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ADDRESS REPLY TO  
X-339 FEDERAL RESERVE BOARD

August 22, 1917.

Dear Sir:

The Board has received a letter from the food administrator, Mr. Hoover, stating that he is just beginning a campaign to secure a larger amount of cattle feeding in this country, and that his investigation shows that the interest charge represents between thirty-five and forty per cent of the total costs of this industry. The legal rate of interest in many of the cattle raising states is 8% or more, and the food administrator suggests that if banks would make loans to the cattle people at a rate of interest not exceeding 7% (which he thinks they can afford to do in view of the 5% rediscount rate on six months' paper based on live stock, available at most of the Federal reserve banks) a stimulus would be given to the cattle raising industry, which all will agree is greatly needed at this time. The Board appreciates, of course, the limitations upon its powers in this respect, and does not wish to put any pressure upon the banks to induce them to charge less than legal rates, but it is informing you of the suggestion made by Mr. Hoover in order that, should you deem it expedient, you may point out to your member banks this opportunity of rendering very effective help in the present food crisis.

Very truly yours,

Governor.