in average holdings of United States Government securities.

Reductions in both loans and acceptances during the first month of the year reduced the total of earning assets from about \$40,000,000 to below \$30,000,000. The next three months of the year brought only small changes in totals, as further reductions in loans were offset by increased holdings of bills. Purchases of Government securities in May and June increased the total substantially, and a gradual increase in the total of loans and acceptances during the last half of the year brought the total of earning assets up to nearly \$60,000,000 on December 31. The average amount of member bank reserve deposits from month to month varied only slightly until November and December, when substantial declines occurred, the average for December, \$85,408,000, being nearly \$3,500,000 under the average for July, the high month of the year. Cash reserves declined steadily during the year from average amounts in excess of \$140,000,000 in January and February to an average of about \$104,000,000 in December. This decline reflected the changes in earning assets and deposits referred to above, and a substitution of other types of currency for Federal reserve notes, as reflected in a reduction in Federal reserve notes outstanding from a January average of \$85,405,000 to a December average of \$69,097,000, while total demand for currency decreased by only \$2,000,000.

Advances on member banks' bills payable or on rediscounts were made during the year to more than 50 per cent of the member banks of the District, as against about 45 per cent during 1929. Loans totaling \$15,042,000 were outstanding to 195 banks at the end of the year. On December 31, 1929, 194 banks were borrowing \$29,649,000, and on the corresponding date in 1928, 156 banks were borrowing \$31,143,000. The reduced volume of borrowing, as compared with the previous year, was due almost entirely to reduction of loans to the larger banks located in the reserve cities of the District.

The average rate of earnings on total earning assets during the year was 3.27 per cent, as compared with 4.82 per cent in 1929. This reduction of nearly one-third in the earning rate, coupled with a reduction of nearly one-fourth in the volume of earning assets, is reflected in the difference between net earnings of \$1,013,586 in 1929 and a 1930 deficit in earnings

of \$200,976. The total deficit in earnings for the past year was made up of an operating loss of \$32,787.86, plus the usual reserves for replacement of bank buildings and fixed machinery and equipment, amounting to \$168,188.36. The deficit, plus \$259,396.67 paid during the year in dividends to member banks, reduced the surplus account to \$8,701,659.11, an amount slightly in excess of the bank's subscribed capital stock.

The past year, the year 1924, and the year 1915, which was the first full year of the bank's operation, are the only years in which earnings have been less than current operating expenses, plus reserves and furniture and equipment purchases. In 1920 the surplus account of the bank was built up to 100 per cent of the subscribed capital stock, and in that year and each succeeding year except 1924 and 1930 net earnings were sufficiently in excess of dividend requirements to permit payment of a franchise tax to the United States Government and additions to the bank's surplus account. Franchise tax payments made by the bank since its organization aggregate \$6,939,099.60.

The volume of work done by the bank and its branches at Omaha, Denver, and Oklahoma City, as measured by transactions in those departments where volume is comparable to the number of pieces handled, was only slightly less during the past year than in 1929, but there were substantial declines in the dollar values represented by certain transactions. Notable declines in dollar volume were 82 per cent in face value of notes discounted or rediscounted for member banks, 13 per cent in face value of checks handled for collection, and 31 per cent in the amount of securities handled in safekeeping transactions. At the end of the year securities aggregating \$137,285,000 were held for safekeeping for 682 member banks, a decline, as compared to the previous year, of \$41,000,000 in the amount of securities held, and of 23 in the number of member banks availing themselves of this service.

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 \$2,998,900, or approximately 1 per cent of the amount of all paper offered, and consisted of 2,084 individual notes, or approximately $6\frac{1}{2}$ per cent of the total number of notes handled.

The discount rate of $4\frac{1}{2}$ per cent, for all classes of paper and all maturities, which was made effective in the District on December 20, 1929, was maintained until February 15, 1930, at which time the rate was changed to 4 per cent. A further reduction to a $3\frac{1}{2}$ per cent rate was made on August 15, 1930, and that rate was maintained throughout the balance of the year.

