



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

184

R-825

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1941

Dear Sir:

There is enclosed for your information a table showing, among other things, the number and aggregate deposits of State banks admitted to membership in the Federal Reserve System during 1940 and the first quarter of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of March.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. - March 1941		Banks admitted to membership during 1940		Number of nonmember commercial banks with sufficient capital stock to meet the minimum statutory requirements for Federal Reserve membership*				
	Number	Deposits	Number	Deposits	Total Number **	By size of deposits—			Number on Par List
						Under \$1 million	\$1 - 10 millions	\$10 millions and over	
Boston	0	0	0	0	141	45	87	8	141
New York	18	38,500	8	12,026	224	76	126	21	224
Philadelphia	2	2,800	4	3,777	225	101	108	13	225
Cleveland	4	1,200	25	37,595	475	327	139	6	474
Richmond	3	1,100	18	21,868	394	301	86	7	232
Atlanta	1	700	3	5,298	484	415	65	2	52
Chicago	14	14,100	62	74,483	1,219	1,008	200	10	1,079
St. Louis	4	1,800	21	12,412	664	578	78	3	434
Minneapolis	0	0	9	10,382	420	391	27	0	78
Kansas City	0	0	10	14,197	487	459	28	0	402
Dallas	2	1,100	24	21,154	282	253	29	0	174
San Francisco	2	800	4	5,125	194	138	37	9	182
Total	50	62,100	***188	218,317	5,209	4,092	1,010	79	3,697

* These figures are as of December 31, 1939, the latest date for which such data have been compiled.

** These totals include, and the distribution by amount of deposits excludes, 28 banks with no deposits or for which deposit figures were not available.

*** Excludes two banks organized to succeed national banks, one organized to succeed a State member as part of a rehabilitation program, and one organized to succeed a State member whose charter had expired.

April 26, 1941
Not for Publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF MARCH 1941

BOSTON

Southern New Hampshire

Lending rates were unchanged, few loans being made for less than 6 per cent. The only general complaint heard was the inability to employ a greater amount of bank funds.

Two of the bankers visited referred briefly to the branch banking bill now before the New Hampshire Legislature and intimated that the bill was not supported generally by the majority of the bankers in the State.

NEW YORK

During the month of March six State institutions completed membership--a total of eighteen new banks since January 1--and four applications were received.

The Eastern Regional Conference on Savings and Commercial Banking sponsored by the American Bankers Association was held at the Waldorf-Astoria Hotel, New York City, March 5 to 7, with a registration of approximately 1,150. The theme of the conference was "Improved Banking Service Through Effective Cooperation". Emphasis was placed on the panel type of discussion and the principal topics on the program were defense loans, agricultural and consumer credit, current economic developments, public relations, and savings bank life insurance.

PHILADELPHIA

Southeastern New Jersey

The resort business last season was not good but, because of business activity and the curtailment of ocean cruises, indications are that 1941 will be a banner year if weather conditions are favorable.

Several bankers of Trenton, the State capital, complained that their city has not as yet felt the upswing from defense work as compared with most other industrial cities, pointing out the fact that, with the exception of an \$8,000,000 defense contract recently awarded to John A. Roebling's Sons Company, Government contracts thus far have been small in amount. Other industries, particularly those located in the Camden area, are busy and the New York Shipbuilding Corporation, which is employing about 11,000 men, was reported to have unfilled orders on hand sufficient to maintain steady operating schedules for a period of about five years.

Conditions in the farming sections show little change as compared with a year ago. One banker reported that, because of poor crop yields and low prices last season, many of the farmers indebted to this bank were unable to reduce their obligations last fall, with the result that the volume of farm loans carried over from the 1940 season was greater than that in either 1938 or 1939. Poultry raising is growing in importance as a source of farm income because of the satisfactory returns for poultry and poultry products.

CLEVELAND

Such comment as has been offered by bankers visited during the month with respect to the five-point program of the Board has been in support of the Board's position. As one banker expressed it, "any necessary steps, no matter how drastic, should be taken to prevent inflation". Another banker expressed his belief that the experience gained by bankers following the first World War will prevent their making the same mistakes if inflationary tendencies again develop. On the other hand two bankers interviewed during the month are concerned over the effect of an increase in required reserve on the bond market.

