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TWENTY-FIRST ANNUAL REPORT
of the
**FEDERAL RESERVE BANK
OF KANSAS CITY**

FOR THE YEAR ENDED DECEMBER 31, 1935



TENTH FEDERAL RESERVE DISTRICT

LETTER OF TRANSMITTAL

March 16, 1936

Sir:

I have the honor to transmit herewith the twenty-first annual report of the Federal Reserve Bank of Kansas City, covering the year 1935.

Respectfully yours,

J. J. THOMAS
Federal Reserve Agent

Hon. Marriner S. Eccles
Chairman, Board of Governors of
the Federal Reserve System
Washington, D. C.

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OF THE
FEDERAL RESERVE BANK OF KANSAS CITY
FOR 1936

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J. B. DOOLIN (1937), Alva, Oklahoma
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J. W. HELM, Vice President and Cashier
JOHN PHILLIPS, JR., Assistant Cashier
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C. E. DANIEL (1936), Managing Director

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R. L. MATHES, Assistant Cashier

TWENTY-FIRST ANNUAL REPORT
FEDERAL RESERVE BANK OF KANSAS CITY

General business conditions in the Tenth Federal Reserve District showed some further improvement during the year 1935. Reports indicated moderate increases in retail and wholesale trade, and substantial increases in retail lumber sales and in building operations. Conditions in the live stock industry were improved, and there was greater production of farm crops, petroleum, coal, lead, zinc, and cement. The production of flour was slightly below that of 1934, meat packing operations declined sharply, and life insurance sales declined 6.6 per cent from the previous year.

The number of business failures was smaller than in any year since 1920 and the amount of liabilities involved was the smallest in fifteen years of record. Substantial increases in bank deposits and in the volume of debits to individual accounts in banks reflected improvement in general business activity.

Crop production in the seven States whose areas or parts thereof comprise this District was considerably greater than in 1934, when extensive drought conditions reduced crop production to the lowest of record. The increase in production in 1935 resulted principally from an increase in the harvested acreage, a lower percentage of abandonment, and a substantially higher combined yield per acre than in the preceding year. The harvested acreage of forty-four principal crops was 12.8 per cent greater than in 1934 but was 9 per cent, 16.6 per cent, and 20 per cent, respectively, below the harvested acreage for the years 1933, 1932, and 1931. In consequence of continued drought conditions during the early spring, unfavorable growing conditions during the summer, and unseasonably early frosts in the fall, crop production was generally below the average for the five year period, 1928 to 1932. The Department of Agriculture estimates of the 1935 production of certain important crops, expressed in percentages of the average, are as follows: Winter wheat, 48.5 per cent; corn, 44.7 per cent; oats, 108.4 per cent; grain sorghums, 84.1 per cent; white potatoes, 92.2 per cent; cotton, 57.7 per cent; tame hay, 100.8 per cent; wild hay, 110.9 per cent; sugar beets, 73.1 per cent; and dry beans, 91.4 per cent.

The farm value of sixty-four principal crops produced in the seven States, as estimated by the Department of Agriculture on the basis of December 1 prices, was \$638,568,000. This valuation represented an increase of 29.7 per cent over the value of crops harvested in 1934, although there was a general decline in prices received for crop production. The 1935 valuation was 11.1 per cent greater than in 1933 and 63.4 per cent greater than in 1932, when prices were at the low level of recent years. Crops for the years 1931, 1930, and 1929 were valued at \$646,284,000, \$762,963,000, and \$1,098,025,000, respectively. Rental and benefit payments made by the Agricultural Adjustment Administration to farmers in the seven States totaled \$135,012,798 during 1935 and \$142,929,000 during 1934.

The following table, based on reports and estimates of the United States Department of Agriculture, shows harvested acreage, production,

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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)

