



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 20, 1940.

Dear Sir:

There is enclosed for your information a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of March 1940, in response to the Board's letter of August 25, 1936 (X-9680), together with a table showing applications for membership received by the Board during the first quarter of 1940.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", is written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

Enclosures 2.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

Applications for Membership Received
by the Board during 1940
(through March 31, 1940)

<u>District</u>	<u>March</u>		<u>This Year</u>	
	<u>Number</u>	<u>Deposits</u>	<u>Number</u>	<u>Deposits</u>
Boston	-	-	-	-
New York	-	-	-	-
Philadelphia	1	\$1,600,000	2	\$2,000,000
Cleveland	-	-	4	7,700,000
Richmond	1	200,000	5	5,000,000
Atlanta	-	-	-	-
Chicago	1	800,000	5	1,800,000
St. Louis	2	1,000,000	6	3,500,000
Minneapolis	2	1,700,000	2	1,700,000
Kansas City	-	-	1	600,000
Dallas	3	1,100,000	5	2,400,000
San Francisco	-	-	-	-

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April 20, 1940.
Not for publication.

EXCERPTS FROM BANK RELATIONS REPORTS FOR THE
MONTH OF MARCH, 1940

BOSTON

During the month of March 37 member and 2 nonmember banks were visited, making a total of 39.

In one large hardware center, a well-informed banker stated that local manufacturers had on hand sufficient volume of orders to warrant the assumption that existing employment and pay roll levels would be maintained throughout the balance of the year. In no community visited were any expressions of pessimism heard, although some bankers felt that the volume of new orders coming in in the case of certain concerns was gradually diminishing. Apparently these bankers felt no immediate concern as to the possibility of a reduction in the pay roll and employment levels in their communities. Retail trade throughout the area visited was reported as spotty. At most points complaints were heard regarding the volume of Easter trade.

Bankers generally complained of the lack of sufficient volume of loans, although apparently there was a slight increase in loans at most of the banks visited. The portfolios in most cases were made up largely of small installment loans and loans on real estate. The current demand was reported as coming largely from this type of borrower. In connection with the loan activities of the banks, there is a marked increase of interest in ways and means of expanding the local demand for loans, particularly the demand for small personal loans.

There is some slight indication of a general lowering of interest rates on savings deposits by member banks in Connecticut. The prevailing rates at the member banks are 1-1/2 to 2%--in most cases the latter rate is being paid. One bank has very recently gone to 1% and two others contemplate lowering their rates to 1-1/2% at the mid-year. The experience of these banks and any decrease in earnings may influence other member banks to follow the lead noted. There is no indication that savings banks contemplate a rate change.

NEW YORK

During March 154 banks were visited, of which 99 were member banks and 55 were nonmember banks.

Bronx, Kings, Queens, Richmond and Westchester Counties, New York

Deposits of the fifty-seven member banks in this area amount to \$359,300,000 and of the ten nonmembers \$92,100,000, an aggregate of \$451,400,000, reflecting an increase of about \$31,000,000 since the last report of visits. The forty-five mutual savings banks have combined deposits of \$1,769,000,000 as compared with \$1,687,000,000 a year ago, showing an increase of \$82,000,000. Of the twenty-one savings banks in the Borough of Brooklyn, sixteen are included among the one hundred largest savings banks in the country, according to a list recently published by the National Association of Mutual Savings Banks.

The security investments of both the commercial and savings banks are concentrated largely in United States Government securities and various State and municipal obligations. Most of the institutions have a fairly substantial net appreciation in their bond portfolios and a number of executives show an inclination to take advantage of present high prices, and sell some of their holdings.

The commercial bankers report a continued lack of demand for business loans and many of them indicate that the aggregate of their loan portfolios is only one-third to one-half of the 1929 volume. Most institutions are endeavoring to increase their loan accounts by advertising for consumer credit, automobile, and life insurance loans, and Federal Housing Title II insured mortgages. In a number of instances competition for these loans has resulted in banks cutting their rates of interest.