RICHMOND

The majority of textile mills in the Fifth Federal Reserve District are operating near capacity, with three shifts of five days per week, and many mills are operating on Saturdays. Plant additions are under way at a number of mills, and further extensions are likely if the present scale of operation continues for a considerable period. Wage increases, varying from 5 to 7-1/2 per cent, were fairly numerous among the mills

of the Carolinas in March. Employment outlets offered by defense projects are expected to create a serious shortage of farm labor in many parts of the Carolinas, particularly during the harvest seasons for potatoes and strawberries.

Maryland

A contract was awarded to the Bethlehem-Fairfield Shipyard at Baltimore, in March, for 50 of the Maritime Commission's order of 137 cargo vessels. Bethlehem's award was given as \$75,000,000, base cost figure, and calls for delivery of the first ship in 305 days and the fiftieth in 730 days.

In trying to bring new sources of employment to Cambridge, Maryland, the Chamber of Commerce of that city has acquired all the capital stock in a hosiery mill that formerly was in operation there.

Virginia

The Clinchfield Coal Corporation, which operates non-union collieries at Clincho and Dante, Virginia, announced a wage increase of 10 per cent for all employees. These mines are still operating full time while union mines are shut down.

Farmers around New Market, in Shenandoah County, Virginia, are expected to increase their cattle herds by about 20 per cent this fall in the belief that the price of beef would rise as a result of national defense stimulus to business.

West Virginia

Production of coal in West Virginia during March is estimated to have been 12,000,000 tons, or an amount greatly in excess of the normal for that month.

North Carolina

The North Carolina Shipbuilding Company of Wilmington received a contract in March for 25 cargo ships at an estimated base cost of \$37,500,000. Construction is in progress on a six-way shipyard to cost \$5,140,000, in which yard the above ships will be constructed.

South Carolina

The growing of a new crop, from which paprika will be produced, is being undertaken in Dillon County. Two hundred acres are being planted this year, with 1,000 acres expected next year. A mill

for grinding paprika is also being constructed. This is just one more instance of the crop diversification taking place in South Carolina.

Thirty-four contracts for construction and equipment, amounting altogether to \$25,500,000, have been awarded by the South Carolina Public Service Authority for work on the huge Santee-Cooper hydro-electric project. The proposed total outlay on this project is \$43,000,000.

ATLANTA

Work is progressing on a project which will make Pearl River entirely navigable from Bogalusa (eastern border of Louisiana) to the Gulf, thereby providing a means of low rate water transportation for bringing raw materials to and shipping of the finished products from the industries of this immediate area. It is expected, however, that from one to two years will be required for the completion of this project.

CHICAGO

A banker in Detroit informs us that it will be necessary to import a great deal of labor in that area, for it is estimated that by July 1 there will be 100,000 more jobs than men to fill them.

Automobile production for the month of March was the highest since March 1929.

Some steel companies are out of the market for the remainder of the year. One company has written to all of its customers that it is accepting only such orders as can be included in the 1941 schedules and those only in relation to previous sales; no orders for 1942 delivery will be accepted at present except defense items.

ST. LOUIS

In the section of Indiana visited agricultural conditions last season were mainly favorable. Tobacco did not turn out as well as expected owing to reduced yields, inferior quality, and low prices toward the end of the marketing season. However, this disadvantage was offset by success of other crops and by substantial revenues derived from live-stock production and Government benefit payments. The numbers of cattle, it was stated, are increasing, and in some sections are half again as large as a year ago. Farm help is reported scarce.

Aside from tobacco, on which prices were very disappointing, the area in Kentucky visited also had a favorable agricultural season in 1940. Livestock raising has been increasing steadily in recent years, and dairying is extensively practiced and profitable. Outlook for wheat and other fall sown grains at mid-March was unusually good, and the same is true of tree fruits.