	Harvested Acreage			Production			Farm Value		
	1933	1934	1935	1933	1934	1935	1933	1934	1935
Winter wheat, bu.....	13,820	16,545	14,789	136,275	158,087	157,594	\$ 93,353	\$131,765	\$136,662
Spring wheat, bu.....	870	418	942	8,508	3,608	8,458	4,966	3,014	7,291
All wheat, bu.....	14,690	16,963	15,731	144,783	161,695	166,052	98,319	134,779	143,953
Corn, bu.....	28,773	18,494	20,687	505,895	75,176	263,820	174,381	70,606	158,546
Oats, bu.....	7,030	5,200	7,305	111,599	62,765	193,838	32,732	30,770	59,484
Barley, bu.....	1,834	999	1,590	21,345	10,091	30,613	6,411	6,425	12,905
Grain sorghums, bu.....	3,788	2,974	4,800	37,290	13,988	31,822	14,692	14,292	19,534
White potatoes, bu.....	373	346	373	33,143	16,260	36,411	22,206	11,743	22,308
Cotton, bales.....	3,367	3,114	2,779	1,613	648	813	72,269	39,401	44,311
Tame hay, tons.....	8,505	7,075	7,692	10,800	6,405	11,351	65,280	92,533	73,890
Wild hay, tons.....	4,932	3,868	4,712	3,273	1,762	4,543	14,956	22,951	20,906
Sugar beets, short tons	349	271	233	4,288	2,549	2,960	20,062	12,584	.....
Dry beans, 100 lb. bags	601	268	637	2,299	663	2,093	6,133	3,121	6,198
Apples, bu.....	.....	.....	.....	7,072	5,496	8,885	5,540	5,576	7,303
Peaches, bu.....	.....	.....	.....	921	2,558	3,639	1,169	2,501	3,311
Pears, bu.....	.....	.....	.....	602	990	1,365	477	723	813

The following table shows rental and benefit payments in the seven States during the calendar year 1935, as reported by the Agricultural Adjustment Administration, United States Department of Agriculture:

	(000 omitted)							
	Cotton Total	Wheat Total	Tobacco Total	Corn-Hogs Total	Sugar Total	Rice Total	Peanuts Total	Grand Total
Colorado.....	\$	\$ 2,525	\$	\$ 2,572	\$ 6,092	\$	\$	\$ 11,189
Kansas.....	3	26,812	15	13,820	225	.....	.....	40,875
Missouri.....	2,226	1,827	224	19,435	.....	2	.....	23,714
Nebraska.....	.....	6,062	.....	24,573	2,491	.....	.....	33,126
New Mexico.....	852	594	.....	404	6	.....	1	1,857
Oklahoma.....	9,644	7,528	.....	4,613	.....	.....	43	21,828
Wyoming.....	.....	534	.....	400	1,490	.....	.....	2,424
Seven States.....	\$ 12,725	\$ 45,882	\$ 239	\$ 65,817	\$ 10,304	\$ 2	\$ 44	\$135,013
United States.....	130,969	108,875	34,259	237,873	57,033	9,383	2,429	580,821

In addition to the above, payments for drought relief, food conservation, and disease eradication operations totaled \$5,415,964 through the Denver, Colorado, disbursing office, for the purchase of sheep and goats, and \$17,363,285 through the Kansas City, Missouri, office, for the purchase of cattle. Bankhead Pool payments under trust fund operations totaled \$4,296,916 in the States of this District, principally in Oklahoma. Government purchases of cattle and calves and sheep and lambs in 1934 amounted to \$44,224,000 in the seven States.

The acreage seeded to winter wheat in the seven States in the fall of 1935 for harvest in 1936 was 8.1 per cent greater than that seeded in the fall of 1934 and was 4.6 per cent greater than the average seeded acreage for the years 1927 to 1931.

The following table shows estimates of the fall sown acreage and the estimated condition as of December 1:

	Fall Seeded Acreage (000 omitted)					Condition December 1,			
	1931	1932	1933	1934	1935	1923-32	1933	1934	1935
Colorado.....	1,218	924	1,205	919	1,287	78	67	37	77
Kansas.....	12,945	12,853	12,082	13,058	14,103	79	64	71	81
Missouri.....	1,553	1,412	1,550	1,969	2,048	84	83	93	78
Nebraska.....	3,120	2,890	3,063	3,333	3,566	86	75	79	74
New Mexico.....	453	400	344	370	444	84	60	71	69
Oklahoma.....	4,407	4,419	4,338	4,726	4,868	79	75	76	71
Wyoming.....	228	202	180	228	285	86	63	50	70
Seven States.....	23,924	23,100	22,762	24,603	26,601	80.3	69.0	73.3	77.5
United States..	42,283	42,669	41,879	44,530	47,529	82.4	74.3	77.8	78.2

Estimates of the Department of Agriculture indicated that stocks of wheat on farms in the seven States on January 1, 1936, were 15.4 per cent smaller than the low stocks held on January 1, 1935, and were 61.3 per cent below the 1928 to 1932 average holdings. Farm reserves of corn were nearly three times the amount of reserves a year ago, but were less than half the average amount so held. Stocks of oats on January 1, 1936, were over two and one half times as large as one year earlier and were 22.8 per cent above the average holdings, reflecting the increase in the production of this crop in 1935 and the reduction in the number of live stock units to be fed.