Several savings bankers voiced considerable opposition to the State mortgage moratorium law (prohibiting foreclosures if taxes and interest are not in arrears) which continues to be extended from year to year, this law having been enacted several years ago as an emergency measure for the purpose of restoring some degree of stability to the then demoralized real estate market. They believe that the primary purpose of the moratorium has been accomplished and that the best interests of the public will now be served by the passage of some modifying legislation looking toward its complete termination at an early date. It is pointed out that properties in general depreciate in value from year to year, that all savings banks and other lending institutions have many mortgage loans that are high as compared with present appraised values, and that many mortgagors are taking refuge behind the moratorium law although they could well afford to make periodic amortization payments.

Hunterdon, Morris, Somerset, Sussex and Warren Counties, New Jersey

Deposits of the commercial banks aggregate \$120,500,000 (\$75,750,000 being savings) and of the savings institutions, \$17,900,000.

Demand deposits show an increase of approximately \$4,000,000, whereas savings deposits (in the commercial and savings banks) show a decrease of about \$1,000,000, which is due chiefly to the reduction in the interest rate to 1 per cent last July by order of the Commissioner of Banking and Insurance of the State of New Jersey. Most of the officers of these banks notice a slowing-up in new savings deposits, and banks within the commuting zones of Morris and Somerset Counties are losing some accounts to the savings banks in New York City, which continue to pay a 2 per cent rate. The earnings of all of these banks during the last six months of 1939 reflect some benefit derived from the lower interest rate, but several bankers still feel that a 1 per cent rate destroys the incentive for saving and will eventually prove costly to banks. Many officers, however, approve the action of the supervisory authorities in lowering the rate since it permits their institutions to place more emphasis on the quality of investments and less on income.

Security investments of all banks amount to approximately \$65,500,000, of which \$35,000,000, or 53 per cent, are United States Government issues, direct or fully guaranteed. The majority of these institutions show an increase in the amount of their holdings of Government bonds, the aggregate now being \$1,700,000 greater than at the time of the last visits whereas other bonds have decreased nearly \$5,000,000. One bank's account consists entirely of \$900,000 United States Government issues. There is, in general, a preference for the shorter term securities, particularly United States Government obligations, and in several instances banks have switched from long- to short-term Government issues. The executive officer of one institution states that one-third of its \$3,600,000 security account is in short-term Governments which with available cash will, he believes, enable his bank to take advantage of any drastic reaction which may take place in market values.

Officers of member banks are friendly and appear satisfied with membership in the Federal Reserve System. The officer of one member trust company referred to the difference in methods used by Federal Reserve examiners and those of the State Banking Department in valuing Group II bonds--the former using the eighteen months average price whereas New Jersey State examiners use current market prices--and he expressed the view that one method or the other should be used by both supervisory authorities. The executive officer of a national bank criticized the examiners for pressing him to sell substandard bonds when, he says, insured State banks in some instances are given five to ten years to dispose of large holdings of other real estate, on which the prospects of ultimate recovery appear to him to be less favorable than in the case of his bonds. Furthermore, he does not feel that the

ratings of bonds by outside agencies should be accepted by the Comptroller's office as the final test as to the fitness of a security for bank investment. Officers of two banks say that the examiners are responsible to some extent for the decline in their loans, one saying that criticisms have caused his directors to be reluctant to lend money, and the other that the pressure for collections due to examiners' criticisms, has discouraged good borrowers.

The chief industrial area in these counties is centered around Bound Brook in Somerset County, in which are located such nationally-known concerns as Calco Chemical Company (a subsidiary of the American Cyanamid Corporation), the Johns-Manville Corporation, Bakelite Corporation, Sherwin-Williams Company (Insecticide Division), Ruberoid Company, and Pathe Laboratories. The combined pay rolls of all concerns in this vicinity amounted to approximately \$9,000,000 in 1939, with between 8,000 and 9,000 workers employed. It is reported that business at some of these companies has "tapered off" somewhat since the first of the year but operations are being maintained at good levels and employment has been little affected.