MOVEMENT OF MEMBERSHIP

The number of active member banks in the Tenth Federal Reserve District decreased from 893 on December 31, 1929, to 871 on December 31, 1930. The distribution of member banks by States, at the end of 1929 and 1930, and the various changes during 1930 which effected a net reduction of 22 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, 1929			* Gains to Membership	* Losses to Membership	Active Member Banks December 31, 1930		
	Natl.	State	Total			Natl.	State	Total
Colorado	120	3	123	0	4	116	3	119
Kansas	246	6	252	2	5	244	5	249
*Missouri	39	4	43	0	4	35	4	39
Nebraska	157	3	160	20	10	167	3	170
*New Mexico	9	1	10	0	1	8	1	9
*Oklahoma	276	1	277	0	21	255	1	256
Wyoming	25	3	28	1	0	25	4	29
Totals	872	21	893	23	45	850	21	871

* Within District No. 10

x Gains and losses to membership were all national banks except as follows: 1 Kansas State member bank withdrew from membership and 1 Wyoming State bank was admitted to membership.

CHANGES IN MEMBERSHIP DURING 1930

Procedure effecting changes in membership during 1930	Colorado	Kansas	*Missouri	Nebraska	*New Mexico	*Oklahoma	Wyoming	Total
Additions to Membership:								
Organization of national bank				2				2
Conversion of nonmember bank to national		1		18				19
Admission of State bank							1	1
Resumption of national bank after suspension		1						1
Total additions	0	2	0	20	0	0	1	23
Losses to Membership:								
Suspension and insolvency	1	3	2	4		5		15
Merger between national banks	2		2	4	1	10		19
Absorption of national bank by nonmember	1			2		1		4
Conversion of national bank to nonmember		1				5		6
Withdrawal of State bank		1						1
Total losses	4	5	4	10	1	21	0	45
Net decrease in membership	4	3	4	-10	1	21	-1	22
*Within District No. 10								
Number of member banks, end of 1929	123	252	43	160	10	277	28	893
Number of member banks, end of 1930	119	249	39	170	9	256	29	871
*Number of nonmember banks, end of 1929	153	817	262	664	15	320	58	2,289
Number of nonmember banks, end of 1930	145	764	234	600	13	296	54	2,106
*Adjusted								

PERSONNEL

ELECTION AND APPOINTMENT OF DIRECTORS

C. C. Parks, Vice President of the First National Bank, Denver, Colorado, was reelected Class A Director by member banks of Group 1, for the term expiring December 31, 1933.

Willard D. Hosford, Vice President of the John Deere Plow Company, Omaha, Nebraska, was elected on April 1, 1930, by member banks of Group 2, as Class B Director for the unexpired portion of the term ended December 31, 1930, to fill the vacancy brought about by the resignation of Thomas C. Bryne, and was reelected Class B Director, by member banks of Group 2, for the term expiring December 31, 1933.

Wayland W. Magee, farmer and stockman, Bennington, Nebraska, was appointed by the Federal Reserve Board, on May 15, 1930, as Class C Director for the unexpired portion of the term ended December 31, 1930, to fill the vacancy made by the death of Edward M. Brass, and was reappointed by the Federal Reserve Board, as Class C Director, for the term expiring December 31, 1933.

The following were appointed as directors of the Omaha, Denver, and Oklahoma City Branches, to succeed directors whose terms expired December 31, 1930. These appointments were for terms expiring on December 31 of the years indicated.

Omaha Branch—L. H. Earhart, Managing Director of Omaha Branch, 1931; R. O. Marnell, Cashier of the Merchants National Bank, Nebraska City, Nebraska, 1933; and Daniel M. Hildebrand, farmer and stockman, Seward, Nebraska, 1933. Mr. Hildebrand was appointed on May 15, 1930, succeeding Wayland W. Magee, resigned, to serve the unexpired portion of the term ended December 31, 1930.

Denver Branch—J. E. Olson, Managing Director of Denver Branch, 1931; Harold Kountze, President of the Colorado National Bank, Denver, Colorado, 1933; and Merritt W. Gano, merchant, Denver, Colorado, 1933.

Oklahoma City Branch—C. E. Daniel, Managing Director of Oklahoma City Branch, 1931; Wm. Mee, Oklahoma City, Oklahoma, of the firm of Wm. Mee and Sons, Investments, 1933; and J. B. Doolin, Alva, Oklahoma, engaged in the farm mortgage and investment business, 1933.

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 1931.

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 Wm. L. Petrikin as Deputy Chairman of the Board of Directors, and re-designated A. M. McAdams as Assistant Federal Reserve Agent, all for the year 1931. All other officers of the bank and branches were reappointed by the Board of Directors for the year 1931.

At the close of the year the bank and branches had a total of 22 officers and 577 other employees, as compared with 22 officers and 592 other employees at the close of 1929.