



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-212 179

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1938.

SUBJECT: Monthly Report of Bank and
Public Relations Activities.

Dear Sir:

There is inclosed for your information a summary of the bank relations reports submitted by the Federal Reserve banks for the month of February in response to the Board's letter of August 25, 1936 (X-9660).

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

March 16, 1938.

TO The Board of Governors

FROM Mr. Hammond,
Division of Bank Operations

SUBJECT: Summary of Bank
Relations Reports.

Reports of bank relations as requested in the Board's letter of August 25, 1936 (X-9680) have been received for the month of February and excerpts therefrom will be found on the following pages. A table showing for all twelve banks the number of visits made, meetings attended, and addresses delivered has also been prepared and follows the quotations.

The reports reflect a prevailing low level of business activity. In some localities conditions appear to have grown worse since the first of the year, but in others there appears to have been definite improvement.

New York, Cleveland and Atlanta mention an active interest on the part of bankers in F. H. A. financing. This interest appears to be greatest in the field of modernization loans. Philadelphia reports on the other hand that bankers have done very little F. H. A. financing.

New York, Cleveland and Richmond mention a noticeable tendency toward the consolidation of banks of relatively small size, in some cases involving branch operations.

In various districts the activity of banks in developing correspondent business is mentioned. Chicago mentions the case of a country bank in Michigan that is organizing a clearing and collection service among neighboring banks of smaller size which will carry their accounts with it. In connection with the importance with which banks regard the correspondent relationship, the increase in reserve requirements continues to be a matter of some dissatisfaction. It is also mentioned as interfering with investments.

Minneapolis and Kansas City mention particularly the concern which bankers feel over the Patman Bill; there is apparently widespread conviction that the measure is a threat to the independence of the privately managed bank. According to Kansas City, the opposition to the measure seems to be stronger among small banks than large ones.

Excerpts from the reports follow: (The reports themselves are attached to the original hereof.)

Boston

(Boston attended five bankers' meetings but made no visits to individual banks during the month.)

New YorkAlbany and Schenectady Counties, New York

Although there has been some decline in industrial activity in and around Albany, especially in the railroad yards and shops, the volume of general business has been comparatively stable during the past six months and department store sales during the 1937 Christmas season were about equal to the totals of the previous year. Increased activity of the various departments and bureaus of New York State, the primary factor in the Albany employment and general business situation, has tended to offset the decline in industry.

In Schenectady, the General Electric Company's payroll, which remained practically stationary until near the end of 1937, has been declining steadily since the first of the year. Whereas officers of that company in October estimated that business would continue on a steady scale through the first half of 1938, they now predict that 1938 volume may be 50 per cent under that of 1937. The American Locomotive Corporation plant, which employed as many as 3,000 people last year, has been practically closed since January 1 and although the corporation received a small amount of repair work which was expected to carry a limited force through February, there is little prospect of increasing operations during March. Several local banks comment that the working population in Schenectady is more dissatisfied now about the lack of employment than in 1932.

Westchester County, New York

One member bank in Tarrytown (with deposits of \$1,800,000) continues to specialize in Federal Housing Administration mortgages and leads all other institutions in the county in handling this particular class of business. This bank has made almost \$6,000,000 Title II mortgage loans and has actually sold and delivered \$5,620,000 of such obligations. Most of the mortgages granted by this bank are on homes located in Brooklyn and Queens and have been arranged through a mortgage broker in Jamaica, Long Island. Since the enactment of the new housing bill the bank has received applications totaling \$267,000 for 90 per cent mortgages. The directors are so pleased with the experience their institution has had in servicing Federal Housing Administration mortgages that they are now considering the formation of a national mortgage company to service Federal Housing mortgages on large apartment houses. Fifteen other commercial banks in the county have granted an aggregate of \$2,756,000 Federal Housing Administration mortgage loans.

Most of the manufacturing plants have curtailed their operations materially since last October. In Yonkers, the Alexander Smith and Sons

New York continued

Carpet Company, which normally gives employment to 5,500 people, is now employing about 3,000 on a $2\frac{1}{2}$ day a week basis with a weekly payroll of \$55,000 as compared with \$76,000 last October; the Otis Elevator Company is now operating on a 3 day a week basis and has reduced the number of employees from 3,000 to less than 1,500, decreasing the weekly payroll to \$35,000 as compared with \$52,000 last October.