PHILADELPHIA

During March 71 banks were visited, of which 47 were member banks and 24 were nonmembers.

Bucks, Northampton, Pike, Monroe, Wayne, and Susquehanna Counties, Pennsylvania

The six counties visited have an area of 3,710 square miles and a population of 364,000. Total resources of all banks are \$164,900,000, an increase of \$6,935,000 during the past year.

Conditions are satisfactory throughout the area and, although many bankers stated that there was evidence of a decline in industrial activity, they were satisfied that 1940 to date has been better than 1939. One prominent banker located in one of the larger cities said that factory operations in his community were dependent to such a great extent upon war orders that he was fearful of the effect if such orders should cease. In general, however, a continuance of the present good conditions is expected at least for several months.

Activity at the Bethlehem Steel Company at Bethlehem has increased to the point that 5,000 additional workers are being employed making the present total between 11,000 and 12,000. Some idle silk mills in this same community are being equipped to manufacture nylon hose and are expected to reopen about May 15th.

In one county two idle mills are to be reopened and are expected to employ about 500. Two other concerns located elsewhere were said to be increasing their forces as a result of the development of new products.

The condition of the farmer was said to be more favorable than a year ago, although it will be noted that many located in the northern counties suffered considerable loss by being unable to ship milk because roads were blocked by snow.

Railroad operations have increased to the extent that employees of the Erie Railroad, furloughed for as long as eight years, have been recalled to the Port Jervis, New York, yards, although at present some are on part time.

The real estate situation presents the major problem to many of the banks. The market in general is dull, although good rents are being obtained. The banks concerned are giving special attention to this problem but their success thus far has been small. There is but a negligible amount of new construction; in fact it is considerably less than a year ago and there are no indications of an early increase of this activity.

There has been an increase in credit demand, although the applications are usually for small amounts, and generally come within the classification of installment loans. Some FHA credit has been extended but only a few of the banks have been able to obtain a substantial volume of loans which meet the requirements.

Investment accounts were reported to be in much better condition than a year ago, the chief concern today being the poor investment opportunity resulting from present high prices. Several bankers expressed the opinion that present prices, particularly of Government issues, are too high and that there would shortly be some recession from these levels.

Nonmember bankers have been much more inclined to discuss membership in recent months than for several years. While they realize that little savings can be effected by the change, their sympathy with the general objectives of the System and the belief that there may come a time in the future when the facilities of the System will be of greater practical value are the chief factors prompting this revival of interest.

Officers of nine banks were interviewed this month specifically to learn why they had not expressed a desire to have their banks

in the System. As a result, one institution has invited us to examine it for membership, two others are definitely interested, one bank will join if its present capital is found to be satisfactory, while one whose president is very friendly to the System said that the present attitude regarding Title Departments kept his board of directors from evidencing greater interest.

CLEVELAND

Of the 210 banks visited in March, 135 were member banks and 75 were nonmember banks.

During the month of March two State banks, with aggregate resources of \$3,740,000, were admitted to membership.

A nonmember State banker in Kentucky has frankly stated that he is not interested in membership by reason of the difference between the Kentucky State reserve requirements and those of the Federal Reserve. His business is extremely seasonal, and at times the added reserve requirements would be burdensome.

In the State of Pennsylvania a nonmember State banker stated that "the main objection to membership is reports required and more supervision". Another banker in Pennsylvania stated that "if it was not for the worry over a lot of regulations and additional reports he would like to see his bank become a member of the System." Another banker in a small State nonmember bank has indicated that he is obligated to retain his two correspondents and does not have sufficient funds to maintain balances with them and with us. Still another banker contends that his bank "has made satisfactory progress without membership and does not believe that we could be more helpful than correspondent banks."

Another institution reports that it has lost several good real estate loans to insurance companies despite a reduction in their rate to 5%, which, however, they indicate is their minimum. This bank is refusing any new time deposits and is maintaining only time accounts of regular customers. A bank in north central Ohio reports that they have been solicited by out-of-town corporations to accept time deposits at their prevailing rate of interest. The officer interviewed stated that he had just replied to an insurance company and another corporation answering both requests in the negative. This is the second bank this week in which this situation was mentioned.