Receipts of wheat, oats, rye, and barley at the five principal markets of the District were in heavier volume than in 1934, but receipts of corn and kafir declined. Marketings of oats and barley exceeded the average volume for the past ten years by 16.9 per cent and 21.1 per cent, respectively, but marketings of wheat represented only 58.2 per cent, corn 53.8 per cent, rye 71.4 per cent, and kafir 18.1 per cent of the average volume. The increase in crop production during 1935 and an increase in farm reserves of oats and corn were reflected in a decrease after the middle of the year in prices of all grains except wheat.

Changes in cash grain prices at the Kansas City market during the past three years are indicated in the following table:

	Dec. 31 1932	Dec. 30 1933	Dec. 31 1934	June 29 1935	Nov. 30 1935	Dec. 31 1935
No. 1 hard dark wheat, bu.....	\$.40	\$.79½	\$ 1.01¼	\$.88½	\$ 1.04½	\$ 1.08¼
No. 2 mixed corn, bu.....	.21½	.43½	.95	.84½	.58	.61½
No. 2 white oats, bu.....	.16½	.36½	.59½	.41½	.28½	.29
No. 2 rye, bu.....	.31½	.55	.87	.59	.52	.53
No. 2 barley, bu.....	.23	.43	.90	.54	.48	.48
No. 2 white kafir, cwt.....	.41	.73	2.06	1.80	1.15	1.14

Live stock receipts at the six principal markets of the District were lighter than in 1934, when marketings were heavily increased by drought liquidations and Government purchases of live stock in emergency drought areas, and when breeding and feeding operations were greatly reduced because of the scarcity and consequent high prices of feeds. A decline of 56 per cent in hog receipts during 1935 reflected in part decreased production under control programs, high feed prices, and an unfavorable feeding ratio which persisted throughout 1934 and the first half of 1935. An increase of 46 per cent in the fall pig crop of 1935 and a decrease of 16 per cent in the combined spring and fall crops as compared to 1934 were indicated for the seven States by the Department of Agriculture. The number of sows to farrow in the spring of 1936 showed a prospective increase of 29.6 per cent over farrowings in the spring of 1935. Marketings of calves during 1935 exceeded the average volume of the past ten years by 1.6 per cent, but marketings of cattle represented only 90.9 per cent, hogs 40.0 per cent, and sheep 86.3 per cent of the average volume. Influenced by limited receipts, the improved quality of offerings, and the absence of forced liquidations as in 1934, live stock prices at Kansas City were at a generally higher level in 1935, and values were the highest in recent years. Cattle prices reached their top late in April, hogs in mid-August, and lambs late in December.

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	Year 1935
Beef steers.....	\$25.25	\$16.75	\$ 9.85	\$ 7.15	\$10.60	\$14.25
Stockers and feeders.....	17.50	14.75	7.50	6.50	8.10	10.40
Cows.....	18.00	12.50	5.00	4.00	5.00	8.50
Calves.....	18.00	17.50	8.00	7.00	7.00	10.50
Hogs.....	23.40	12.05	5.00	5.10	7.80	12.00
Sheep.....	20.00	15.00	5.85	4.75	8.00	8.00
Lambs.....	21.75	20.50	10.00	8.10	11.80	11.65

The Bureau of Agricultural Economics estimated that the number of cattle on feed for market in the western Corn Belt States on January 1, 1936, was 48 per cent above the small number on feed one year earlier but was from 25 to 30 per cent below the 1930 to 1934 average number. There was an increase of 60 per cent in Missouri, 95 per cent in Nebraska, and 50 per cent in Kansas, as compared to January 1, 1935. The number of sheep and lambs on feed January 1 in the seven States was estimated at 3.8 per cent above the number on feed one year earlier, as compared to an estimated decrease of 5.4 per cent in all of the principal feeding States. Sharp decreases in the number on feed in Kansas and Oklahoma were more than offset by increases in Missouri, Nebraska, Colorado, and New Mexico. Feed supplies were above the average in comparison with the small number of live stock units, and western ranges were notably improved over the previous year.