Last October the Chevrolet and Fisher Body plants in North Tarrytown were employing a total of 3,500 workers but during the last two months of 1937 these shops were practically closed. Since the first of this year, however, business has improved to the extent that they have re-employed 2,100 men working on an average of three days a week.

Union County, New Jersey

Bankers generally are welcoming the restoration of modernization and home repair loans as provided by the recent amendment to the National Housing Act, and refer to their good experience with the similar class of loans under the first authority, and to the fact that these loans have given their banks a profitable source of income.

The president of a nonmember trust company made the remark, although not in the form of a criticism, that the increase in reserve requirements had tied up funds that might otherwise have been used to purchase more outstanding mortgage participation certificates (these not being guaranteed by the trust company) in which event the underlying mortgages could have been taken directly into the bank's portfolio with consequent benefit to the earnings of the institution.

The business recession has affected the larger basic industries in this county to a greater extent than the smaller miscellaneous manufacturing concerns. The General Motors Corporation's plant in Linden is at present employing 800 which is less than one-third the number employed last summer, and most of them are now working only three days a week. The Mack Truck division of the International Motor Corporation's factory in Plainfield still has its 500 to 600 employees on the payroll but the plant has been operating only two or three days a week.

The largest single industry, the Singer Manufacturing Company, continues to give steady employment to its normal force of workers numbering about 5,700; and the Diehl Manufacturing Company, a subsidiary of the Singer company making small motors and fans, has some contracts from the Navy Department and continues to operate with an extra shift. The various oil companies including the Standard Oil Company of New Jersey and the Sinclair Oil Company have also maintained steady employment. The Simmons Company, manufacturers of mattresses and furniture, is now employing its normal force of 2,000 after a seasonal lay off of a part of its help.

New York continued

Among some of the large concerns in the Elizabeth industrial area which have been obliged to curtail their operations are: American Type Founders Company, manufacturers of printers' type and printing presses, which is now running at only 50 per cent of capacity; the Dupont Company, manufacturing chemicals and acids, has laid off about half its normal force of 1,000; the General Aniline Works, Inc., manufacturers of dyes, is now employing about half its 2,000 employees; and the American Cyanamid Company is now working only 400 of its former force of 700.

Philadelphia

Throughout the sections of the district visited during February bankers referred to the general business conditions in their respective communities as being fair to good. A business decline was reported in all of the industrial towns. Some improvement; however, has been noticed since the beginning of this year. Heavy industries and those engaged in the manufacture of tools and machinery used in the production of automobiles are slack and little improvement in the latter is expected until automobile output is speeded up. The hosiery, knitting, and other needle industries have operated more steadily than any of the others, providing employment for a large number, the majority of whom are women. The industrial activities in and around Wilmington are operating on a reduced schedule but increased activity is expected in the shipyards because of the Federal Government Naval program.

The agricultural sections enjoyed a fairly good year. Crops did not bring the prices anticipated but because of the large quantities profits were realized. This, however, did not hold true with apples, as large quantities were placed in storage in anticipation of better prices which were not forthcoming. To relieve the market somewhat, the Federal Surplus Commodities Corporation is purchasing large quantities. This is essential as several varieties must be moved very shortly or they will be unfit for marketing. Satisfactory returns from the fattening of steers for slaughter appear to be doubtful this year and bankers fear that the farmers will suffer losses.

Manufacturers and canners developed large inventories because of low prices and poor business conditions but recently have received orders which will permit them to make some sales. As the inventories are liquidated, bank debts are being repaid and in those cases where the banks have borrowed from the reserve bank they, likewise, are reducing their obligations.