A Kentucky bank recently reduced interest on time deposits from 2-1/2 to 2%. It is reported that such deposits continue to increase

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despite the fact that banks in neighboring towns continue to pay the maximum rate.

RICHMOND

Fifty-one banks were visited during the month of March, of which 25 were members and 26 were nonmember banks.

Baltimore, Carroll and Frederick Counties, Maryland

A member bank in Baltimore County, having ventured into the field of personal loans, reports that results in that field have been quite satisfactory, with losses negligible. Opinion was ventured that the small loan field might become overcrowded.

Investments of this bank are almost wholly in Government, State, and municipal bonds. Of the holdings of Governments, practically all are short term. The policy of the bank is against the purchase of corporate bonds. Deposits are stable with interest of one per cent paid in the savings department.

A bank in Frederick County, where the chief source of income is derived from the B. & O. Shops, reports the employment has been large and steady for about six months.

North Carolina

Cabarrus County, though an important agricultural area, derives its principal income from fifteen textile mills located in and around Concord, the county seat.

The textile mills--with the exception of four hosiery mills--had been operating full time for many months until recently, when operations underwent some curtailment. Practically all of the mills have discontinued the third shift concurrent with a reduction in demand and price of cotton yarn. The cotton mill which went into receivership in May 1939 is now operating the modern part of its plant under the receiver. It is understood that such operations are carried out on a profitable basis.

Demand for bank loans was active last fall, and while at present loan demand cannot be called active there is, nevertheless, a tendency for loan portfolios to expand. In one bank regular loans had declined \$2,000 from a year ago but this had been more than offset by an increase of \$12,000 in personal loans. The bank in question has

been operating a personal loan department since 1924, and now has nearly 40 per cent of its loan portfolio in this type of paper.

Of the two banks interviewed in Rowan County, one making a practice of active solicitation and doing a good business in personal and mortgage loans, has shown a steady increase in loans outstanding over the past year. The other bank, adhering to traditional practice, has a loan volume 3 per cent below last year's level. The banks here at one time handled a large volume of farm paper, but this type of loan is now practically non-existent. This development is attributed to soil conservation and benefit payments rather than to competition from other lending agencies. These payments have relieved farmers of the necessity of borrowing.

ATLANTA

During the month of March 70 banks were visited, of which 37 were member banks and 33 were nonmembers.

Eastern Central and Central Alabama

With few exceptions, the banks visited reported favorable earnings in 1939, and a number showed an increase over the previous year. Deposits are generally higher than a year ago, and the demand for production loans is said to be satisfactory.

The interest rate on savings accounts was recently reduced by the Montgomery banks from 2-1/2% to 2% on the first \$1,000 and 1% on amounts in excess of \$1,000, and it is reported that very few accounts were lost as a result of this action. Although some of the banks continue to pay 2-1/2% on time deposits, 2% is the average rate throughout the area. The average rate charged on commercial, automobile, and personal loans is 6%, while 8% is generally charged on agricultural production loans.

Western Florida

Pensacola bankers informed the representative that business conditions there have shown considerable improvement during the past year. Increased activity at the U. S. Naval Station and Aviation Training School has served to greatly stimulate retail trade and general business activity. Considerable residential building has been required to cope with the rapidly growing demand for housing facilities.

Southwest Georgia

Crops were generally poor throughout this area last year because of unfavorable weather conditions. Most seriously affected were

the counties in the extreme western section adjacent to the Alabama State Line, where it is reported the cotton and corn crops were practically complete failures. As a result, supply merchants and bankers experienced very poor Fall collections, and banks were forced to renew considerable numbers of crop loans. In some communities, as a result of decreased deposits and the unusually heavy "carry-over", the banks are pressed to meet the current seasonal demand for agricultural credit. A large number of farmers in these counties have obtained loans from the Disaster Loan Corporation, and disbursements of funds are being made to meet Spring requirements.

