

9
TWENTY-FIRST ANNUAL REPORT
of the
FEDERAL RESERVE BANK
of the
NINTH FEDERAL
RESERVE DISTRICT



Covering the Calendar Year
1935

Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota, April 9, 1936.

Board of Governors of the
Federal Reserve System
Washington, D. C.

Gentlemen:

I attach the twenty-first annual report of the Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, relating to operations during the twelve months ending December 31, 1935.

Very truly yours,

W. B. GEERY,
Chairman of the Board.

REPORT
OF THE
FEDERAL RESERVE AGENT
AT MINNEAPOLIS
1935

BUSINESS, AGRICULTURAL AND BANKING
CONDITIONS

A. Business

Business recovery in the district continued throughout 1935, and at the close of the year the general level of business was half-way back to the level of 1929. Higher prices for live stock and live-stock products, improvement in crops, and a continuation of government rental and benefit payments, together with the increase in national business volume, were the principal factors in the business improvement in this district.

The rise in business volume was very uniform throughout the district. All of the regional groups of cities reported bank debits as the largest since 1930 or 1931. Total bank debits at 94 cities were \$8,751,000,000 as compared with \$7,685,000,000 in 1934; \$6,887,000,000 in 1932, which was the lowest point of the depression; and \$13,697,000,000 in 1929. Country check clearings in this district amounted to \$1,285,000,000 in 1935 as compared with \$1,051,000,000 in 1934.

Retail trade in the district increased 7 per cent in 1935 over 1934, but the dollar volume was still about one-fifth below the 1929 volume according to reports from five hundred and eighteen stores in the district. Improvement during the past year was about equally divided between city and country stores. Subdividing the rural reports by regions, it appears that the largest increases during the year occurred in eastern Montana, central Minnesota, southern Minnesota, and northern Wisconsin and Michigan.

Other 1935 increases in northwestern business volume over the volume in 1934 occurred in electric power consumption, freight carloadings, building permits and contracts, linseed product shipments, copper and iron ore output, grain marketings, country lumber sales, life insurance sales, and wholesale trade. Decreases from the 1934 volume occurred in real estate activity in Hennepin and Ramsey Counties, flour production and shipments, butter production, and live-stock marketings. Business failures, according to Dun and Bradstreet reports, were only 252 in number as compared with 309 in 1934.

B. Agriculture

Receipts from the sale of principal farm products and from rental and benefit payments during 1935 in Minnesota, Mon-

tana, North Dakota and South Dakota combined, as estimated by the Bureau of Agricultural Economics of the United States Department of Agriculture, totaled \$575,000,000. This was an increase of 16 per cent over the 1934 total of \$495,000,000 and was larger than in any year since 1931. Farmers' cash income in these four states in 1935 was more than 80 per cent larger than the 1932 income of \$317,000,000, the low of the depression. Increases in receipts from the sale of live stock and livestock products accounted for most of the increase. Income from these sources was \$67,000,000 larger in 1935 than in 1934. Income from the sale of crops was one-third larger in 1935 than in the preceding year, but income from rental and benefit payments was only \$64,000,000, one-third smaller than the \$96,000,000 received in 1934.

Five of the eight important agricultural commodities for which income estimates were prepared by the Federal Reserve Bank produced larger amounts of income in 1935 than in 1934: bread wheat, durum wheat, rye, flax, and dairy products. 1935 income from the sale of hogs, wool, and potatoes was estimated to be a little less than in 1934.

Prices of all classes of live stock and of all important livestock products except eggs continued to increase during 1935. As a result, hog prices were the highest since 1929, while prices of both butcher and feeder cattle, calves, ewes, and lambs were higher than in any year since 1930. Prices for butter, milk, and hens were the highest in 1935 since 1931, 1930, and 1931 respectively. A smaller increase occurred in the price of wool. The price of eggs during 1935 ranged higher than in 1934 but the price at the end of the year was lower than at the end of the preceding year.

On the other hand, prices for all of the principal crops grown in the Ninth Federal Reserve District were lower in 1935 than in 1934 with the exception of bread wheat, which was higher than in any year since 1929. Prices of oats, feed barley, and rye were very much lower than in the preceding year and were lower than for several years. Flax prices were a little lower than in 1934, but with that exception were higher than in any year since 1930.

The total harvested acreage of the eight principal crops in this district in 1935 was much larger than the drouth reduced totals of 1933 and 1934. While wheat yields were materially reduced by an unusually disastrous rust infestation in 1935, wheat acreage was more than twice as large as in 1934. Weather conditions were nearer normal than in the two preceding years although production was reduced by deficient moisture in some sections. The 1935 harvested acreage was about 8 per cent smaller than in 1932, the only year since 1930 when weather conditions and rainfall have been about normal. Acreage reduction contracts were a factor in holding the total to a lower figure in both 1934 and 1935. With the exception of potatoes, 1935 production of the eight principal crops was from two to seven times as large as in 1934. Potato acreage in 1935

was only slightly larger than in 1934 and the production less than 50 per cent larger.