Demand for credit accommodation is fair but in most banks the total invested in loans, discounts, and mortgages is decreasing. The prevailing rates charged are between 5 and 6 per cent. Lower rates are charged on prime risks and loans secured by listed marketable collateral. Liquidation

Philadelphia continued

is considered satisfactory. In some instances bankers do not wish their better lines reduced because of the income they provide and their inability to reinvest the funds at a satisfactory rate. There has been very little F. H. A. activity and very few comments were heard regarding the new provisions of the National Housing Act. Comments regarding Federal agencies in most instances were favorable.

Investment accounts continue to be the most vital problem because of depreciation. Depreciation in securities in some of the banks is causing capital impairments. However, at only one bank have the directors been requested to post a guarantee. Few securities other than those of the United States Government are being purchased, banks preferring to hold idle cash rather than to enter the market at this particular time.

Deposits show a general increase and various interest rates are being paid on time and savings accounts. One bank has reduced its rate to 2 per cent on the first \$5,000, and 1 percent on the balance. Others are paying 2 per cent, but the majority continue to pay the maximum rate. Efforts have been made through county associations to have banks adopt a uniform rate but so far have not been successful.

Cleveland

Practically half of the banks visited during February were called upon in connection with the new check collection plan which was made effective January 31, 1938; and the field force was augmented for that purpose by the addition of six extra representatives from the main office, and one extra representative from each of the two branch offices. These visits were limited to banks which usually could take advantage of the later closing hour. The new plan appears to be favored by the majority of banks and there has been a fairly substantial increase in the number of items handled.

While business continued at low and still receding levels there is somewhat of an upturn in certain sections. Signs of improvement are especially noticeable in the Beaver Valley district of Pennsylvania, and in some portions of southwestern Ohio.

A substantial number of banks report declines in demand deposits. Many banks are expanding their own portfolios largely through F. H. A. loans. At some points in northwestern Ohio the demand for credit accommodations mentioned in last month's report continued, and some banks in the reserve cities have commented on some decline in correspondent bank balances.

The pressure of low earnings is encouraging talk of voluntary mergers or consolidations between banks in communities which clearly are over-banked. This is true in sections where no pressure to effect such consolidations has been applied by any of the supervising agencies.

Richmond

We visited only four member banks and two nonmember banks during February; however, our officers had many contacts with officers of member and nonmember banks, both through attendance upon bankers' meetings and visits to our bank and branches by bankers.

The Federal Deposit Insurance Corporation is giving close attention to banks which are in unsatisfactory condition. Small banks in overbanked towns are being encouraged to sell out to or merge with other banks. In some cases unit banks may become branches. We understand that the Bank Commissioners are cooperating with the F.D.I.C. in this program and that they are meeting with fair success.

The Corporation is endeavoring to get nonmember insured banks to charge off or otherwise provide for all depreciation in bonds below the four highest grades, defaulted bonds, and stocks. The Commissioner in one state in this district does not discriminate in favor of bonds in the four highest grades and takes the position that banks should provide for the depreciation in the entire investment account.

Maryland

Due to the diversification of business, the number of unemployed in Baltimore is less than in most large cities. The Sparrows Point Plant of the Bethlehem Steel Company, one of the largest employers of labor in the Fifth district, now employs 20,500 persons three days a week as against a capacity force of 25,000. The comparatively good showing of this particular steel plant is said to be due to several favorable factors including a water front location.

The Glenn L. Martin Company, manufacturers of airplanes, expanded their business and increased the number of employees materially during 1937, and the outlook for 1938 is even better.

The brokers and investment bankers generally are depressed on account of the small volume of security business. Some small firms have gone out of business and others have reduced their personnel.

Virginia and the Carolinas

Tobacco manufacturing has remained stable.

Textile mills are operating on an average of about 50% to 60% of normal, which is a slight improvement over December, 1937. Inventories have been reduced in finished goods and combed yarns. The makers of full-fashioned hosiery continue to occupy a more favorable position than the manufacturers of seamless hose and half-hose. Additional plants for the manufacture of full-fashioned hosiery are in the process of construction in North Carolina.

Richmond continued

Two of the leading furniture manufacturers are operating four days a week and have no excess inventories. The manufacturers of high-grade furniture are doing better than the makers of lower grades. As a whole, they believe business in their line will improve by spring.

