

FEDERAL RESERVE BOARD
WASHINGTON

X-2094

December 20, 1920.

SUBJECT: Correction in Board's letter (X-2091)

Dear Sir:

Referring to Board's letter (X-2091), forwarding copy of Board's letter of December 16th to the Chairman of the Senate Committee on Banking and Currency, I would state that my attention has been called to the fact that while it was the law in Pennsylvania a few years past that any rate of interest agreed upon in writing was legal on collateral demand loans of \$5,000 and over, this law was changed some time ago by an Act of the Legislature and at the present time the maximum rate of interest in Pennsylvania on loans of every character is 6%. It is requested, therefore, that in the copy of the letter to the Chairman of the Senate Committee on Banking and Currency forwarded to you, you strike out the words "and Pennsylvania", contained in the fourth line from the bottom of Page 2.

Very truly yours,

G o v e r n o r .

Chairmen and Governors of all F.R.Banks

(Copy)

X-2095a

December 21, 1920.

My dear Sir:

In compliance with the request made in your letter of December 14th, for information regarding the amount of actual agricultural paper rediscounted during the years 1919 and 1920 (to date), based on agricultural production and sales of the respective years, I have the honor to submit herewith copy of a tabular statement compiled from telegraphic data received from all Federal reserve banks, excepting the Federal Reserve Banks of New York and San Francisco. Figures from the Federal Reserve Bank of San Francisco have not yet been transmitted to the Board but will be sent you separately as soon as received. The Federal Reserve Bank of New York states that it has never classified its discounted paper with reference to industries represented by makers of notes rediscounted, and is, therefore, unable to furnish the information desired promptly, even approximately. In view, however, of the very small amount of farmers' paper discounted in the New York District, it is not believed the omission of the New York data seriously impairs the value of the statement.

Section 13 of the Federal Reserve Act provides that notes, drafts and bills drawn or issued for agricultural purposes or based on live stock, having a maturity of not longer than six months, are eligible for rediscount by a Federal reserve bank, the limit of maturity in all other cases being ninety days. The Federal reserve banks rediscount large amounts of agricultural paper which has a maturity of not exceeding ninety days, but such paper is classified with other paper of like maturity. Therefore, agricultural and livestock paper, as shown by the Federal reserve banks, applies only to paper having a maturity of longer than ninety days. The Board receives this information from day to day and the amount of agricultural and livestock paper under discount at each Federal reserve bank - that is, paper having a maturity of from ninety days to six months - is published each month in the Federal Reserve Bulletin. The special figures furnished by the Federal reserve banks in accordance with your request are in all cases estimates, no exact figures of the total volume of loans for agricultural purposes being available at the Federal reserve banks. In the first place, most of the borrowing at Federal reserve banks by member banks during the year 1919 and a considerable proportion of these borrowings during the current year has been in the form of the borrowing bank's own notes, secured by Government obligations or by commercial, industrial and agricultural paper. It is known that member banks in New York City have made large loans to their correspondent banks throughout the country, and it is reasonable to suppose that part of the proceeds of such loans have been applied by the borrowing banks for agricultural purposes, but it is impossible to state the amount. The same is true with respect to loans made by member banks in Chicago, St. Louis, Minneapolis, Kansas City, New Orleans, and other financial centers throughout the country. Non-member state banks lend large sums

in the aggregate for agricultural purposes, but as they have no dealings with the Federal reserve banks their loans to farmers are not reflected in the figures furnished by the Federal reserve banks, although it is a fact that all Federal reserve banks have been lending a large amount to member banks, which have in turn rediscounted paper for non-member banks. It should be borne in mind also, that the total amount of farmers' notes rediscounted by Federal reserve banks gives no indication of the amounts advanced by the Federal reserve banks to finance the production and sale of farm products, since large amounts advanced to member banks in other districts on commercial and industrial paper are used by these banks for loans to agricultural interests. Only the Federal Reserve Banks of Richmond, Atlanta, St. Louis and Minneapolis have taken account of loans of this character by increasing proportionately the amounts formally classed as farmers' paper.

In view of these facts, it is evident that the compilation transmitted herewith is valuable merely as indicating the increased amount of agricultural paper rediscounted by the Federal reserve banks for member banks during the year 1920 over the year 1919.

The Board transmits also a table prepared from figures published in the Federal Reserve Bulletin, showing the holdings by each Federal reserve bank on the last Friday in each month during the years 1919 and 1920 of paper classed by the Federal reserve banks as agricultural and livestock paper. This classification does not include anything but notes having a maturity of longer than ninety days. It will be noted that there has been a steady increase in these holdings since the beginning of the present year and that this increase has continued after October of the present year, while in 1919 normal reductions from the high September figures are shown during the months of October, November, and December. The increased holdings of agricultural paper by the Federal Reserve Bank of Boston during July and August of the present year represent in the greater part paper held under rediscount for other Federal reserve banks. The comment made regarding the incompleteness of the figures in the first table apply with equal force to the figures in the table showing the monthly holdings, which are exclusive of the Federal reserve bank holdings of non-agricultural paper, the proceeds of which may have been used by member banks to finance production and sales of agricultural staples.

Very truly yours,

(Signed) W. P. G. Harding,

G o v e r n o r .

Hon. A. J. Gronna, Chairman,
Committee on Agriculture and Forestry,
United States Senate.