The rust plague again focused the attention of everyone interested in wheat raising on "rust resistant" varieties. Ceres, a variety classed as rust resistant, proved somewhat of a disappointment, but a new variety, Thatcher, recently released by the Minnesota experiment station, showed remarkable resistance, being of good milling quality and apparently quite rust resistant. Thatcher wheat will probably assume a leading place among wheat varieties in the Northwest. Hope wheat again attracted attention because of its known high resistance to rust, but Hope does not possess high enough milling quality to merit widespread introduction into areas able to raise rust resistant varieties with higher milling qualities.

The total number of live stock on farms increased a little during 1935, owing to an increase in the number of swine of 700,000 head, an increase of nearly 25 per cent. Beginning the year with the smallest hog inventories in the last fifty years, through increases in the number of pigs saved per litter in both the spring and fall pig crops and a 50 per cent decrease from the preceding year in the number of hogs marketed, the total number of hogs and pigs on farms at the end of the year was increased to about 60 per cent of the preceding five-year average. The greatest increase occurred in South Dakota where the reduction had been the most drastic in the preceding year.

The only other class of live stock to show an appreciable gain in numbers during 1935 was beef cattle. The number of stock sheep and lambs was almost identical with the number a year earlier, but the number of sheep and lambs on feed in the district was sharply reduced during the year, especially in Minnesota. The number of producing dairy cows and heifers continued to decline, and at twice as rapid a rate as that for the entire United States, but there was a small increase in the number of young heifers, indicating a probable increase in the number of producing dairy cows for 1936.

The number of horses and the number of mules both continued to decrease during 1935 at a much more rapid rate than the decrease for the entire United States, reflecting the unusually heavy shipment of farm horses to other farming sections during the year.

Stocks of grain on farms at the end of 1935 in this district were larger than a year earlier, following the return to a more nearly normal production. Grain stocks at terminal markets were larger at the end of December, 1935, than a year earlier, but wheat stocks at interior mills and elevators were smaller. Cold storage holdings of farm products in the United States declined during 1935 and at the end of the year were smaller than the five-year average with the exception of cheese and beef. Stocks of pork and lard declined more than 50 per cent during the year. The decrease in pork holdings, together with the smaller decrease in beef supplies during 1935 reduced the

total storage stocks of meat to about 70 per cent of the five-year average and to only one-half the available total at the end of the preceding year. Butter stocks were only three-quarters as large as stocks at the average year-end.

The farm real estate situation continued to improve in the year ending March 15, 1935, except in drouth stricken sections. The value per acre of farm land increased in Montana and Wisconsin and held the previous year's rise in Minnesota, but declined a little in North and South Dakota. The number of voluntary sales per 1000 farms increased and the number of involuntary sales decreased in each of the states in the district. There was a decided decrease in the total "turnover" of farms as shown by substantial declines in the number of farms changing ownership during the year.

Preliminary figures for the entire year of 1935 indicate that the average sale price of farm real estate in five of the six geographical divisions of Minnesota was higher than in 1934, and that the number of sales in 1935 was much larger than in 1934 in the four most densely settled sections of the state.

C. Banking

During 1935 total deposits at all banks in this district continued to rise, gaining more than \$100,000,000, and at the end of the year exceeded \$1,300,000,000 for the first time since 1931, according to records compiled from abstracts of state and national bank called reports. In October, 1933, deposits at all banks in the Ninth Federal Reserve District were at the low of the depression and totaled less than one billion dollars, but by the end of 1935 they had recovered nearly half the distance to the sixteen-seventeen hundred million dollar level of the pre-depression years. Of the 312 million dollar increase since October, 1933, 187 million dollars was in country banks and 125 million dollars in city banks. Measured in percentages, the rate of increase of deposits from October, 1933, to the end of 1934 was higher at city banks than at country banks, but in 1935 the rate of increase in deposits at country banks was higher than at city banks.

Bank loans in this district during 1935 increased \$57,000,000. 1935 was the first year since 1929 during which there was an increase in the amount of loans held by banks in this district. Total loans on December 31, 1935, however, were less than half as large as the volume held in 1929. During 1935 investments increased slightly and continued larger than loans, as was the case in 1934. The last two years are the only years, as shown by our records which begin with 1913, in which the volume of investments held by banks in this district has exceeded the volume of loans.

While the increase in deposits at city banks was little more than half as large as the increase at country banks, the city bank increase was somewhat more spectacular in that it raised the total deposit figure above the half billion dollar mark,

establishing a new all-time record at \$503,000,000. More than half of this deposit increase was used in expanding loans at the city banks. The net increase in the amount of investments held by city banks was smaller than the increase in loans, but this small increase was also of special significance as the investment total on December 31, 1935, was an all-time high point. Cash and balances due from banks increased to a new high on June 30 but later declined and on December 31, 1935, were practically the same as a year earlier. City banks remained free of debt on call dates throughout 1935.

