

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-836

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 20, 1941

Dear Sir:

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

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. - April 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	21	46,300	8	12,026	224	76	126	21	224
Philadelphia	3	5,200	4	3,777	225	101	108	13	225
Cleveland	6	2,400	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	21	108,600	62	74,483	1,219	1,008	200	10	1,079
St. Louis	7	5,200	21	12,412	664	578	78	3	434
Minneapolis	0	0	9	10,382	420	391	27	0	78
Kansas City	1	200	10	14,197	487	459	28	0	402
Dallas	3***	1,100	24	21,154	282	253	29	0	174
San Francisco	2	800	4	5,125	194	138	37	9	182
Total	68	171,600	****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.

*** Includes one newly organized bank with no deposits.

**** 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.

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF APRIL 1941

BOSTON

With a few exceptions, all banks visited expressed intention of qualifying as issuing agents for defense bonds. The few who had not intended to qualify as issuing agents propose to place customers' orders with neighboring banks, the local post office, or the Federal Reserve Bank.

NEW YORK

Columbia, Dutchess, Greene, and Putnam Counties (bordering the Hudson River)

Deposits of the 33 commercial banks aggregate \$56,000,000, of which about 45 per cent is time money, and the savings institutions have deposits of \$57,500,000. Government obligations make up more than 50 per cent of the total of securities and most of the bankers are anxious to increase their holdings further but say that they hesitate to buy at existing high prices.

The officers of one institution which has been financing the purchase of automobiles over a period of eight years, state that they have not yet had a loss.

Another bank has had a substantial increase in its personal loans since placing on the outside of the building a neon sign advertising this department and the cashier states that they are obtaining business that formerly went to the personal loan companies. Two rural banks had representatives attend the sessions of the Farm Credit School, sponsored by the New York State Bankers Association at Cornell University on March 10 and 11, and it is believed that many of the suggestions made there can be put into practice and result in more farmers' loans.

Fruit growing is the chief agricultural pursuit in Dutchess and Columbia counties. The apple growers have received poor prices during the last two years and in the opinion of many bankers their outlook is not favorable.

Genesee, Monroe, and Orleans Counties (western New York)

Deposits of the 21 commercial banks have increased slightly during the past six months and now total \$258,710,000, of which \$139,797,000, or 54 per cent, are savings or thrift accounts. As evidence of the trend toward the acquisition of Government securities, it is noted that, while six months ago the banks' portfolios were comprised of 56 per cent of such bonds, at the present time this has advanced to 70 per cent.

Due to adverse weather conditions last year, the farmers experienced one of the worst growing seasons on record. The dairy situation is described as the one bright spot in a dismal picture, as milk prices have been maintained at reasonably satisfactory levels for over a year.

Bergen County (northeast corner of New Jersey)

Deposits of 22 banks aggregate \$134,200,000 of which \$77,500,000 are savings funds. The maximum interest rate permitted on savings deposits in the State of New Jersey is one per cent. Some institutions have further reduced their interest costs by not paying interest on very small balances. United States Government issues comprise about 60 per cent of all investments.

An innovation instituted by one bank is scaled rates on mortgage loans ranging from 3-1/2 per cent on a five-year plan and running up to 4-1/2 per cent on a twenty-year plan with monthly, quarterly, or semiannual amortization. This new method has stirred up neighboring bankers who are receiving inquiries from some of their mortgagors.

The Bendix Aviation Corporation, employing about 3,500, is operating in three shifts. It has recently taken over the Hackensack Arena in Hackensack (30,000 square feet of floor space), has reopened its old Eclipse plant in Bloomfield, New Jersey, and also purchased the Atwater Kent plant in Philadelphia. In Fair Lawn, the Wright Aeronautical Corporation has a large plant to which it has recently added a new foundry. This corporation has also taken over the buildings of the National Dyeing and Printing Company in East Paterson.

PHILADELPHIA

New Jersey (four southernmost counties)

The resort business during the 1940 season was better than that of 1939 and early season activity indicates that 1941 may be the best in many years.