The following table shows the Department of Agriculture estimates of the number of sheep and lambs on feed in the seven States and the United States on January 1 of each year:

	(000 omitted)			1933	1934	1935	1936
	1930	1931	1932				
Colorado.....	2,035	1,550	1,590	1,400	1,250	1,085	1,255
Kansas.....	300	310	400	290	300	460	250
Missouri.....	140	140	150	125	135	110	140
Nebraska.....	950	720	820	835	760	530	780
New Mexico.....	20	10	80	93	57	38	39
Oklahoma.....	42	45	40	40	20	175	40
Wyoming.....	120	172	180	190	170	155	145
Seven States.....	3,607	2,947	3,260	2,973	2,692	2,553	2,649
United States.....	5,988	5,513	6,220	5,751	5,259	5,611	5,310

The annual live stock inventory of the Department of Agriculture showed further reductions in the numbers of cattle, stock sheep, horses, and mules, but an increase in the number of swine, on farms in the seven States of the District during the past year. The number of all cattle and calves declined 1 per cent, milk cows and heifers 2.9 per cent, stock sheep and lambs 2.8 per cent, horses and colts 3.7 per cent, and mules and mule colts 5.1 per cent, while the number of swine, including pigs, increased 6.5 per cent. Reductions in numbers in the United States amounted to 0.5 per cent for all cattle, 2 per cent for milk cows, 0.6 per cent for stock sheep and lambs, 2 per cent for horses and colts, and 3 per cent for mules and mule colts, with the increase in swine numbers amounting to 9 per cent.

There was an increase in the value of each species of live stock during the year, and the total value of all live stock on farms in the seven States

FEDERAL RESERVE BANK OF KANSAS CITY

on January 1, 1936, was estimated at \$884,137,000, representing an increase of 59.9 per cent over the \$553,080,000 valuation for January 1, 1935, compared to an increase in value of 50 per cent in the United States as a whole. The total value of live stock on farms in the United States was estimated at \$4,885,302,000 compared to \$3,250,085,000 a year ago.

The following comparisons of number and value of live stock on farms 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 for January 1 of each year:

	NUMBER OF HEAD (000 omitted)					
	All Cattle and Calves	Milk Cows and Heifers	Swine, Including Pigs	Stock Sheep and Lambs	Horses and Colts	Mules and Mule Colts
1936.....	15,174	3,781	7,251	9,380	2,656	675
1935.....	15,331	3,894	6,809	9,652	2,758	711
1934.....	17,848	4,175	13,327	10,203	2,820	769
1933.....	16,475	3,943	14,591	10,076	2,889	824
1932.....	15,378	3,752	14,533	10,407	2,993	862
1931.....	14,720	3,570	12,441	10,140	3,117	903
1930.....	14,009	3,440	13,329	9,442	3,277	935

	TOTAL VALUE (000 omitted)					
	All Cattle and Calves	Milk Cows and Heifers	Swine, Including Pigs	Stock Sheep and Lambs	Horses and Colts	Mules and Mule Colts
1936.....	\$461,486	\$154,866	\$ 88,631	\$ 60,200	\$204,562	\$ 69,258
1935.....	252,054	89,637	33,953	42,543	165,819	58,711
1934.....	267,783	87,426	49,399	54,540	147,867	55,601
1933.....	282,785	94,511	56,101	.....	112,714	42,847
1932.....	346,044	119,977	81,976	.....	109,432	42,859
1931.....	505,898	168,235	137,101	.....	129,226	50,518
1930.....	700,949	244,071	175,179	.....	160,003	63,065

	AVERAGE VALUE PER HEAD (000 omitted)					
	All Cattle and Calves	Milk Cows and Heifers	Swine, Including Pigs	Stock Sheep and Lambs	Horses and Colts	Mules and Mule Colts
1936.....	\$ 30.41	\$ 40.96	\$ 12.22	\$ 6.42	\$ 77.02	\$102.60
1935.....	16.44	23.02	4.99	4.41	60.12	82.58
1934.....	15.00	20.94	3.71	3.87	52.44	72.30
1933.....	17.16	23.97	3.84	.....	39.01	52.00
1932.....	22.50	31.98	5.64	.....	36.56	49.72
1931.....	34.37	47.12	11.02	.....	41.46	55.94
1930.....	50.04	70.95	13.14	.....	48.83	67.45

The dollar volume of sales at reporting department stores in this District increased 5.9 per cent during the year. Aggregate sales of five representative wholesale lines showed decreases for the first six months of 1935, but there were sizable increases during the last six months which resulted in an increase for the year of 1.2 per cent over sales in 1934. By individual lines, sales of hardware increased 3.1 per cent, furniture 18.5 per cent, and drugs 4 per cent, but sales of dry goods declined 8.7 per cent and groceries 0.7 per cent. Both retail trade and wholesale trade were at the highest level since 1931. Inventories of department stores were increased 3.7 per cent during the year and inventories of wholesale firms showed an increase of 3.8 per cent. Retail sales of lumber increased 24.6 per cent during the year. Sales of new paid-for ordinary life insurance declined 6.6 per cent as compared to 1934 but were 5.1 per cent greater than in 1933.