Deposits at country banks increased steadily throughout the year as they have done in other recent years. On each successive call date since October, 1933, deposits at country banks in this district have been higher than on any other call date since the depression low. At the end of 1935, country bank deposits were higher than on any other call date since 1931. Country bank loans increased during 1935 by about \$35,000,000. Country bank investment holdings fluctuated somewhat during the year, but there was little net change. Cash and balances due from banks increased \$25,000,000. Country bank borrowings increased slightly during the first half of the year, but were reduced during the last half to the smallest recorded amount in our records, which start with 1913.

The number of banks in the Ninth District continued to decrease during 1935, owing to consolidations, voluntary liquidations, and the inauguration of branch banking in South Dakota. The number of banks in operation December 31, 1935, included 1,405 member and non-member banks compared with 1,407 one year earlier.

OPERATIONS OF THE MINNEAPOLIS FEDERAL RESERVE BANK IN 1935

A. General Survey

The earning assets of this bank changed very little during 1935 except that holdings of United States government obligations increased about \$10 million. Discounts for member banks appeared on the bank's weekly statement for the first time in 1935 early in March, slowly increased to a total of \$107,000 in August, but by December 31 had declined to only \$42,000. Industrial advances, inaugurated in 1934, slowly increased to a high in September, but tapered off to a slightly lower level at the end of 1935 than at the end of the preceding year. Federal Reserve notes in circulation decreased rather steadily from January through August and then gradually increased to the year's high in December. Member bank reserve deposits showed little change during the year and at the end of 1935 were slightly smaller than one year earlier. Total cash reserves showed little change during the year, but were slightly lower on December 31, 1935, than on the same date in the preceding year.

This bank did not borrow from nor lend to any other Federal Reserve Bank during 1935. The discount rate of this

bank which had remained unchanged at 3 per cent since March 16, 1934, was reduced to 2½ per cent on January 8, 1935, and was further reduced to 2 per cent on May 14, 1935. The 2 per cent rate was continued in effect throughout the balance of the year.

B. Earnings and Expenses

The gross earnings of this bank during 1935 were \$1,456,000 as compared with \$1,415,000 in 1934. Increases in earnings from industrial advances more than offset the decrease in earnings from all other regular income accounts. Current net earnings, however, were only \$163,000 compared with \$210,000 in 1934. Miscellaneous additions to current net earnings in 1935 were \$191,000 compared with \$285,000 in the preceding year and deductions from current net earnings totaled \$423,000 as compared with only \$318,000 in 1934, resulting in a net loss for 1935 of \$69,000, before dividends, as compared with net earnings before dividends of \$176,000 in 1934. Dividends of \$185,000 were authorized at the rate of 6 per cent per annum on all paid-in capital stock and paid to member banks.

Our "Surplus-Section 13b" increased to slightly more than one million dollars as compared with three-quarters of a million one year earlier. The unsegregated surplus account authorized under section 7 of the Federal Reserve Act amounted to \$3,149,000 on December 31, 1935, after giving effect to all charges and credits authorized by the Board of Governors.

C. Departmental Statistics of Volume (Including Both the Head Office and the Helena Branch)

The Transit, or Check Collection Department, handled 23,866,000 items during 1935, amounting to \$4,412,975,000 as compared with 21,491,000 items during 1934, amounting to \$3,769,974,000. This department also handled 5,131,000 United States Government checks during 1935, totaling \$467,608,000 as compared with 6,483,000 items in 1934, totaling \$599,704,000.

The Collection Department received 895,000 items (including coupons other than those on Government issues) during 1935, amounting to \$341,237,000 as compared with 783,000 items during 1934, amounting to \$283,833,000.

The Currency Department received and counted 44,948,000 bills, amounting to \$217,411,000 in 1935 as compared with 42,573,000 bills, amounting to \$196,397,000 in 1934. This department also received and counted 19,607,000 coins, amounting to \$3,800,000 in 1935 as compared with 14,602,000 coins, amounting to \$3,447,000 in 1934.

The Vault Custody Department in its service of safekeeping of securities cut and forwarded to the owners of these securities or turned over to other departments for collection or credit 294,542 coupons during 1935 as compared with 280,520 coupons during 1934.

Transfers of funds made for member banks, including those made for the 5 per cent Redemption Fund, numbered

33,400 totaling \$1,588,898,000 during 1935 as compared with 42,300 totaling \$1,640,380,000 during 1934.

During 1935 the Discount Department discounted 142 notes for 14 member banks amounting to \$657,000 as compared with 440 notes, for 47 member banks, amounting to \$2,525,000 in 1934.

During 1935, 104 industrial advances were made, totaling \$1,051,000 as compared with 76 in 1934, totaling \$1,887,000.

FISCAL AGENCY FUNCTIONS—1935

A. Volume of Operations

Issues, redemptions or exchanges of various United States Government securities, including Treasury Savings Certificates, Federal Intermediate Credit Bank debentures, Home Owners' Loan Corporation, and Federal Land Bank bonds redeemed at this office, which were handled by the Fiscal Agency operated by us for the United States Government, numbered 218,763 pieces and amounted to \$316,102,506 as compared with 161,673 pieces amounting to \$309,979,854 in 1934.

