

# FEDERAL RESERVE BOARD

261

WASHINGTON

X-4704

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

October 26, 1926

SUBJECT: Cotton Seed Oil as an Agricultural Product.

Dear Sir:

The Federal Reserve Board has recently been requested to rule upon the question whether crude cotton seed oil is a "nonperishable, readily marketable staple agricultural product" within the meaning of the third paragraph of Section 13 which authorizes Federal reserve banks to discount or purchase sight drafts drawn to finance the domestic shipment of nonperishable, readily marketable staple agricultural products.

After careful consideration of this question, the Board is of the opinion that cotton seed oil is essentially a product of manufacture and cannot properly be deemed an agricultural product within the meaning of the third paragraph of Section 13.

Under date of March 19, 1926, the Federal Reserve Board addressed a letter to all Federal reserve banks (X-4564) wherein it ruled that flour and bran are essentially products of manufacture and cannot properly be considered agricultural products within the meaning of the above mentioned provision of Section 13. This ruling was based upon a decision of the Supreme Court of Kansas in the case of Getty v. C. R. Barnes Milling Co., 19 Pac. 617, wherein it was squarely held that flour is not an agricultural product.

Cotton seed oil is a product of some three or four steps of manufacture which are analogous to the steps involved in the production of flour and bran from wheat and the Board feels that the same rule must necessarily apply to cotton seed oil as to flour and bran.

Very truly yours,

D. R. Crissinger,  
Governor.

TO ALL GOVERNORS.