Building operations, although in only approximately half the average volume during the past eight years, showed considerable improvement in 1935, and were at the highest level since 1931. The total expenditure of \$89,845,201 was 27.1 per cent above the expenditure a year ago, and

residential construction displayed relatively greater improvement with an increase of 83.5 per cent.

Flour production, influenced by a restricted demand, especially during the last quarter of the year, declined 0.2 per cent and was 7.6 per cent below the ten year average production. Operations at meat packing establishments were greatly reduced from the heavy operations of 1934. Packers' purchases of hogs were only 40 per cent of the average volume.

The output of crude petroleum in the District increased 7 per cent and was the largest since 1930. Mid-continent crude oil prices continued unchanged throughout the year at schedules ranging according to gravity from 76 cents to \$1.08 per barrel. Field operations were at a high level during 1935, and there was a substantial increase in the number of wells completed and in the amount of new production. The production of bituminous coal in six States increased 13.1 per cent, and although about 83 per cent of the average production during the past ten years, was higher than in any year since 1931. The production of finished Portland cement at mills in the District increased 4.5 per cent and was equal to 77 per cent of the ten-year average. Shipments of cement were 7.8 per cent larger than in the previous year and stocks were 3.3 per cent above a year ago. Shipments of zinc ore increased 26.7 per cent and of lead ore 45.1 per cent, and the combined tonnage and value was greater than in any year since 1930. Zinc and lead ore prices at the end of the year were \$6 and \$11 per ton, respectively, higher than at the close of 1934.

Department of Agriculture reports show a mixed trend for farm land values in the seven States during the farm real estate year ended March 15, 1935. There was an increase in values in Kansas, Missouri, and Oklahoma, while values in Nebraska, New Mexico, and Wyoming remained unchanged and those in Colorado declined.

Banking conditions in the District were generally satisfactory except from the standpoint of earnings, which have necessarily continued at a low level because of the small volume of loans and discounts and the prevailing low interest return on securities available for the investment of bank funds. Deposits increased substantially during the year, and the total of deposits in all member banks in the District at the end of the year was greater than for any previous December 31. The liquidation in loans and discounts of the member banks in the District reached a turning point during the first half of the year, and the total of loans and discounts increased from a low of \$345,878,000 on March 4, 1935, to \$398,741,000 at the end of the year. Total deposits of all member banks in the District on December 31, 1935, were \$1,583,000,000, as compared with \$1,396,000,000 at the end of 1934 and \$1,505,000,000 at the end of 1928, the previous high point for end-of-year deposits. There were 726 member banks in the District at the end of 1935, 734 at the end of 1934, and 932 at the end of 1928.

OPERATIONS OF FEDERAL RESERVE BANK OF KANSAS CITY

Member bank reserve deposits were greater than in any previous year and were more than double the amount of required reserves. Such deposits averaged \$175,000,000 for the year, as compared with \$142,000,000

for 1934, \$91,000,000 for 1933, and \$67,000,000 for 1932. The Federal Reserve note circulation of this bank increased steadily throughout the year, from an average of \$114,000,000 in January to an average of \$141,000,000 in December. Holdings of United States Government securities were increased during the year, principally through adjustments in the amount of this bank's participation in the Government securities holdings of the Federal Reserve System, from an average amount of \$91,957,000 in January to an average of \$107,170,000 in December. Changes during the year in other items of earning assets were relatively small, purchased bills showing a reduction from \$151,000 at the end of 1934 to \$126,000 at the end of 1935, and bills discounted and industrial advances showing increases during the year from \$126,000 and \$433,000, respectively, to \$619,000 and \$1,146,000, respectively. Total cash reserves were \$199,353,000 at the end of 1934 and \$209,022,000 on December 31, 1935.

The total of earning assets during 1935 was \$105,595,000 as compared with \$91,750,000 during 1934, but the current earnings of the bank were slightly less than in 1934, reflecting a reduction in the average rate of income on all earning assets from 1.87 per cent for 1934 to 1.65 per cent for 1935. Net earnings for the year were substantially increased by profits on sales of Government securities, and were sufficient to cover the payment of dividends and to provide for appropriate additions to reserves for replacement of bank buildings and fixed machinery and equipment, and for other purposes.

Advances to member banks through loans and rediscounts were in even smaller volume than in 1934, and were made to only twenty-seven member banks during the year. Loans were made direct to two non-banking corporations during the year, under authority of Paragraph 3 of Section 13 of the Federal Reserve Act. Industrial advances and commitments, under Section 13b of the Federal Reserve Act, as amended, increased substantially during the year, although the number of inquiries regarding such loans and the number of formal applications for loans declined substantially during the last half of the year.