This Agency also handled during 1935, 5,131 purchases and 11,292 resales of Government securities totaling \$37,111,400. In addition, either delivery or payment or both, was handled for banks and trust companies on 1,181 transactions in Government securities amounting to \$183,646,200. There were also 11,688 transactions of Government guaranteed and miscellaneous general market securities aggregating \$55,960,413. Altogether, of these various transactions there were 29,292 totaling \$310,494,563, as compared to 33,932 totaling \$302,489,941 in 1934.

Delivery of 92,810 pieces totaling \$174,040,995 was made on purchase and resale transactions for other than our own account. In addition, on exchange transactions, such as denominational exchange, the exchange of coupon for registered securities, etc., 20,633 pieces were delivered, amounting to \$128,129,900. The total number of pieces delivered was 113,443, amounting to \$302,170,895 in comparison with 130,527 totaling \$290,061,595 during the preceding year.

Acting as Fiscal Agent of the Federal Farm Mortgage Corporation during 1935, this Agency made 26,001 deliveries of 128,263 Federal Farm Mortgage Corporation bonds amounting to \$72,463,100 in accordance with instructions received from the Federal Land Bank of St. Paul. During 1934, 263,498 of these bonds were delivered amounting to \$131,067,700.

On subscriptions, exchanges and redemptions of bonds handled by this Agency as Fiscal Agent for the Federal Farm Mortgage Corporation during 1935 there were 34,314 pieces amounting to \$23,617,800. There were also 52,472 pieces totaling \$46,982,525 for the Home Owners' Loan Corporation and 10,584 pieces aggregating \$13,208,960 for the Federal Land

Banks. In addition, 370 Federal Intermediate Credit Bank debentures amounting to \$2,565,000 were redeemed. Altogether, on issues, exchanges and redemptions of other than the direct United States Government securities, there were 226,003 pieces, contained in 35,059 applications, totaling \$158,837,385.

The total number of individual securities received and delivered by the Fiscal Agency Department (including the Federal Farm Mortgage Division) during 1935 was 559,235 totaling \$783,972,736 as compared with 624,605 totaling \$769,911,149 in 1934.

The Fiscal Agency operated by us for the Government redeemed 390,870 Government coupons amounting to \$9,062,769 during the past year as compared to 556,958 coupons totaling \$10,583,598 during 1934. They also redeemed 412,400 Federal Land Bank, Federal Farm Mortgage Corporation and Home Owners' Loan Corporation coupons amounting to \$3,807,971 during 1935 as compared with 189,283 totaling \$1,776,824 in 1934.

B. Liberty Loan Bonds

In March, holders of Third-called Fourth Liberty Loan bonds (i. e., the Fourth Liberty Loan $4\frac{1}{4}$ per cent bonds bearing serial numbers the final digit of which was 5, 6, or 7) were offered the opportunity of exchanging these bonds for $2\frac{7}{8}$ per cent Treasury bonds of 1955-60. There were 2,644 applications submitting \$5,487,100 in coupon bonds and 2,899 applications tendering \$15,738,800 in registered bonds received and accepted by this Agency on such exchanges. Third-called Fourth Liberty bonds, numbering 34,829 and amounting to \$13,642,900 were also redeemed.

On March 14, notice was given by the Secretary of the Treasury that all outstanding First Liberty Loan bonds were called for redemption on June 15, 1935, on which date interest on such bonds would cease.

In April, the Treasury Department offered to holders of the First Liberty Loan bonds the privilege of exchanging them for an additional issue of the $2\frac{7}{8}$ per cent Treasury bonds of 1955-60 or an additional issue of the $1\frac{5}{8}$ per cent Treasury notes of Series A-1940. On such exchanges, 2,818 applications for \$15,254,850 were received and accepted at this office. The remainder of First Liberty bonds presented to this Agency, 17,752 in number and totaling \$6,100,000, were redeemed.

On April 13, the Secretary of the Treasury gave notice that all outstanding Fourth Liberty Loan $4\frac{1}{4}$ per cent bonds of 1933-38 bearing serial numbers the final digit of which was 3 or 4 were called for redemption on October 15, 1935.

In September, the privilege of exchanging for $2\frac{3}{4}$ per cent Treasury bonds of 1945-47 or $1\frac{1}{2}$ per cent Treasury notes of Series C-1939 was offered to holders of Fourth-called Fourth Liberty bonds. There were 11,199 of the latter bonds in coupon form amounting to \$13,863,400 and 4,543 in registered form

amounting to \$2,748,550 contained in 4,067 applications received and accepted by this Agency on such exchanges. There were also 15,399 coupon bonds amounting to \$4,521,250 and 5,786 registered bonds totaling \$1,978,300 of the Fourth-called Fourth Liberty bonds redeemed by this office.