Asparagus is becoming more important each year and additional large acreages were said to have been planted last year. An acute shortage of farm labor, however, threatens the success of this crop, which will be ready to cut about May 1, and the probabilities are that they will be unable to harvest a goodly portion of this crop.

One factor affecting the amount of business done by the banks with the farmers is the gradual acquisition by the Seabrook Farms, Inc., either through purchase or lease, of hundreds of small farms in this section. This large scale farming concern is said now to own 12,500 acres and to be leasing an additional 12,500 acres.

Wayne County (northeastern corner of Pennsylvania)

The principal income of this county is derived from dairy farming and, as a result of more favorable prices for milk, conditions generally are improved as compared with a year ago. Current prices are somewhat less than those paid in March, which were said to have been at a ten year high.

Real estate conditions show little improvement. Many mechanics have moved to large industrial centers where steady employment at higher wages can be obtained.

Northampton County (eastern Pennsylvania, bordering New Jersey, includes Bethlehem)

Slate, which is used chiefly for roof covering, has not been able to withstand competition from cheaper and more easily handled materials, and, as a result, employment by the industry has declined 40 per cent during the past six years. The cement plants have been active for the past several years, chiefly because of large orders for cement used in the construction of the super-highway connecting Pittsburgh and Harrisburg. The present activity, which is at peak level, will, according to one banker, continue for at least two years because of the demand created by the various needs of the national defense program.

The industries at Easton and Bethlehem are busy and there is a great shortage of skilled mechanics. The largest employer of labor in this district is the Bethlehem Steel Company, which is operating 24 hours daily, employing 20,000 men, an increase of 8,000 over the corresponding period last year. The influx of workers from other parts of the State and country has caused an acute housing shortage at Bethlehem.

Milk prices have been satisfactory and the growing of alfalfa, which is increasing in importance, is profitable.

CLEVELAND

Generally speaking, the small banks are quite critical of the position of the Treasury Department in declining to sell Series F and G bonds to the banks for their own accounts. This criticism is quite keen in areas where savings and loan associations are competing freely with banks, since such associations are permitted to buy Series F and G bonds for their own accounts.

A Kentucky banker, in reply to an inquiry as to what factors contributed to a substantial gain in loan account, stated "personal solicitation". He added that he has learned that a potential borrower no longer comes to the bank, but that the banker must go to the borrower.

From central Kentucky comes a report that farmers in one county will plant about 1,000 acres of hemp this spring. Some years ago, hemp was one of the chief money crops of the State. Following the Spanish-American war, it was found that Kentucky hemp growers could not compete with growers in the Philippines, and turned to tobacco as a substitute crop. Increased demand and present difficulties incident to shipping have now made it possible to produce this crop at a profit.

RICHMOND

Maryland

In practically all sections of the State the farm labor situation is becoming acute, though it is less acute on the Eastern Shore and in the mountainous areas than elsewhere in the State.

Industries which employed more than twice as many people in March 1941, than a year earlier include: electrical machinery; plumbers' supplies; shipbuilding and repairing, and building construction.

Confronted with the tightest employment market and the largest Easter sales volume since World War days, Baltimore department stores had to call in hundreds of boys and girls from the schools in the city.

Virginia

Tobacco beds are in good condition and the supply of plants will be plentiful. Absence of frost damage has given a promising prospect for fruit crops. Both apple and peach blossoms are heavy, and the "set" of fruit promises to be good.

The duPont nylon plant at Martinsville, Virginia, now employing 1,100 workers on construction, is reported about 35 per cent completed. It is expected that this plant will be finished and in operation by fall.

Production of staple fiber is now getting under way at the newest and most modern rayon plant of the Viscose Company at Front Royal, Virginia. The plant will reach its full capacity of 50,000,000 pounds in 1942.

North Carolina

The peach harvest will be an excellent one if no damage occurs hereafter. Cabbage production, indicated at 10,000 tons, will be well above average. Strawberries are moving to market at prices above last year's average of \$3.40 a crate. Hog prices in southern markets rose notably in April as a result of the announcement that the Federal Government had pegged Chicago prices at \$9.