There was a normal volume of work during the year in most of the departments of the bank and its branches. The lack of demand for loans has, of course, greatly reduced the operations of the discount and credit departments, although there has been a substantial volume of work for these departments in investigating applications for industrial loans and in the handling and servicing of such loans. There were no important reductions in the activities of any of the departments, as compared with 1934, and substantial increases were shown for the check collection and currency and coin departments. It is interesting to note that incoming and outgoing mail numbered 3,199,000 pieces, and that registered mail handled during the year had a value of \$2,391,000,000.

The discount rate for advances to member banks under the provisions of Sections 13 and 13a of the Federal Reserve Act, as amended, was $2\frac{1}{2}$ per cent at the beginning of the year and until May 10, 1935, and 2 per cent from that date through the end of the year.

TWENTY-FIRST ANNUAL REPORT

Complete statistics of each Federal Reserve bank are published in the annual report of the Board of Governors of the Federal Reserve System, 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, 1934	Dec. 31, 1935
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.....	\$124,550,000.00	\$135,000,000.00
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.....	613,186.29	849,490.97
Gold certificates in vault.....	0	444,400.00
Gold certificates in the inter-district settlement fund lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal Reserve districts.....	62,758,350.18	53,728,368.52
Other cash.....	11,431,107.44	19,000,142.43
Total cash reserves.....	\$199,352,643.91	\$209,022,401.92
Loans and Investments:		
Loans:		
On the security of obligations of the United States.....	\$ 24,000.00	\$ 69,200.00
Otherwise secured or unsecured.....	102,361.84	549,543.90
Bills bought in the open market.....	154,014.92	128,132.52
Industrial advances—working capital loans.....	433,292.08	1,145,690.26
United States Government securities.....	91,844,250.00	107,344,200.00
Other securities.....	0	181,000.00
Total loans and investments.....	\$ 92,557,918.84	\$109,417,766.68
Miscellaneous Resources:		
Bank premises, less reserves.....	\$ 3,447,208.57	\$ 3,359,877.95
Checks and other items in process of collection.....	26,420,079.81	36,118,321.84
All other miscellaneous resources.....	282,856.49	208,235.79
Total miscellaneous resources.....	\$ 30,150,144.87	\$ 39,686,435.58
Total resources.....	\$322,060,707.62	\$358,126,604.18

FEDERAL RESERVE BANK OF KANSAS CITY

COMPARATIVE STATEMENT OF CONDITION

Liabilities	Dec. 31, 1934	Dec. 31, 1935
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.	\$117,654,575.00	\$141,690,210.00
Deposits:		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers.	\$162,475,418.34	\$168,793,054.98
United States Government deposits carried at the Reserve bank for current requirements of the Treasury.	4,002,432.45	2,275,099.78
Other deposits.	2,858,788.30	1,678,071.86
Total deposits.	\$169,336,639.09	\$172,746,226.62
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.	\$ 26,244,561.66	\$ 33,946,661.22
All other miscellaneous liabilities.	851,748.62	1,072,380.33
Total miscellaneous liabilities.	\$ 27,096,310.28	\$ 35,019,041.55
Capital and Surplus:		
Capital paid in, not less than 3 per cent of the capital and surplus of member banks.	\$ 4,067,550.00	\$ 3,916,350.00
Surplus:		
(Section 7)—That portion of accumulated net earnings which the bank is legally permitted to retain.	3,612,680.65	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.	292,952.60	1,142,095.36
Total capital and surplus.	\$ 7,973,183.25	\$ 8,671,126.01
Total liabilities.	\$322,060,707.62	\$358,126,604.18
Commitments to make industrial advances.	\$ 28,000.00	\$ 1,353,500.00

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	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
	1935	259,034	133,010	104,218,820	984,427	105,595,291
Earnings	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
	1935	8,762	969	1,684,659	44,483	1,738,873
Average rates of earnings (per cent)	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
	1935	3.39	0.73	1.62	4.52	1.65

† Including obligations fully guaranteed by the United States Government.

* 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.