C. Other Services

With the exception of Treasury bills, there were fifteen offerings of United States Government securities during 1935. In such operations, 13,832 individual subscriptions contained in 13,598 different applications for \$151,460,250 were received in this district. The amount allotted on these subscriptions was \$89,062,400. During 1934, 10,267 individual subscriptions were submitted in 9,045 different applications on fourteen similar offerings and \$132,089,250 was allotted.

During 1935, 147 tenders amounting to \$18,621,000 were received by this Agency on 74 offerings of Treasury bills. Of these, 19 tenders on a discount basis ranging from .09 per cent to .25 per cent and amounting to \$8,251,000 were accepted. During 1934, 321 tenders amounting to \$20,489,000 were received and 48 tenders totaling \$8,480,000 were accepted on the 59 offerings of Treasury bills made that year.

Five offerings of Treasury bonds, on which purchasers submitted tenders, were announced during 1935. On these offerings, 317 tenders amounting to \$6,796,000 were received and 37 tenders totaling \$700,000 were accepted.

In March, public notice was given by the Secretary of the Treasury that all outstanding 2 per cent Consols were called for redemption on July 1, 1935. Notice was given at the same time that the outstanding 2 per cent bonds of the Panama Canal Loan were called for redemption on August 1, 1935. There were 1,026 of these bonds amounting to \$6,861,950 received by us and transmitted to the Treasury Department for payment.

On May 1, the first request for payment of a United States Savings Bond, Series A, previously sold through the Postal Service, was received by this Agency. During 1935, 1,167 of these bonds, all in registered form and amounting to \$213,775, were received for redemption.

In May, the Home Owners' Loan Corporation 4 per cent bonds of 1933-51 were called for redemption on July 1, 1935. The Secretary of the Treasury, on behalf of the Home Owners' Loan Corporation, offered to holders of these bonds the privilege of exchanging for a 1½ per cent Home Owners' Loan Corporation bond, Series F-1939, maturing June 1, 1939. There were 295 of these exchanges aggregating \$10,641,275 handled by this Agency.

On behalf of the Federal Farm Mortgage Corporation, the Secretary of the Treasury, on August 26, 1935, offered to the public a 1½ per cent bond of that Corporation maturing Sep-

tember 1, 1939, and invited tenders therefor. Fourteen tenders amounting to \$1,716,000 and ranging from 99 $\frac{1}{3}$ /₂ to 100 were received and accepted by this Agency.

In September, announcement was made by the Treasury Department that owners of outstanding gold clause securities of the United States would be permitted, under certain regulations, to receive immediate payment of the stated dollar amount, plus interest to date of payment, or to prior maturity or redemption date, whichever was the earlier, up to January 1, 1936, but the Secretary of the Treasury might extend this time to July 1, 1936. No securities other than those called for payment were redeemed by this Agency under the terms of this announcement prior to maturity date.

At the close of 1935 there were 241 banks and trust companies in this district which were designated as special depositaries of public moneys, thereby being qualified to make payment through their War Loan Deposit Accounts on a by credit basis for subscriptions to new offerings of Government securities. At the close of the preceding year there were 321 banks and trust companies so designated.

ACTIVITIES OF THE FEDERAL RESERVE AGENT'S OFFICE

A. Federal Reserve Notes

The new series of small-size Federal Reserve notes which were first issued early in July, 1929, had largely replaced the old-size notes by December 31, 1935, on which date the outstanding new series Federal Reserve notes amounted to \$112,176,350, as compared with only \$3,286,955 of the old series.

On December 31, 1935, the amount of old and new series notes outstanding was \$115,463,305, and the Federal Reserve Agent held \$60,255,000 of new and fit-for-use notes. Of this total outstanding (\$115,463,305) there was in actual circulation \$110,563,000, the notes held by our paying tellers at the Head Office and at the Helena Branch, together with the amount of mutilated Federal Reserve notes in transit for redemption accounting for the remainder.

During 1935, the Federal Reserve Agent and his assistants received \$29,000,000 of new Federal Reserve notes from the Comptroller of the Currency at Washington, and \$6,560,000 of fit-for-use notes from our receiving tellers. The issues of new and fit-for-use notes totalled \$40,862,000, as compared with \$48,400,000 during the preceding year and \$81,665,000 in 1933. The amount of Federal Reserve notes outstanding with this Federal Reserve Bank increased from \$111,439,080 to \$115,463,305 between December 31, 1934, and December 31, 1935.

On December 31, 1935, the Federal Reserve Agent held \$10,000,000 of United States obligations as collateral security for the Federal Reserve notes outstanding with the Federal Reserve Bank, together with a \$106,500,000 gold credit on de-

posit with the Board of Governors of the Federal Reserve System.