AtlantaState of Florida

In February visits were made to twenty-nine banks in central Florida. The principal occupations in this part of the state are general farming, citrus and truck growing, live stock raising and related industries. Considerable damage to truck and citrus crops from cold weather was reported, the estimate of damage ranging up to 50% in some localities. In addition, the price of citrus fruits has proved disappointing.

The matter of exchange continues to be one of considerable interest to many bankers, and probably most of the small country non-member banks visited would be very reluctant to give up this form of income, particularly so when the bankers say they are unable to make satisfactory investments and loans with available surplus funds. The president of a state bank member (which was recently admitted to membership) stated that the bank's membership in the System had resulted in added prestige for the bank. This bank, for competitive reasons, had remitted at par for some time prior to its admission to membership.

The cashier of one member bank expressed the opinion that reserve requirements applicable to small country banks were too high, and that an adjustment should be made which would permit increased earnings. The president of another member bank voiced his approval of the action of the Board of Governors in raising reserve requirements.

One member bank has discontinued the discount of automobile finance paper, largely because of the flooded condition of the used car market. Some of the banks show a decided interest in F.H.A. insured mortgages, while other banks are hesitant, principally because of the long maturities.

In 1937 earnings of a number of the banks were reported to be the best in several years, and in a large number of cases both loans and deposits show an increase over a year ago.

Member banks affiliated with one of the three holding companies located in Jacksonville clear their checks through the principal bank in the group rather than through the Federal Reserve Bank. However, a number of banks not affiliated with any group use their correspondent banks in the collection of checks, in preference to the Federal Reserve Bank.

Chicago

Visiting bankers report business conditions in their localities generally very quiet and bank loans still difficult to obtain. One banker, however, from a Wisconsin town of 20,000 population states that the local banks are having more demand for loans than in the past two or three years, some of these loans being made to manufacturers, some to farmers who are holding barley, and some for the purpose of buying property. He also states that while the furniture factories and foundries are quiet, at least four concerns in his town are running full time.

A banker in a Michigan town of 13,000 stated that he had recently called a meeting of the smaller bankers in his area, comprising about three counties, and arrangements were made for these banks to clear their checks through his bank. Checks received on the smaller banks will be sent direct and accounts charged immediately. The banker feels that this will not only facilitate the collection of items, but will put him in a position to obtain some loans by participating with the smaller banks. He stated that other banks are watching this arrangement with a good deal of interest, and if the plan proves successful it will probably be adopted at other points.

Several nonmember bankers have called here for the purpose of discussing membership and others were interviewed at the Regional Conference at Des Moines, Iowa. As a result, the directors of one of the banks have passed a resolution authorizing the officers to file application for membership; two of them have indicated that they would consider some capital correction; one will decide whether to convert to a National bank; one stated frankly that his bond depreciation would probably make his bank ineligible, while others indicated that they would give the matter further consideration.

During the month, we offered our member banks the privilege of obtaining at cost our publication "Business Conditions" for distribution to their customers. As a result, we have received orders for approximately 5,000 copies monthly for a period of twelve months.

We also advised our member banks that, effective March 21, this bank would extend the time for receiving and handling on the current day deposits of checks drawn on out-of-town par-remitting banks until 6:00 P.M. (Saturdays 5:00 P.M.), credits on such deposits to be deferred from the date of receipt in accordance with our present time schedule.

Chicago continued

This change will permit earlier presentation of a large number of items now held over for the next day's business and will result in correspondingly earlier credit to the sending bank.

St. Louis

During the month our officers and field representative visited 99 banks, of which 51 were in Kentucky, 28 in Arkansas, 15 in Mississippi, 3 in Illinois, and 2 in Tennessee. Following is a resume of the reports covering these visits:

Agriculture, Industry, and Trade:

In the agricultural sections of western Kentucky, there is slight probability of any change in conditions until the harvest season of 1938, unless there should be substantial advances in market prices of cotton and corn over the prices at which Government loans were made. The principal tobacco markets have now closed for the season and while prices were much lower than those for the 1936 crop, the quantity grown was far in excess of that produced during the preceding season. However, a high percentage of the crop was of poor quality and grade, which reduced the income.