Considerably more favorable conditions were reported by bankers located in Grady, Thomas, Dougherty, and Sumter Counties. The crop shortage was less severe in this section, and, because of the highly diversified agricultural activity in these counties, farmers' incomes last year were said to have been entirely satisfactory. Principal crops of this section are tobacco, peanuts, cotton, corn, sugar cane, truck, and vegetables, while the cattle industry is rapidly growing into a most valuable asset throughout Southwest Georgia.

Most of the bankers in these counties reported good earnings last year and consider present conditions favorable. Fall liquidations were good, deposits are said to be generally higher than a year ago, and current demand for loans is good. Very little activity of Government lending agencies was reported in this section, and none of the bankers complained of competition from this source.

A number of member banks in this territory do not use the check clearing facilities of the Federal Reserve Bank but send all cash items direct to city correspondents. It was learned that this is done principally to avoid the necessity of assorting the checks.

Many of the nonmember country bankers feel that they are already enjoying most of the benefits of membership through facilities offered by their city correspondents.

CHICAGO

During the month of March 42 banks were visited, comprising 31 member banks and 11 nonmember banks.

A banker in South Bend states that the Studebaker Corporation is unusually busy and is selling all the cars that it can make; that the Bendix Corporation is also very active, having a backlog of orders that will last for eighteen months. Practically all of the other manufacturing interests there are operating at normal or better;

in fact, one of the smaller companies reports that it has a backlog that will last for two years and that it has not accepted any war orders. This banker made the comment that he had not heard a retail merchant complain in six months. The opinion was expressed that a good deal of residential building was being entered into by so-called "uninformed buyers", men in the low earnings bracket who have never before given any thought to owning homes and who are susceptible to high-pressure salesmanship. Example: one loan of \$4,900 was submitted to a bank--an appraisal by an experienced contractor disclosed that the material in the building could not possibly be worth more than \$2,300.

Little change has taken place over recent weeks in the Chicago district steel industry. Where increases were reported, they could be ascribed chiefly to miscellaneous sources of demand, as the automobile industry appears to be pursuing a hand-to-mouth buying policy. Some of the major steel companies have advanced export prices to a level approximating domestic prices.

Production of automobiles held steady through March at a level averaging slightly over 100,000 units per week. Total output for the month is estimated at around 450,000 cars and trucks, which volume represents an increase of only 7 per cent over February but one of 17 per cent over last March. It is not expected that April production will show the usual expansion over March, because of the currently high level of dealers' inventories.

ST. LOUIS

During March 194 banks were visited--29 member banks and 165 nonmember banks.

Agricultural Conditions

In Mississippi cotton is the chief money crop, although feed crops for livestock are also produced. In the northwest section, last year's crops were poor because of drought. Marshall County, which raised 26,000 bales of cotton in 1938, produced only 5,000 bales in 1939. The unfavorable yield of feed crops here has led to unusually large purchases of hay and corn in Arkansas and Missouri. Farmers in Montgomery County, who usually furnish corn and other feed to the Delta section, were forced to use feed from the Delta section during the past winter. Crop conditions in Holmes County, which is near the center of the State, were reported as spotty, despite the fact that the 1939 cotton production exceeded the 1938 total of 43,000 bales. Some planters reported 1-1/2 bales per acre from land which formerly produced less than one bale. Conditions nearer the center of the State were reported

as being better generally than those in the northwest section. Preparations for this year's activities are progressing nicely although the cold weather has been somewhat of a hindrance.

Bankers in counties located in the southeast corner of Missouri reported excellent crops for 1939. While cotton is the main crop, considerable wheat and feed crops are also produced. Much of the cotton was sold shortly after being picked instead of being held for a higher price. On the whole, farmers were satisfied with their 1939 income and are optimistic concerning the coming year.

In March the Federal Reserve Bank distributed the annual study of operating ratios of Eighth District member banks. The ratios of each bank were inserted on the form sent to its designated officer. There has been much favorable comment regarding this service.