B. Membership

At the close of the year, there were 501 member banks operating in this district as compared with 524 member banks at the beginning of the year. There was a net decrease of 22 national banks and 1 state bank. The total membership (banks in operation only) at the close of 1935 was divided into 433 national banks and 68 state banks. The banks which joined the Federal Reserve System in 1935 are

Name of Bank	Location	No. of Shares Subscribed
The Miners National Bank of Butte.....	Butte, Montana	66
First State Bank of Libby.....	Libby, Montana	23

The licensed banks in the district were distributed among the states of the district as shown in the following table:

NUMBER OF LICENSED BANKS IN OPERATION IN THE NINTH FEDERAL RESERVE DISTRICT December 31, 1934, and December 31, 1935

	National		State Members		Non-Members		Total	
	1934	1935	1934	1935	1934	1935	1934	1935
Michigan	29	29	7	7	19	22	55	58
Minnesota	211	205	17	15	458*	468	686	688
Montana	46	46	20	21	53	54	119	121
North Dakota.....	69	66	0	0	137	137	206	203
South Dakota	64	52	23	23	125	124	212	199
Wisconsin	36	35	2	2	91	99	129	136
Ninth Federal Reserve Dist.....	455	433	69	68	883	904	1,407	1,405

*Excludes two trust companies which do not receive deposits and one which was in liquidation at the end of the year, but which was included in the State Banking Department abstract.

C. Examination of Banks

During 1935, 100 credit investigations, examinations, and special visits were made by the Federal Reserve Agent's examiners in connection with state member banks and state banks applying for membership. In the examination work this year, the examiners and their assistants traveled in the aggregate 55,337 miles.

In addition to the information obtained from the Federal Reserve examiners, 876 reports of examination of national banks and 89 duplicate copies of reports of examination of Montana national banks were received from the Chief National Bank Examiner's Office; also 21 reports of examination of state member banks were received from the various state banking departments. There were four calls for reports of condition of national banks and four calls for reports of condition of state member banks during the year. Also two semi-annual statements of earnings and dividends were required from all member banks.

D. Applications for Fiduciary Powers

National banks have continued to apply for trust powers under Section 11-K of the Federal Reserve Act. Applications received and approved by the Board of Governors of the Federal Reserve System during 1935 include the following:

Name of Bank	Location	Date Approved	Capital	Powers
The Miners National Bank of Butte,	Butte, Mont.	4-30-35	\$100,000	Full

E. Public Relations

Twenty bank officers and other representatives traveled 73,700 miles on public relations work during 1935. They attended 7 bankers' conventions and 39 other meetings, delivered 26 addresses, and made 787 visits at member banks and 809 visits at non-member banks in the district. Practically every bank in the district was visited at least once during the year.

A talking moving picture, showing the operations of this Federal Reserve Bank, was produced during the summer of 1935, and public showings began in November. The attendance at showings of the movie during 1935 was 22,268 people. Three portable outfits and two theater-type films were used in making these showings.

The Board of Directors of this bank visited the Helena Branch in July and attended the annual convention of the Montana Bankers' Association at Glacier Park.

Twelve issues of the Monthly Review were printed and distributed to a mailing list which, in December, consisted of 7,500 names.

CHANGES IN PERSONNEL

At the January meeting of the board of directors all officers of both the Head Office and the Helena Branch were re-elected. The board also re-elected Mr. Sigurd Ueland and Mr. Rolf Ueland as Counsel and Assistant Counsel for the Head Office and Mr. T. B. Weir as Counsel for the Helena Branch. Telegrams were presented announcing that the Federal Reserve Board had reappointed Mr. J. N. Peyton as Chairman and Federal Reserve Agent for the year 1935, Messrs. F. M. Bailey and E. W. Swanson as Assistant Federal Reserve Agents, Mr. O. S. Powell as Alternate for the Federal Reserve Agent and Assistant Federal Reserve Agents, and Mr. J. E. O'Connell as director of the Helena Branch all for the year 1935. Mr. W. B. Geery was re-elected a member of the Board of Trustees of the employees' retirement fund for a three-year term beginning March 1, 1935.

At the February meeting it was announced that Mr. George W. McCormick had been reappointed by the Federal Reserve Board as a Class C director for the three years ending

December 31, 1937. The board of directors voted to reappoint all members of the Industrial Advisory Committee to serve for one year beginning March 1, 1935, the committee consisting of the following members: Messrs. Sheldon V. Wood, Chairman; John M. Bush; C. O. Follett; H. C. Jewett, Sr.; and Albert Miller.

At the August meeting the board of directors voted to discontinue the post of Legal Counsel of the Helena Branch at the close of 1935.

At the October meeting it was announced that Assistant Cashier L. E. Rast had severed his connections with the bank to enter another line of business.

In November Mr. H. R. Kibbee was re-elected a Class A director for a three-year term ending December 31, 1938, and Mr. J. E. O'Connell was re-elected a Class B director for the same term.

At the December meeting of the board of directors Mr. W. B. Geery was re-elected a member of the Federal Open Market Committee to serve until March 1, 1936; Mr. M. O. Grangaard was re-elected a member of the Executive Committee for the calendar year 1936; and Mr. Theodore Wold was re-elected a member of the Federal Advisory Council for the calendar year 1936. A telegram was read from the Board of Governors of the Federal Reserve System reappointing Mr. J. N. Peyton as Class C director of the bank for three years beginning January 1, 1936, and as Chairman of the Board and Federal Reserve Agent for the two months January 1, 1936, to February 29, 1936, inclusive. A telegram was also read appointing Mr. O. S. Powell as Assistant Federal Reserve Agent for the year 1936.