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INCOME AND DISBURSEMENTS

	1934	1935
Earnings:		
From loans and rediscounts.....	\$ 28,777.83	\$ 8,761.53
From bills bought in open market.....	4,805.20	969.01
From United States Government obligations.....	1,691,986.23	1,683,343.82
From other securities.....	0	1,315.57
From industrial advances and commitments.....	4,137.27	61,324.64
From penalties for deficient reserves.....	589.08	240.82
Income from rented space.....	171,157.73	168,141.84
Other earnings.....	58,644.57	22,804.59
Total current earnings.....	\$ 1,960,097.91	\$ 1,946,901.82
Additions to Earnings:		
Profit on United States Government securities sold.....	\$ 297,301.84	\$ 235,400.16
All other additions.....	28,880.23	12,144.59
Total additions.....	\$ 326,182.07	\$ 247,544.75
Deductions from Earnings:		
For current bank operations, exclusive of cost of currency.....	\$ 1,684,828.35	\$ 1,764,795.53
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.....	37,111.89	47,966.10
Depreciation and replacement reserves on buildings and fixed machinery and equipment.....	96,811.02	93,326.61
Reserve for self insurance.....	183,802.20	4,559.02
Other reserves.....	28,749.67	9,868.95
Furniture and equipment purchased.....	7,794.48	3,776.30
All other deductions.....	3,648.52	30,294.79
Total deductions.....	\$ 2,042,746.13	\$ 1,954,587.30
Net income.....	\$ 243,533.85	\$ 239,859.27
Distribution:		
In dividends paid to member banks, at the rate of 6 per cent on paid-in capital.....	\$ 247,156.22	\$ 239,859.27
Charged to Surplus:		
Section 13b.....	3,622.37	0
Total net income.....	\$ 243,533.85	\$ 239,859.27

FEDERAL RESERVE BANK OF KANSAS CITY

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS

	Year	Number of pieces	Amount
Notes discounted or rediscounted	1934	500	\$ 5,298,393
	1935	677	3,217,475
Industrial advances and commitments	1934	27	1,014,400
	1935	63	2,597,799
Currency received and counted	1934	63,243,652	270,626,150
	1935	67,521,612	282,669,730
Coin received and counted	1934	50,056,996	9,771,589
	1935	51,651,779	8,142,720
Checks handled	1934	61,776,000	9,240,630,000
	1935	63,851,000	10,505,306,000
Collection items handled	1934	370,597	332,397,420
	1935	357,063	349,569,272
United States Government coupons paid	1934	1,394,217	20,973,251
	1935	1,476,396	21,176,232
Issues, redemptions, and exchanges by Fiscal Agency Department: United States Government securities	1934	279,854	557,972,754
	1935	406,883	655,669,323
Other securities	1934	570,246	255,398,265
	1935	312,002	176,791,770
Transfers of funds	1934	84,973	3,528,031,558
	1935	71,983	3,962,979,774
Safekeeping of securities for member banks	1934	708,846	1,045,292,338
	1935	707,353	1,106,583,627
Custody operations for Reconstruction Finance Corporation	1934	321,000	121,006,834
	1935	109,370	14,675,459
Custody operations for Public Works Administration	1934	5,655	6,031,400
	1935	17,027	16,233,725
Mail handled and value of registered mail	1934	3,784,385	2,405,992,425
	1935	3,199,316	2,390,988,201
Purchase and sale of Government securities (for other than our own account)	1934	9,419	92,604,281
	1935	8,086	117,590,840

MOVEMENT OF MEMBERSHIP

The number of active member banks in the Tenth Federal Reserve District decreased from 734 on December 31, 1934, to 726 on December 31, 1935. The distribution of member banks by States, at the end of 1934 and 1935, and the various changes during 1935 which effected a net reduction of 8 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, 1934			Gains to Membership	Losses to Membership	Active Member Banks December 31, 1935		
	Natl.	State	Total			Natl.	State	Total
Colorado.....	81	5	86	0	0	81	5	86
Kansas.....	192	14	206	3	3	190	16	206
*Missouri.....	35	10	45	0	3	32	10	42
Nebraska.....	138	9	147	2	3	137	9	146
*New Mexico.....	7	1	8	0	1	6	1	7
*Oklahoma.....	207	1	208	1	4	204	1	205
Wyoming.....	26	8	34	0	0	26	8	34
Totals.....	686	48	734	6	14	676	50	726

* Within District No. 10

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CHANGES IN MEMBERSHIP DURING 1935

Procedure effecting changes in membership during 1935	Colorado	Kansas	*Missouri	Nebraska	*New Mexico	*Oklahoma	Wyoming	Total
Additions to membership:								
Organization of national bank.....		1				1		2
Conversion of nonmember bank to national bank.....				1		1		2
Conversion of member State bank to national bank.....				1				1
Admission of State bank.....		2		1				3
Total additions.....	0	3	0	3	0	2	0	8
Losses to membership:								
Suspension and insolvency.....				1				1
Merger between national banks.....			1	1	1	2		5
Absorption of national bank by nonmember bank.....						2		2
Voluntary liquidation.....		1	2			1		4
Conversion of national bank to nonmember bank.....		2		1				3
Conversion of member State bank to national bank.....				1				1
Total losses.....	0	3	3	4	1	5	0	16
Net change in membership.....	0	0	-3	-1	-1	-3	0	-8

* Within District No. 10.