At Charlestown (Indiana) is located one of the largest powder plants in the United States, operated by the DuPont Company. In that and adjacent communities there is a veritable boom. Normally the town has a population of about 650, which has been swelled to more than 4,000. In virtually all towns visited, bankers reported little unemployment, and trade is brisk. Near DuPont a tract of 60,000 acres is being developed as a proving ground by the U. S. Army. The plant of the Louisville Cement Company at Milltown is operating with a greatly increased force. In the area about New Harmony approximately 100 producing oil wells have been drilled during the past year.

It is generally admitted that Louisville (Kentucky) and surrounding territory has been exceptionally fortunate in the number of projects received. Local industrialists estimate the pay rolls for 1941 in the Louisville metropolitan area will approximate \$190,500,000, compared with a normal yearly pay roll of \$100,000,000, or an increase of 90.5 per cent.

A Mississippi national bank officer is considering a plan to expand the bank's loans to farmers. He proposes to employ a man, who was formerly County Agent, to make a survey of all farms in the county and to solicit the business of the more desirable accounts. The bank charges a rate of 8 per cent and he proposes to set aside 2 per cent as a reserve. The field man would spend his entire time inspecting the farms and advising the customers.

MINNEAPOLIS

Southeastern Minnesota

"You can run a bank in your sleep these days" was the way one banker expressed banking conditions in this area. Earnings have been excellent.

If you want to see a blank stare of uncomprehension, try to explain to a small nonmember banker why the Government does not want to sell him savings bonds. He has no Government bonds today except savings bonds--no depreciation in his bond account--they are

just as good as cash--they afford a good yield--they are the best investment for a country bank. You say that bank deposits might grow to a point where they would encourage price inflation. He says that deposits won't grow in his bank on this account--he only invests money left on deposit with him by farmers who are having the best year since 1920. Would larger bank deposits cause inflation? Well, perhaps, but he has never financed speculation. He is all for holding down the price of things that the farmer buys so that the present good farm product prices will give the farmer a chance to catch up on his repairs and replacements--anyway, it isn't the banks but the labor unions that make higher prices.

Butter fat sold at 38 cents and whole milk at 41 cents. The price rose a half cent a pound while our representative was on tour due to the Government's purchase of dairy products for export, (rumor said to England). Dairy cows were selling at a premium, prices ranging from \$80 to \$125.

Farmers expect to pay \$65 a month plus board and room for farm hands. Another result is that all kinds of labor saving machinery such as tractors and milking machines have been in unusual demand this spring.

Lakes Region in Minnesota and Wisconsin

The most important industry in this region is the mining and shipping of iron ore. Last year 64,000,000 tons were shipped from the ports of Duluth, Superior, and Two Harbors. It is estimated that under the present wartime pressure 75,000,000 tons will be shipped from these ports, setting an all-time record.

Technological improvements in handling iron ore made in the last few years have materially reduced pay rolls and, consequently, the record-breaking tonnage shipped from these parts is not reflected proportionately in increased business activity as compared to ten or fifteen years ago. At the port of Two Harbors where 10,000,000 tons were handled in 1940 sixteen train crews and 135 dock employees were used, as compared to 48 train crews and 600 dock employees a few years ago, even though the tonnage is now greater than in years gone by.

Southern Minnesota

A number of the bankers told our representative their farmer customers expect their help in preparing income tax reports and it is getting to be a real problem to handle them. One bank arranged with a firm of income tax experts to have the experts spend several

days at the bank and then placed an ad in the local newspaper, advising customers that the service would be available for a reasonable fee. This seemed to work out very well, although there was some objection on the part of some farmers to the size of fees charged by the experts.

We have now procured for our permanent library about 100 individual theses submitted to the Graduate School of Banking at Rutgers University. A catalog of these theses was sent to the executive officers of all banks in the Ninth District on March 15, since which date we have received 279 requests for these theses.

During the month of March, we sent to all member banks and prospective State members operating ratios studies of member banks in the Ninth District for the year 1940.