The cashier of an Indiana nonmember voluntarily introduced the subject of membership and stated that he desired his institution to join, but was barred because of insufficient capital account operation of a branch. The cashier of another Indiana nonmember stated that his bank is in the same position. It was suggested to these officers that separate corporate entities be formed for the branches. They were disinclined to do this, but made the counter-suggestion that the present regulation be modified to cover contingencies such as theirs.

MINNEAPOLIS

During the month of March 13 banks were visited, of which 10 were member banks and 3 nonmember banks.

At the request of the Northwestern National Bank & Trust Company of Minneapolis, there was placed in their windows in their bank building at Sixth Street and Marquette Avenue South, a Federal Reserve Bank display of currency operations, including a sorting and counting machine, the upper halves of cut currency, dummy packages of currency and coin from the Treasury Department, chart material, an illustrated map of the Ninth District, pictures of the Federal Reserve Building in Washington, photographs of the various operating departments, movie equipment used in exhibiting the talking picture "Back of Banks and Business", and the book distributed by the Board of Governors entitled "The Federal Reserve System--Its Purposes and Functions".

The Northwestern National Bank & Trust Company said that the display attracted very favorable attention. Their Lincoln Office is now using a part of the same display in the windows of its bank building on Eighth Street and Hennepin Avenue.

The third Member Bank Conference was held on Saturday, March 16, with a total registration of 953. Six hundred and forty-three out-of-town bankers registered at the Reserve Bank in the morning and devoted the forenoon to visiting with the officers and other bankers in attendance while many others toured the bank.

Mr. F. A. Amundson, Commissioner of Banks of Minnesota, called a meeting of the supervisors of credit unions of several of the north-western States, and the facilities of the Bank were extended for this meeting on March 15, the day preceding the Member Bank Conference. State bank and credit union supervisors from the following States were in attendance: North Dakota, South Dakota, Minnesota, Wisconsin, Michigan, Iowa, Illinois, and Indiana. The Bank entertained this group at luncheon. At an informal dinner in the evening, the group just mentioned were guests of honor, and invitations were extended to the presidents, vice presidents, and secretaries of the State Bankers Associations within the Ninth District. The Bank had as its guests also the Federal Deposit Insurance Corporation supervising examiners from the St. Paul, Minnesota, and the Madison, Wisconsin, offices, and the Ninth District Chief National Bank Examiner.

An innovation in the operating ratio study was introduced this year. The Bank has attempted to show the range of certain ratios by taking the average percentage of the highest 25% of the banks in a given group for that particular ratio and the average percentage of the lowest 25% of the banks in the same group. It was felt that this addition to the study would be valuable. It will permit the individual bank to determine more closely the degree of variance between its figures and the averages.

KANSAS CITY

During the month of March 84 banks were visited, of which 55 were banks belonging to the System and 29 were nonmember banks.

Southwestern Oklahoma

Bankers call attention to great changes taking place in the cotton country that have an important bearing on the problem of operating banks. In the extreme southwestern part of Oklahoma the AAA program has reduced cotton acreage, and feed and other crops are being stimulated. Nearly all small farms have more cattle and sheep than a year ago. In particular, there has been a large increase in dairying and the Farm Security Administration has been helping former cotton tenant farmers to purchase milk cows. One by-product of this shift to livestock and diversified farming, bankers say, is that both deposits and loans do not fluctuate so widely as formerly.

Considerable dissatisfaction was found with the farm program. This program is said to be making small farming unprofitable, and small farms formerly operated by tenants are now being combined and farmed with tractors. The former tenants are either working on WPA projects or have gone to California. One banker said that 25 per cent of the farmers in his territory had quit farming in the last five years.

Banks in this region are not as a rule greatly interested in, or well informed regarding, United States Government securities. However, some disappointment was found that banks can no longer purchase savings bonds. A good many hold local municipal bonds and generally report a favorable experience with them. One banker, however, reported that on September 20, 1939, he purchased \$100,000 worth of Government securities under par and recently sold them at a profit of \$6,210.93. This profit was equal to 25 per cent of the bank's capital. This banker says he will not repurchase at present bond prices.