The peach crop in Arkansas is about a month ahead this year on account of the unseasonably warm weather. It was stated that in its present stage, the crop cannot stand a temperature of less than 26 degrees.

Cotton in the hill sections is out of the field and very little planting has been done for the 1938 crop. In the Mississippi Delta there was still a lot of cotton in the field, and practically no ground has been broken for the 1938 crop. Very few of the Delta banks have a large volume of CCC loans. The cotton picked since December was of a very low grade and not eligible for the loan. It looks as if the high grade cotton picked earlier in the fall has moved to market, while the low grade cotton is being held. However, the Delta generally appeared to be in good condition, and bankers interviewed were of the opinion that the low price of cotton was offset by the increased production.

January sales by retail merchants in Mississippi showed an increase. This is undoubtedly because the cotton picking season extended over 5 months instead of the usual three.

Commercial banking:

Practically all country banks are looking forward to a stimulated demand for loans as the spring planting season approaches. This is

St. Louis continued

particularly noticeable in the South, where considerable preliminary preparation has already been made in connection with breaking of ground when weather conditions permit. Practically all banks are prepared to supply the credit demands of their respective communities, though in some quarters it will be necessary for them to seek aid through customary channels before the season is completed. Officers of these banks, without exception, state that they are willing and anxious to grant accommodations.

With the strengthening in values of Government securities, as well as those bearing the guarantee of the Government, a keener interest is being shown in this form of investment, and any previous apprehension regarding such securities has almost entirely disappeared.

One banker stated that his difficulty was convincing reserve bank officers that their valuation on livestock covered by chattel mortgages was too low. Last fall this banker needed accommodation for a short period and secured it from his Louisville correspondent at a rate lower than the FRB rate and with less "red tape". Advances to distillers are the principal source of revenue of a Kentucky bank which wished to know whether the reserve bank was ever going to perfect some plan to enable member banks to borrow on warehouse receipts covering whiskey.

Minneapolis

(The following report covers the meeting of Group I, Wisconsin Bankers' Association, Minneapolis, Minnesota, February 22, 1938.)

The principal worry of bankers seemed to be their bond accounts, and the principal topic of interest was our forthcoming member bank conference scheduled for March 12. This conference is being limited to member banks in the district and has been so announced in every letter and piece of publicity, and yet a number of verbal requests were received at the convention from bankers in Milwaukee, from bond men, from nonmember bankers, and from others who were ineligible for permission to attend the conference.

As a result of more than one year's use of the Federal Reserve movie in the public relations program of the Wisconsin Bankers' Association, the bankers of that state have become definitely "movie-minded". Many bankers talked to us about our movie and about the possibility of a commercial bank film being prepared to serve similar purposes. Their association has voted an appropriation of \$8,000 to produce and distribute such a movie, and the bankers seem to be eagerly awaiting its advent.

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Minneapolis continued

One of our officers spent a good share of the day following the convention with the Secretary and Assistant Secretary of the Wisconsin Bankers' Association, going over technical problems in connection with the preparation of the script and scenario for their movie.

Several bankers were deeply concerned over pending Federal legislation, particularly the so-called Patman Bill. They were fearful that this bill, if enacted into law, might prove an entering wedge by the government to take over all the banks, and were hopeful that sufficient opposition would develop to prevent the passage of this bill.

The feeling with regard to branch banking legislation was somewhat mixed; the wide variance in the attitude of the individual bankers dependent on their estimate of its effect upon their local situation.

The matter of competition from governmental agencies was also a point of issue by some of the bankers. It was generally considered that competition by the Production Credit Corporation was unfair, although in most sections not very energetically pushed. Several bankers were hopeful that the Postal Savings System would reduce the rate of interest they were paying so as to bring it more in line with that which many banks felt compelled to pay.

It was generally agreed that the demand for credit was light. The matter of suitable investments for their funds was a problem for many bankers.

Bankers attending this meeting generally reported that their particular sections were suffering from lack of moisture and that unless they received a considerable amount of snow during the remainder of the winter or much needed moisture during the spring and summer, crops would be adversely affected this year.