The complete staff of the Federal Reserve Bank of Minneapolis and its Helena Branch, including officers, employees and building employees, but excluding temporary help, numbered 417 persons on December 31, 1935, as compared with 482 at the close of the previous year.

*Comparative Statement of Condition of the Federal Reserve Bank
of Minneapolis*

(In thousands of dollars)

RESOURCES

	Dec. 31, 1935	Dec. 31, 1934	Dec. 31, 1933
Inter-District Settlement Fund.....	\$ 30,244	\$ 29,798	\$ 19,518
Gold and Gold Certificates with Federal Reserve Agent....	106,500	110,000	76,254
Redemption Fund, Federal Reserve Notes.....	540	330	1,612
Gold and Gold Certificates.....	0	0	550
Total Gold and Gold Certificate Reserves.....	\$137,284	\$140,128	\$ 97,934
Other Reserve Cash.....	8,229	11,341	8,322
Total Cash Reserves.....	\$145,513	\$151,469	\$106,256
Redemption Fund, Federal Reserve Bank Notes.....	0	0	593
Bills and Securities:			
Bills Discounted	42	0	1,872
Bills Purchased in Open Market.....	61	81	3,189
Industrial Advances	1,590	1,753	0
U. S. Government direct obligations.....	75,568	65,589	65,669
Other Securities	0	0	80
Total Bills and Securities.....	\$ 77,261	\$ 67,423	\$ 70,810
Due from Foreign Banks.....	3	6	9
Federal Reserve Notes of Other Federal Reserve Banks....	1,248	1,128	658
Uncollected Items	16,071	11,989	10,641
Bank Premises	1,531	1,580	1,657
All Other Resources	427	771	1,474
Total Resources	\$242,054	\$234,366	\$192,098

LIABILITIES

Capital paid in	\$ 2,999	\$ 3,134	\$ 2,876
Surplus—Section 7	3,148	3,420	6,930
Surplus—Section 13 "B".....	1,003	751	0
Deposits:			
Government	3,155	2,590	91
Member Banks' Reserve Account.....	96,228	97,421	*62,013
All Other	7,756	6,710	4,191
Total Deposits	\$107,139	\$106,721	\$ 66,295
Federal Reserve Notes in Actual Circulation.....	\$110,563	\$106,687	\$ 92,896
Federal Reserve Bank Notes in Actual Circulation.....	0	0	7,718
Deferred Availability Items.....	15,513	12,136	11,128
All Other Liabilities.....	1,689	1,517	4,255
Total Liabilities	\$242,054	\$234,366	\$192,098
Ratio of total reserves to deposit and Federal reserve note liabilities combined (per cent).....	66.8	71.0	66.7
Contingent liabilities on bills purchased for foreign cor- respondents	0	15	88

*Reserve deposits of licensed member banks and member banks in hands of conservator.

Earnings and Expenses of the Federal Reserve Bank of Minneapolis

	1935	1934	1933
Earnings From:			
Discounted Bills	\$ 1,039	\$ 15,628	\$ 221,740
Purchased Bills	587	3,224	37,596
Industrial Advances	116,167	15,928	0
U. S. Government Direct Obligations.....	1,292,200	1,346,610	1,179,975
Deficient Reserve Penalties.....	397	1,213	8,017
Miscellaneous	45,490	32,494	50,341
Total Current Earnings.....	\$1,455,877	\$1,415,097	\$1,497,669
Current Expenses	1,293,050	1,205,330	1,114,094
Current Net Earnings.....	\$ 162,827	\$ 209,767	\$ 383,575
Additions to Current Net Earnings:			
Withdrawn from Reserve for Losses.....	390	0	0
Profit on Sale of U. S. Government Direct Obligations	143,210	192,914	26,308
All Other	42,800	91,670	19,953
Total Additions	\$ 191,400	\$ 284,584	\$ 46,261
Deductions from Current Net Earnings:			
Bank Premises—Depreciation	48,917	84,997	90,371
Furniture and Equipment.....	15,095	15,701	19,547
Reserve for Probable Losses.....	0	207,025	234,590
Reserve for Prior Service Liability under Retirement System	332,168	0	0
All Other	27,226	10,343	3,243
Total Deductions	\$ 423,406	\$ 318,066	\$ 347,751
Net Deductions from Current Net Earnings.....	232,006	33,492	301,490
Net Earnings	\$ 69,179†	\$ 176,285	\$ 82,085
Dividends Paid	185,448	181,118	171,569
Payment to Secretary of Treasury, Section 13-B.....	16,854	0	0
Withdrawn from Surplus, Section 7.....	271,481	0	89,484
Withdrawn from Surplus, Section 13-B.....	0	4,833	0