Defense contracts awarded in North Carolina between March 31 and April 26 amounted to \$33,412,000, which included a \$19,800,000 ship construction contract for cargo vessels to the North Carolina Shipbuilding Company at Wilmington, North Carolina, and a \$13,000,000 contract for construction of Marine Corps training facilities at New River, North Carolina.

The Wage-Hour Administration's Textile Industry Committee recommended on April 15 that a minimum wage of 37-1/2 cents an hour be established throughout the industry as against the present minimum of 32-1/2 cents an hour. It is said 90,000 workers--35,000 in North Carolina and 55,000 in South Carolina--will benefit from the proposed 5 cents an hour increase.

Reports from 91 cities and towns indicate that the eastern third of North Carolina is experiencing one of its best years in a decade. The Government will spend approximately \$75,000,000 in the section for Army and Marine bases and other establishments. Eighty-five thousand soldiers and marines will be stationed in this area and their pay will be several million dollars a month. The pay roll of men in the armed forces in the area will amount to more than the value of the tobacco crop in some years.

ATLANTA

A number of large plants are located in Gadsden, Alabama, including a steel mill, cotton mill, stove foundry, and automobile tire manufacturing plant. All industries are said to be operating on a full-time basis.

Banks in southwestern Louisiana serve an agricultural section of the State, the chief product of which is sugar. The condition of the cane crop was reported as being favorable. The coast towns of Morgan City and Patterson are experiencing a favorable sea-food season.

The banks in Hazelhurst and Crystal Springs, Mississippi, serve an agricultural area in which truck farming is the principal activity. Weather conditions in this area are said to have been unfavorable and all crops are expected to be somewhat short.

CHICAGO

Seven State banks were admitted to the System, one of these having deposits of \$82,000,000.

Bankers are giving considerable attention to personnel problems at this time. They state that it is difficult to get trained clerical help. We are also advised that C. I. O. workers are trying to organize bank clerks in various parts of the District.

The large Detroit banks report that it has become necessary to establish some additional branches due either to the establishment of new industries or to the expansion of existing plants, as the banking facilities have been overtaxed in attempting to meet pay rolls and to take care of added business. This condition has been aggravated by the demand by the unions that all employees be paid on the same day. With the exception of the Ford Motor Company, the larger plants pay by check.

ST. LOUIS

Agricultural Conditions

In the section of Kentucky covered, the principal crops are tobacco, wheat, corn, oats, legumes, hay, fruits, and vegetables. Since April 1 there has been abundant precipitation and more seasonal temperatures, which have materially assisted winter wheat and other growing crops. Prospects for fruit are reported the best since 1931.

Agricultural conditions in Indiana counties visited were described as good to excellent. Reserve stocks of feed grains and fodder on farms are generally adequate to carry livestock past the next crop harvests. The Indiana supply of farm labor is reported at 72 per cent of normal, the lowest supply in the last decade. The increased mechanization of agriculture will largely offset any labor shortage. Average wages to farm labor are about 10 per cent greater than a year ago.

Industry and Trade

In all sections of Kentucky and Indiana visited conditions approximating those of boom periods prevail. There is less unemployment than in a number of years, and a shortage in some skilled trades is evident. It is estimated that the Gilbertsville Dam (T.V.A. project) monthly pay roll amounts to about \$300,000. T.V.A. has purchased Gilbertsville and is constructing a new model town two miles west of the present site. Much good farm land will be lost when the \$12,000,000 dam is completed. The surrounding country will become largely a recreational area.

Banking Conditions

One Jeffersonville bank has an agreement with the du Ponts, through a Louisville bank, to cash du Pont checks, imposing a charge of five cents each against the du Pont interests. About 1,000 checks are cashed each week. At Sellersburg, Indiana, also near the Charles-town powder plant, one banker said he keeps his bank open every other Friday night to cash pay roll checks, making a charge of ten cents on each item. This charge is not absorbed by the du Pont interests.

MINNEAPOLIS

Minnesota (southwest corner)

Worthington is the turkey raising capital. Boote's Hatchery, well known to us because of a 13b loan now paid, has constructed a new building and its incubators contained over a million eggs the day it was visited; approximately half were chicks and half turkeys. Most of the turkey eggs are shipped in from Texas and California.