One of our officers devoted approximately two hours to discussing industrial loans with several of the bankers present. It appears that the recent widespread publicity given the small businessman in an attempt to help him, has created a feeling that the government is about to launch a program to aid business with very little regard for the collateral behind the loan.

After the banquet in the evening, Mr. Orval W. Adams, president of the American Bankers Association, read a paper eulogizing George Washington for his great accomplishments, and endeavoring to compare

Minneapolis continued

Washington's administration to that of Roosevelt's. After the banquet a number of bankers indicated that they were very much disappointed with the paper read by Mr. Adams. Several of them said that they considered Mr. Adams an outstanding speaker and that they came principally to hear him give one of his typical dynamic talks lambasting the present administration.

Kansas City

A Colorado State banker told a representative of this bank that the only thing keeping his institution from becoming a member of the Reserve System was the present reserve requirement. This banker had formerly been a national banker and was familiar with the Reserve System and appreciated its services. This experience is a good illustration of a rather prevalent difference of opinion between country and city bankers in regard to reserve requirements. Because of conditions in recent years, city banks generally have been more accustomed to carrying larger reserves and the increased requirement under present conditions is not a major question with most of them. Country banks, on the other hand, feel the necessity of maintaining satisfactory correspondent balances and many take the position that increased reserves mean reduced investments and hence smaller earnings.

The month of February brought great improvement in the moisture situation over most of the Tenth District. Precipitation in Oklahoma for this month was the largest on record--it being excessive in the southern and east-central portions of the State. Good snows were general over most of Kansas and Nebraska. Winter-wheat prospects are greatly improved even in western Kansas and the panhandle of Oklahoma. It must be remembered, however, that this is only a surface improvement as the subsoil in these states is still bone dry and long wet spells or opportune rains will be necessary to make crops.

Both individual bankers and banking groups have recently shown increased interest in the Patman Bill. Of special significance is the fact that the opposition to this measure seems, if anything, stronger among small banks than large ones. Bankers look upon this bill as a step in the direction of complete unification of the banking system. In a country so large as this, centralization of banking in Washington they believe will necessitate an intolerable bureaucracy.

The upturn in lamb and beef-steer prices in recent weeks is serving to limit feeding losses. Lamb prices fell drastically between the middle of September and the middle of February, but since then have risen nearly a cent a pound. Colorado fattens approximately one-fourth

Kansas City continued

of the country's total grain-finished lambs, this State fattening more than a million lambs annually. In the beet-sugar regions of northern Colorado lamb feeding is extensively employed for utilizing the beet tops and the beet pulp. Beef steers fell from \$17.25 a hundredweight in September to under \$8.50 the first week in February. The high price did not last long enough to be representative and the price range of other types of cattle was not so extreme, but the price decline has been such as obviously to make profitable feeding operations impossible. However, prices are again tending upward and to a degree, at least, are reducing feeding losses.

Reports of the demand for bank loans are somewhat checkered. The best demand is in Oklahoma where bankers in certain sections describe it as being rather brisk with the possibility of considerable rediscounting in the coming growing season. A banker in the irrigated region of south-central Nebraska also reported some demand for loans. He said his institution was meeting the competition of the Production Credit Corporation with respect to all desirable loans. On the other hand, bankers in central and north-central Kansas report little or no demand for funds.

There are few signs of business improvement in this District. Retail trade as shown by department store sales was sharply under February a year ago although this was due in part to weather conditions. Construction activity, which tends to anticipate general business revival, continues highly disappointing. The common explanation of the low state of commercial construction activity is the poor prospect under present conditions of a return on investments in this field.

Dallas

Fifty-two banks, located in various sections of Texas and New Mexico, were visited. Some of these visits were made in connection with annual "group meetings" conducted by the Texas Bankers Association and were therefore too brief to permit detailed discussions of the problems and attitudes of the banks visited.

The vice president of a National bank having deposits of \$25,000,000 expressed the opinion that the Board of Governors should reduce the reserve requirements of country member banks. No other comments or criticisms relating to reserve requirements were heard.