There is a great interest around Blair and Altus in irrigation projects. Government engineers have completed plans for one on which the Bureau of Reclamation will spend \$5,000,000 and the WPA \$2,000,000. The dam would be about seven miles north of Blair in the Navajo Mountains across the north fork of the Red River. The lake would be ten miles long and would hold about 163,000 acre feet of water, or enough to supply thirteen inches a year to the 70,000 acres in the district. It is estimated that the water will cost about \$2.70 an acre per year. Bankers in that territory are greatly interested in this project and if it is completed they are agreed that it will greatly change farming conditions. One of the crops they are expecting to raise because of their long season is sugar-beet seed. The United States requires from 15,000,000 to 20,000,000 pounds of beet seed annually and at present secures its supply principally from Europe--mostly from Germany and Russia. Recently some irrigation from wells has been done in this region and the results are pointed to as evidence of what more water will do.

In the territory covered by the March visits quite a little wheat abandonment had already taken place. Where there is less than a third of a stand, the Government crop insurance appraisers are willing to call it a total loss and let the farmer plow it up. Already a good deal of this has taken place, the land being planted to oats and row crops.

DALLAS

During the month of March 46 banks were visited, of which 27 were member banks and 19 were nonmember banks.

Northwest Texas

Fifteen member banks and four nonmembers located in the "Panhandle" region of northwest Texas were visited during the month. Cattle and cotton are the principal products and chief source of income in this area, although some wheat is produced.

The cotton crop last year was sharply curtailed both by unfavorable weather conditions and by acreage restrictions. As a result, there is a somewhat more active demand for credit this year in most of the communities visited, and business conditions are only fair.

The bankers feel that although the Government's farm program unquestionably benefited the producers greatly when it was first put in operation, it is now driving tenant farmers away from the farms in growing numbers and aggravating the relief problems in the towns and cities to which they have migrated in search of other means of support.

Drought conditions have adversely affected Southwest Texas for the past two years. However, present prospects are encouraging, as topsoil moisture is sufficient to start corn and permit planting of cotton early in April.

An increased demand for bank credit is in evidence, particularly on the part of farmers affected by drouth conditions.

SAN FRANCISCO

In March 37 banks were visited, comprising 31 member banks and 6 nonmember banks.

Southeastern Washington and Northeastern Oregon

Reports from this section are that the winter wheat stand is in excellent condition and that seasonable weather has permitted the planting of large acreage of spring wheat. Assuming that the district will be favored, as it usually is, with rains in June, it is believed that more wheat will be produced this year than last year.

Livestock outlook is also bright, stock coming through the winter nicely, with one less month of feeding due to spring pasture and range furnishing feed earlier than in normal years. This will cut down the cost materially and if present prices continue it should result in a profitable year.

This same district annually cans peas which are grown on land which would normally be summer fallowed. The production last year of

more than two million cases was equal to about 17 per cent of the national production of 16 million cases. The outlook for this year is for a larger production of canned peas, but also the national outlook is larger; therefore, the district may not maintain such a high percentage as a whole.

Small irrigation districts are located in the section and the outlook for the small farmers on irrigated tracts which produce turkeys, chickens, dairy products, early vegetables, etc., is normal for this time of the year.

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PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

March 1940

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	37	2	39	-	-	1	183
New York	99	55	154	9	3,432	5	635
Philadelphia	47	24	71	3	2,270	3	950
Cleveland	135	75	210	6	928	3	302
Richmond	25	26	51	6	1,378	3	500
Atlanta	37	33	70	3	<u>1</u> /	-	-
Chicago	31	11	42	2	1,050	5	390
St. Louis	29	165	194	4	935	2	65
Minneapolis	10	3	13	6	1,030	4	185
Kansas City	55	29	84	4	940	2	95
Dallas	27	19	46	1	800	-	-
San Francisco	31	6	37	16	1,053	6	543

1/ Not reported.