Driving west on Highway No. 14, nine banks were visited. The new defense savings bond posters were not on display in any of these banks. A banker in one of the towns said that he was afraid to put up the sign because of the sentiment over a large part of the community. Another banker mentioned also that he hesitated about

displaying the sign and issuing the savings bonds. One banker said that the idea of defense bonds was not popular in his town and he had not yet asked for a consignment of those bonds.

Minnesota (east central)

Interest rates charged by the banks range from 5 to 6 per cent on farm loans and 7 to 3 per cent on chattel mortgage and accommodation loans. Virtually all the bankers are looking for an additional outlet for their funds which will provide safety and a good return.

There is some concern over a privately operated credit association at St. Cloud which bankers feel is making inroads on business that legitimately belongs to the banks. In part of the territory visited, it is asserted that individuals are lending money directly to other individuals at rates lower than those quoted by the banks.

The granite industry is active in a portion of the territory visited, and the leading granite company is working twenty-four hours a day. Bankers in this area feel this is a natural situation and stated that when people had more money to spend they were inclined to purchase cemetery monuments and other products manufactured by these companies.

Minnesota (south central)

This section of Minnesota can be classified as one of the best diversified sections of the State and crop failures are unknown. Considerable cattle feeding is done.

The nonmember banks charging exchange said that their revenue from this source has averaged from 7-1/2 to 10 per cent of their common capital, which obviously is a definite bar to membership. If exchange was not a bar to membership, nearly every banker visited who could qualify would immediately apply for membership.

North Dakota (southeastern and central sections)

Where wheat formerly was the principal product, farming is now varied, and farmers are raising turkeys and other poultry in large quantities and receiving a moderate income from eggs. They also generally receive weekly cream checks. Corn has replaced wheat in many fields. Sheep that are being shipped in do not do well the first year, because it takes about a year for them to become acclimated.

Bankers seemed somewhat concerned over the fact that they cannot purchase United States Savings Bonds, F and G series. They

considered it unfair to be expected to sell bonds for the Government and not be permitted to buy. Some bankers, especially in small communities, do not intend to apply for application to sell savings bonds, and they will refer purchasers to the post office.

KANSAS CITY

Conditions were reported to be favorable, with more than the usual amount of moisture in a large part of Arizona and western New Mexico country, resulting in excellent pasture conditions for this time of the year.

In the extreme eastern part of Nebraska, around Nebraska City and Falls City, much damage to the orchards was reported due to the early freeze last fall. In the southwestern part of the State around McCook, where wheat is the principal crop and where they have not had a crop for some time, prospects were reported very favorable.

Prospects for a heavy fruit crop in Oklahoma are excellent.

Oklahoma City has been awarded by the Government an airplane repair depot to cost approximately \$16,000,000. The depot will employ approximately 3,500 civilians and 350 officers and enlisted men will be stationed there.

DALLAS

Banks visited in North Texas, where the livestock industry furnishes the principal source for loans, are reluctant to advance funds to purchase cattle in view of the abnormally high prices prevailing in the cattle market at this time.

Prospects for feed and small grain crops are unfavorable at this time due to excessive rains. Some insect damage to wheat and oats was reported and it is feared that the crop will be short unless dryer weather prevails during the next thirty days.

SAN FRANCISCO

Crop prospects in eastern Oregon are excellent. The normal number of livestock are on the range. However, there has been a switch away from sheep to cattle.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

April 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	40	22	62	3	<u>1/</u>	2	300
New York	90	77	167	13	3,554	5	550
Philadelphia	69	58	127	9	2,847	9	2,847
Cleveland	152	109	261	9	2,800	7	177
Richmond	34	47	81	11	1,270	0	0
Atlanta	36	27	63	8	1,800 <u>1/</u>	4	265
Chicago	15	3	18	3	962	2	900
St. Louis	45	119	164	10	2,074	5	724
Minneapolis	131	254	385	4	209	7	751
Kansas City	19	30	49	13	2,551	1	50
Dallas	47	6	53	8	965	4	360
San Francisco	38	13	51	16	1,817	9	1,046

1/ Not completely reported.