Satisfaction with membership requirements and Federal reserve policies was generally expressed, and the principal complaint voiced by the Texas banks related to the continued low level of earnings. However, a number of banks informed our officers that they are experiencing a somewhat better demand for credit this year than they had in 1937.

Dallas continued

In the rural communities in Texas the matter that appears to be uppermost in the minds of the bankers at this time is the government's program for aiding the cotton producers this year, the details of which had not been announced at the time our visits were made.

In the urban centers local business conditions were described as being fairly satisfactory, notwithstanding the country-wide recession of the past five months.

A unique form of bank relations activities was engaged in by our bank in February when a dinner was given at Houston by our branch at that city for the purpose of bringing our officers into closer contact with the operating executives of the Houston member banks. No bank presidents were invited, the attendance being limited to vice presidents in direct charge of the daily operations of their respective banks.

Conditions in New Mexico and Arizona were found to be somewhat unfavorable, particularly with reference to agriculture, copper mining and the livestock industry. Cotton farmers are reported as dissatisfied with the government's acreage reduction plans for 1938. A reduction in the price of copper from 14 cents a pound to 10 cents has caused an appreciable contraction of activity and payrolls at the copper mines, an increase in savings deposits in expectation of further curtailment of employment, and a slowing down in retail trade.

Price declines in the livestock, wool and mohair markets have adversely affected the position of cattle and sheep raisers in Arizona and New Mexico, although livestock has wintered well, is in good flesh, and a large calf crop is expected during the spring.

San Francisco(Los Angeles Branch)Bellflower

The principal activity in this area is the production of milk. While the supply (of milk in the area) has not increased, the consumption over the last few months has decreased considerably, and this is ascribed to current conditions. Apparently there has been a large conversion from Holsteins, which are large producers of milk with a small butter fat content, to Guernseys and Jerseys, which produce less milk but a higher butter fat content. Some efforts have lately been made by the State Milk Control Board to stabilize milk prices, but court

Los Angeles Branch continued

actions have resulted and the outcome is in doubt. Two of the substantial distributors in Los Angeles have recently taken advantage of 77-B, and it is estimated that upwards of \$50,000 due to producers in this vicinity is tied up, with repayment problematical.

Producers who understand their business and are hard workers are at the present time making a little money. The others are about breaking even.

The outlook is for green feed at favorable prices.

Compton

Situated midway between Los Angeles and Long Beach. The population consists principally of wage earners who work in the various surrounding oil fields. There is a limited amount of manufacturing, principally oil well material, and a certain amount of agriculture. Owing to the character of work in which the population is engaged, the current recession has not been felt to the same degree as in some other lines. The merchants in the town had a good year in 1937, although not as good as 1936.

Since the recent revision of the National Housing Act, increased inquiries have been experienced.

Garden Grove

Located in a high-class valencia orange district. Vegetables, strawberries, and chili peppers are also a considerable source of income to the community. Owing to the freeze in the early part of 1937, last year's valencia crop brought about half of the usual proceeds. It is estimated that the chili pepper crop grown in the vicinity (which probably represents 90% of the total United States crop) returned to the growers approximately the same amount as was returned by the valencia oranges. Conditions this winter, however, have been ideal for the growing of oranges, and unless something untoward in the way of a late frost occurs, the valencia orange crop this fall will probably amount to the second largest in the history of the community.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKSFEBRUARY, 1938

Federal Reserve Bank	Visits to banks			Meetings attended		Addresses made	
	Member	Non-member	Total	Number	Attendance	Number	Attendance
Boston	None	None	--	5	*	None	--
New York	123	44	167	13	5,481	3	593
Philadelphia	48	25	73	5	2,070	2	315
Cleveland	95	56	151	5	2,962	1	50
Richmond	4	2	6	7	2,597	1	250
Atlanta	11	18	29	None	--	None	--
Chicago	2	—	2	4	2,010	None	--
St. Louis	47	52	99	4	485**	1	200
Minneapolis	27	20	47	2	524	2	300
Kansas City	None	None	--	2	478	1	100
Dallas	51	1	52	9	4,629	None	--
San Francisco	12	None	12	15	1,545	1	75

*Attendance not reported

**Attendance at 1 not reported