ESTIMATED AMOUNTS OF PAPER REDISCOUNTED WITH FEDERAL RESERVE BANKS BASED ON PRODUCTION AND SALES OF FARM PRODUCTS

Federal Reserve Bank:	1919	:	1920	:	REMARKS
Boston	\$ 2,642,000		\$ 4,979,000		These figures confined to farm and dairy loans and do not include large amounts advanced in cotton, wool and similar lines.
New York			No data		
Philadelphia	2,971,000		3,580,000		Figures are confined to strictly agricultural paper, omitting the paper of wool dealers, cotton merchants, produce dealers packers, agricultural implements, and fertilizer concerns.
Cleveland	612,000		(a) 1,753,000		Total agricultural and live-stock paper discounted. These figures do not reflect accommodation granted to agricultural interests as many members borrow on U.S. securities to afford accommodation to agricultural borrowers.
Richmond	102,000,000		325,000,000		Figures include estimated amount of commercial and industrial paper discounted the proceeds of which were used for agricultural purposes.
Atlanta	91,300,000		(a) 230,000,000		Same
Chicago	47,263,000		128,408,000		Figures represent amount of farmers' notes discounted. Actual amounts loaned for production and sale of farm products is much in excess of amounts given as sales of farm products are largely financed by commercial paper, also large amounts are loaned to banks on commercial paper or notes secured by U.S. obligations the proceeds of which are loaned for agricultural purposes either directly or through correspondent banks.
St. Louis	(a) 220,000,000		(a) 665,000,000		In addition a large part of loans on commercial and Government secured paper was unquestionably for benefit of farmers.
Minneapolis	75,000,000		225,000,000		
Kansas City	123,481,000		229,432,000		

Federal Reserve Bank:		1919	:	1920	:	REMARKS
Dallas	\$ 28,997,000	\$ 44,911,000				Figures do not include member banks' collateral notes the proceeds of which were used for loans to agricultural interests.
San Francisco	<u>35,000,000</u>	<u>122,000,000</u>				Figures include total amounts of paper rediscounted during the two years based upon production and sales of farm products, excluding notes secured by government obligations. The Bank is unable to estimate the amounts of paper rediscounted which represents borrowings on account of production and sales during the preceding year.
Total for 11 Banks	\$729,266,000	\$1,980,063,000				

(a) Eleven months.

FEDERAL RESERVE BOARD
WASHINGTON
DECEMBER 21, 1920.

TOTAL AMOUNT OF AGRICULTURAL AND LIVE STOCK PAPER, COMBINED, HELD BY EACH FEDERAL RESERVE BANK

ON THE LAST FRIDAY OF EACH MONTH SINCE JANUARY, 1919.

(In thousands of dollars)

Date	1919	Boston	New York	Phila.	Clevel.	Richm.	Atlanta	Chicago	St. Louis	Minn.	Kans. Cy.	Dallas	San Fran.	Total
January	-	158	173	117	2,344	2,229	9,367	185	1,870	19,584	15,373	7,601	59,001	
February	-	159	124	75	3,014	2,632	9,346	224	1,276	20,817	17,915	8,335	63,917	
March	1	191	53	151	3,252	2,699	10,385	438	1,059	23,016	18,008	8,120	67,373	
April	-	170	52	152	3,304	2,789	10,264	455	1,371	21,613	18,831	7,880	66,881	
May	-	223	78	152	3,143	3,011	2,344	615	2,836	19,430	18,694	8,465	58,991	
June	-	305	96	129	3,086	3,471	2,376	759	3,336	27,832	18,149	8,717	68,256	
July	2	288	266	105	2,826	3,836	1,499	806	3,332	26,539	15,880	8,225	63,604	
August	-	159	104	52	3,039	4,836	4,479	713	3,228	17,938	14,298	9,055	57,901	
September	-	148	57	36	3,225	5,273	5,835	749	3,111	19,454	15,124	7,193	60,205	
October	22	217	86	69	1,568	3,068	9,890	625	5,327	19,132	10,404	5,067	55,475	
November	48	199	72	269	558	1,438	13,144	562	5,867	20,498	5,794	4,101	52,550	
December	61	286	138	269	449	841	12,783	294	6,855	20,022	4,450	4,620	51,068	
1920														
January	46	287	177	190	369	693	11,603	295	9,503	21,878	4,637	7,227	56,905	
February	29	274	155	162	533	667	12,010	389	12,327	26,091	4,833	9,725	67,195	
March	36	302	190	186	689	1,171	15,069	676	10,738	27,746	6,165	11,697	74,665	
April	3	396	196	309	1,317	2,127	21,562	2,559	15,284	35,398	11,587	15,644	106,382	
May	-	514	252	429	2,646	4,390	25,840	3,384	26,348	38,396	16,242	22,250	140,691	
June	13	624	281	409	4,581	7,130	27,706	4,255	30,370	42,697	22,098	27,874	168,038	
July	5,091	459	328	588	7,887	13,319	25,812	5,818	43,134	36,353	28,552	35,179	202,520	
August	2,240	224	265	765	9,273	18,051	21,908	5,738	55,815	34,019	29,502	38,478	216,278	
September	-	140	261	806	10,091	18,465	21,060	6,618	61,472	37,858	31,711	35,942	224,424	
October	-	76	272	862	9,392	19,233	33,768	8,063	61,036	46,036	30,331	31,580	240,649	
November	119	103	297	777	8,481	18,970	41,430	5,864	67,831	43,958	28,647	29,122	245,599	
December														

Federal Reserve Board, December 21, 1920.