DETAILS OF CURRENT EXPENSES

	1935	1934	1933
Salaries:			
Bank officers	\$ 119,679	\$ 113,322	\$ 105,369
Clerical staff	421,027	427,566	367,666
All other	139,682	119,534	119,742
Contributions—Retirement Fund	119,202	50,260	0
Governors' conferences	618	720	806
Federal Reserve Agents' conferences.....	0	416	194
Federal Advisory Council.....	1,617	1,308	1,299
Directors' meetings	11,301	7,994	9,533
Industrial Advisory Committee.....	3,315	1,371	0
Traveling expenses*	27,022	23,412	31,307
Assessment for expenses of Board of Governors.....	34,118	31,535	18,473
Legal fees	11,879	12,504	14,455
Insurance (other than on currency and security shipments)	20,507	23,311	32,340
Taxes on banking house.....	82,079	83,699	68,319
Repairs and alterations, banking house.....	6,977	11,758	1,940
Light, heat and power.....	19,994	20,321	18,795
Telephone	7,302	7,812	9,786
Telegraph	12,490	13,736	17,063
Postage	106,726	115,608	109,670
Expressage	9,871	7,327	11,773
Insurance on currency and security shipments.....	7,775	10,112	11,200
Printing and stationery.....	18,232	22,601	18,993
Office and other supplies.....	14,086	20,215	17,017
All other expenses	40,980	38,725	37,956
Total exclusive of cost of currency.....	\$1,236,479	\$1,167,167	\$1,023,696
Federal Reserve Currency (including shipping charges):			
Original cost	51,147	24,137	77,960
Cost of redemption.....	5,424	4,842	4,245
Tax on Federal Reserve Bank note circulation.....	0	9,184	8,193
Total Current Expenses.....	\$1,293,050	\$1,205,330	\$1,114,094

REIMBURSABLE EXPENSES

Salaries	\$ 137,726	\$ 151,477	\$ 83,824
All other expenses.....	44,850	70,284	20,790
Total	\$ 182,576	\$ 221,761	\$ 104,614

†Excess of deductions over current net earnings and additions.

*Other than those connected with governors' and agents' conferences and meetings of the directors and of the Advisory Council.

DIRECTORS AND OFFICERS FEDERAL RESERVE BANK OF MINNEAPOLIS

DIRECTORS

Class A	Expiration of Term	Business Affiliation
H. C. Hansen.....	Dec. 31, 1936.....	President, First National Bank, Churchs Ferry, North Dakota.
M. O. Grangaard.....	Dec. 31, 1937.....	Vice President, First National Bank & Trust Co., Minneapolis, Minnesota.
H. R. Kibbee.....	Dec. 31, 1938.....	President, Commercial Trust & Savings Bank, Mitchell, South Dakota.
Class B		
Albert P. Funk	Dec. 31, 1936.....	President, La Crosse Rubber Mills Co., La Crosse, Wisconsin.
W. O. Washburn.....	Dec. 31, 1937.....	President, A. J. Krank Company, St. Paul, Minnesota.
J. E. O'Connell.....	Dec. 31, 1938.....	President, Eddy Bakery Company, Helena, Montana.
Class C		
Homer P. Clark.....	Dec. 31, 1936.....	Chairman of the Board, West Publish- ing Co., St. Paul, Minnesota.
Geo. W. McCormick.....	Dec. 31, 1937.....	Vice President and General Manager, Superior Sugar Refining Company, Menominee, Michigan.
W. B. Geery.....	Dec. 31, 1938.....	Chairman of the Board and Federal Reserve Agent, Minneapolis, Minn.

OFFICERS

FEDERAL RESERVE AGENT'S OFFICE

W. B. Geery, Federal Reserve Agent
E. W. Swanson, Assistant Federal Reserve Agent
O. S. Powell, Assistant Federal Reserve Agent and Secretary of the Board of Directors

BANKING DEPARTMENT

John N. Peyton, President

Harry Yaeger, Secretary and Vice President	H. I. Ziemer, Vice President and Cashier
A. R. Larson, Assistant Cashier	H. C. Core, Assistant Cashier
Otis R. Preston, Assistant Cashier	W. E. Peterson, Assistant Cashier

F. C. Dunlop, Auditor

Member of Federal Advisory Council

Theodore Wold, President, Northwestern National Bank & Trust Co.,
Minneapolis, Minnesota

Legal Counsel

Sigurd Ueland, Counsel
Rolf Ueland, Assistant Counsel

HELENA BRANCH—(MONTANA)

DIRECTORS

R. E. Towle.....	Dec. 31, 1936.....	Managing Director, Federal Reserve Branch Bank, Helena, Montana.
A. R. McDermott.....	Dec. 31, 1936.....	Vice President, Montana National Bank, Billings, Montana.
J. E. O'Connell.....	Dec. 31, 1937.....	President, Eddy Bakery Company, Helena, Montana.
Peter Pauly	Dec. 31, 1937.....	Vice President, Deer Lodge Bank & Trust Co., Deer Lodge, Montana.

OFFICERS

R. E. Towle, Managing Director

C. J. Larson, Assistant Cashier