KANSAS CITY

From a moisture standpoint, the farm situation in this District is the best in years. Because of this, the prevailing opinion is that farmers this season will plant more corn and probably more flax but less sorghum. Great interest is being displayed everywhere in the recently announced program to peg the price of hogs at 9 cents a pound. Nearly everyone believes that farmers will increase hog production as about 14 bushels of corn at present prices are equal in value to 100 pounds of live hog at nine dollars. This ratio would be quite favorable to hog raising.

There is considerable uncertainty as to the relative injury done by the Armistice Day freeze. Taking the Winter Wheat Belt as a whole, there still remains a large acreage of very fine wheat and the indications are now that the crop will be appreciably above average. But the fact remains that the wheat in many localities is badly damaged although this damage seems to be quite spotted.

Even more serious than the damage to wheat was that done to orchards. Few fruit trees had begun to enter the dormant stage when the November freeze came and in some sections of southeastern Nebraska it is believed that as many as 90 per cent of the apple trees were killed. Farther south the damage is less and in the St. Joseph area it is estimated to be about 25 per cent. In northeastern Kansas some believe 50 per cent of the trees are dead. Even where trees are alive, the damage to this year's crop will be very heavy.

There has been much discussion recently of the desirability of the Government financing the defense program by borrowing from bona

fide savers instead of creating new deposits by selling securities to the banks. Evidently there has been some misunderstanding regarding this talk and some people apparently fear that the Government is virtually going to confiscate their savings accounts, giving in exchange some kind of a Government security. Bankers are also asking if they will be required to go out and hold meetings to urge people to buy bonds as they did in the last war.

DALLAS

Southeastern Oklahoma

The recent rise in the price of cotton has brought an influx of buying orders from the eastern mills, consequently a great many farmers who had placed their 1940 cotton in the Government loan have sold their equities.

Farming operations throughout the territory visited have been retarded by too much rain during the winter and spring. Very little corn has been planted to date. Record-breaking crops, of all kinds, were produced in 1940 and farmers generally are in fine financial condition to start the new year.

Livestock are in good condition due to a very mild winter.

A number of the bankers visited in Oklahoma complained about some of their best farming land located along Red River becoming inundated when the new Red River dam is completed.

East Texas

The impact of the defense program has stimulated to maximum capacity the production and manufacture of lumber and other forest products. The enlarged scope of employment has expanded retail and general business substantially. A seller's market exists for stumpage (standing timber). Prices, which a year ago were in the \$3 to \$4 per thousand range, have now advanced to the \$7 to \$10 area, depending on quantity, quality, and accessibility.

Livestock raising has greatly expanded in this area in recent years. One authority estimates the cattle population has increased 119 per cent in the past seven years. Furthermore, substantial improvement has been made in the breed and quality of holdings; likewise, through research and management, the carrying capacity of pastures has been increased. Stockmen are in a particularly prosperous position. Prevailing prices, the best in a decade and a half, along with generally good condition of animals, account for highly remunerative marketings.

Oil exploration and development contribute much new wealth to this section. Substantial production has been developed, particularly in Anderson County, while new leasing (with, of course, usual rentals and bonuses) is quite widespread.

SAN FRANCISCO

Ogden and Salt Lake City

Heightened activity in construction, both residential and commercial, has continued, the impetus arising from Army activities, such as the Supply Depot at Ogden, the Arsenal and Airports. Ogden is in the course of preparing plans for at least 500 new housing units in addition to 150 contemplated by the P. B. A. While no appreciable quantities of defense contracts have been placed in the area, the increasing demand of railroads and mines has accelerated manufacturing activities, particularly in the foundry and machine shop fields.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

March 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	6	2	8	1	1/	2	90
New York	58	21	79	6	3,195	1	50
Philadelphia	62	20	82	5	2,034	5	2,034
Cleveland	87	65	152	3	434 1/	6	270
Richmond	53	35	88	8	1,560	2	125
Atlanta	4	11	15	1	100	0	0
Chicago	11	52	73	2	362	1	90
St. Louis	51	97	148	7	811	8	490
Minneapolis	20	7	27	3	194	18	1,172
Kansas City	10	24	34	6	415	2	150
Dallas	69	10	79	3	1,150	0	0
San Francisco	25	8	33	12	563	6	1,050

1/ Not completely reported.