Number of member banks, end of 1934.....	86	206	45	147	8	208	34	734
Number of member banks, end of 1935.....	86	206	42	146	7	205	34	726
Number of nonmember banks, end of 1934.....	76	538	143	298	10	188	26	† 1,279
Number of nonmember banks, end of 1935.....	70	522	136	293	10	181	25	† 1,237

† Included in these figures are 17 nonmember banks operating under restrictions at the end of 1934 and 2 such banks at the end of 1935.

PERSONNEL

ELECTION AND APPOINTMENT OF DIRECTORS

E. E. Mullaney, Hill City, Kansas, President of the First National Bank, Collyer, Kansas, was reelected as Class A director by member banks of Group 3 for the term ending December 31, 1938.

L. E. Phillips, Bartlesville, Oklahoma, associated with the Phillips Petroleum Company, was reelected as Class B director by member banks of Group 3, for the term ending December 31, 1938.

J. J. Thomas, Seward, Nebraska, was appointed by the Board of Governors of the Federal Reserve System on February 10, 1936, as Class C director for the unexpired portion of the term ending December 31, 1938.

In accordance with the general policy adopted by the Board of Governors of the Federal Reserve System regarding appointments of directors of branches of Federal Reserve banks, those directors of the Omaha, Denver, and Oklahoma City Branches of this bank who had served consecutively for six years or more, and whose terms expired on December 31, 1935, were not reappointed. The directors whose services were thus terminated were: Omaha Branch, T. L. Davis and Wm. Diesing; Denver Branch, Murdo MacKenzie, R. H. Davis, and Henry Swan; Oklahoma City Branch, Austin Miller and H. H. Ogden.

The Board of Directors of this bank appointed G. H. Yates, President of the United States National Bank, Omaha, Nebraska, as director of the Omaha Branch, T. A. Dines, President of the United States National Bank, Denver, Colorado, as director of the Denver Branch, and Ed. T. Kennedy, President of the National Bank of Commerce, Pawhuska, Oklahoma, as director of the Oklahoma City Branch, all for terms ending December 31, 1938, and reappointed L. H. Earhart, J. E. Olson, and C. E. Daniel as Managing Directors of the Omaha, Denver, and Oklahoma City Branches, respectively, for terms ending December 31, 1936. The Board of Governors of the Federal Reserve System reappointed R. E. Campbell, merchant, Lincoln, Nebraska, as director of the Omaha Branch for a term ending December 31, 1938.

Two vacancies on the Board of Directors of the Denver Branch and one each on the Boards of Directors of the Omaha and Oklahoma City Branches are to be filled by appointments to be made by the Board of Governors of the Federal Reserve System.

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 1936.

MEMBERS OF INDUSTRIAL ADVISORY COMMITTEE

Walter J. Berkowitz, D. Bruce Forrester, R. L. Gray, Ed S. Miller, and L. F. Rooney were reappointed by the Board of Directors, with the approval of the Board of Governors of the Federal Reserve System, to serve as members of the Industrial Advisory Committee for this District for the year ending February 28, 1937.

OFFICERS AND EMPLOYEES OF THE BANK AND BRANCHES

On February 10, 1936, the Board of Governors of the Federal Reserve System designated J. J. Thomas as Chairman of the Board of Directors and Federal Reserve Agent for the balance of the year 1936. The offices of Chairman and Federal Reserve Agent had been vacant since the death of M. L. McClure, on December 5, 1934.

The Board of Governors reappointed E. P. Brown as Deputy Chairman of the Board of Directors, and continued the appointment of A. M. McAdams as Assistant Federal Reserve Agent, both for the year 1936.

With the approval of the Board of Governors of the Federal Reserve System, the Board of Directors appointed George H. Hamilton as President and C. A. Worthington as First Vice President of the bank, for statutory terms of five years, beginning March 1, 1936. Prior to March 1 the titles of Mr. Hamilton and Mr. Worthington were Governor and Deputy Governor, respectively.

The title of J. W. Helm, as Deputy Governor and Cashier, was changed by the Board of Directors to Vice President and Cashier, effective March 1, 1936.

G. E. Barley resigned his office as Assistant Cashier on February 1, 1936, having found it necessary to discontinue his work on account of ill health.

The Board of Directors reappointed all other officers of the bank and branches for the year 1936.

At the close of the year the bank and branches had a total of 20 officers and 651 other employees, as compared with 21 officers and 727 other employees at the close of 1934.