

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6385

October 9, 1929.

SUBJECT: Sand and Gravel as Readily Marketable Staples.

Dear Sir:

The Federal Reserve Board has been requested to rule upon the question whether sand and gravel may be classified as readily marketable staples, so that the storage of these materials may be made the basis of bankers' acceptances under the provisions of Section 13 of the Federal Reserve Act. Careful consideration has been given to this question in the light of memoranda prepared by the Federal Reserve Banks of Cleveland and New York, the opinions expressed by members of the General Acceptance Committee, and information received from the Department of Commerce in reply to a request from the Federal Reserve Board.

It appears that in the district of the Federal Reserve Bank of Cleveland sand and gravel are shipped during the months of the open navigation season on the lakes to lower lake ports and there stored for use during the winter months. This situation, according to the information received by the Board, does not exist generally throughout the country. A ruling of the Board on a question of this kind, however, must be general in its nature, applying to all Federal reserve districts alike.

The Department of Commerce advises that deposits of sand and gravel occur throughout the United States, and that even the higher grades have relatively low unit value. The materials themselves have little intrinsic value. Production is governed chiefly by local demand and car supply. With certain exceptions, these materials are usually mined by the consumer or marketed directly from the producer to the consumer. The prices received vary considerably according to grade and type, extent of competition and distance to markets. The Board is also informed that the disposition of sand and gravel at a forced sale could be made only at a considerable reduction from the prices prevailing in the trade.

The Federal Reserve Board has reached the conclusion that sand and gravel are not articles of such usage as to make them "the subject of constant dealings in ready markets with such frequent quotations of price as to make (a) the price easily and definitely ascertainable and (b) the staple itself easy to realize upon by sale at any time", as required by the definition contained in the Board's Regulation A, and that accordingly they may not properly be classified as readily marketable staples.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.