BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-849

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 19, 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 five months of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of May.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. -- May 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*				
					Total	By size of deposits			Number on Par List
	Number	Deposits	Number	Deposits	Number **	Under $1 million	$1 - 10 millions	$10 millions and over	
Boston	0	0	0	0	141	45	87	8	141
New York	24	51,515	8	12,026	224	76	126	21	224
Philadelphia	5	6,678	4	3,777	225	101	108	13	225
Cleveland	7	4,390	25	37,595	475	327	139	6	474
Richmond	5	2,184	18	21,868	394	301	86	7	232
Atlanta	1	700	3	5,298	484	415	65	2	52
Chicago	24	110,272	62	74,483	1,219	1,008	200	10	1,079
St. Louis	8	6,070	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	80	183,909	****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.

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EXCERPTS FROM BANK RELATIONS REPORTS FOR THE MONTH OF MAY 1941

BOSTON

Only one community in Vermont is directly affected by industrial activity incident to the defense program.

Outside of a few of the larger communities, bankers reported little or no activity in the sale of defense bonds. Bankers believe, however, that following the semiannual interest date savings bank depositors will increase their bond purchases.

NEW YORK

Somerset and Union Counties, North Central New Jersey

All banking institutions in these counties are cooperating in the program of selling United States Defense Savings Bonds. . . .

Many of the banks in this territory have installed a photographic system of handling checks and several have been forwarding their out-of-town items to their city correspondent without the description we require. The officers of some of these banks indicate that their institutions will return to their previous practice of forwarding checks to us as soon as we are in position to accept them without description.

One large trust company (deposits $15,000,000) has filed an application for membership within the last month. . . .

The Chamber of Commerce in Plainfield continues to receive inquiries from concerns which would like to locate in the Plainfields, but industrial space is not available....

PHILADELPHIA

The anthracite mines, while at present experiencing seasonal inactivity, have been busier than for several years and are expected to resume operations on a larger scale than at present when the summer price schedule is fixed. However, one banker stated that the miners have worked only an average of 150 days a year since 1931, which is insufficient for prosperous times in the mining district. . . .

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CLEVELAND

Series E defense bonds are not being sold in the volume that had been hoped for. In many communities the reason has been stated to be "lack of confidence"; in others, "lack of negotiability". . . . In two Ohio River counties, just outside Cincinnati, not a single non-member bank has qualified. . . . In several other instances where banks have qualified, they report no sales, few or no inquiries....

In a section (northern Kentucky) from which many reports of competition of Government lending agencies have been received, it is reported that the banks in the principal city have an agreement to charge borrowers a flat 6 per cent rate. While loan totals have been holding fairly well, opportunities to make good loans are being lost, and the more desirable borrowers are going elsewhere. . . .

RICHMOND

Maryland

Sea foods have been in abundance this year. The oyster season just closed has been the most profitable in the past twenty years ....

The timber industry on the Eastern Shore has begun an intense revival, after a decade of dormancy, under the influence of the national defense program and a resulting tripling of prices. Local timber is used principally for piling.

Virginia

Timely rains last week, which were distributed fairly evenly over the whole of Virginia, came just in time to save the crops of the State from being a total loss. . . .

West Virginia

Frosts in the second week of May, and subfreezing temperatures caused a great deal of damage to West Virginia garden crops.... Tomatoes were reported to be ruined, while corn and potatoes suffered heavily. Grapes were "wilted" by the killing frosts.

The recommendation of the National Defense Mediation Board that the 40-cent wage differential be eliminated between northern and southern mines affects only those workers paid by the day who handle timber, lay tracks, and handle hoists, and those who work on the

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surface outside, while the bulk of the men who are paid by the ton are not affected since tonnage differential of 15 cents is to remain in effect.

North Carolina

Crops that will bring farmers millions of dollars in the fall were saved by the rainfall at the turn of June. Tobacco and corn plants were on the verge of wilting when the rain set in. . . .

The North Carolina peach crop, indicated at 2,430,000 bushels, will be the largest in ten years and 81 per cent higher than last year.

Machinery companies selling equipment for textile mills are in many cases sold ahead into next year. Textile machinery concerns say some textile mills are completing modernization programs. In the first four months of the current year there have been nine new textile plants established and thirty additions to those already existing. New hosiery mills constituted a large item in each.

South Carolina

The Pee Dee Experiment Station reports an extraordinarily heavy boll weevil infestation in the making; the winter was mild--just the kind of winter boll weevil like.

Production this year of 3,315,000 bushels of peaches makes South Carolina the third ranking peach State in the nation. This is by far the largest crop of peaches ever produced in the State.

ATLANTA

Twenty-three banks in Southern Alabama were visited during May. Most of these banks are located in strictly agricultural areas in which cotton is the principal money crop. Diversification of agricultural crops has been encouraged by bankers in this section during recent years and there has also been considerable development of the livestock industry. Peanuts, strawberries, corn, Irish potatoes, and hay are now produced quite extensively....

CHICAGO

Sales of defense savings bonds to date (June 1) approximate $65,000,000, divided:

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Series G - $44,000,000
Series F - 11,000,000
Series E - 10,000,000

Of the $10,000,000 of E bonds, approximately $7,250,000 of these sales were made by issuing agents of which there are about 1700 in this district.

In response to the Treasury's telegram asking for comments on proposed tax anticipation certificates, investigation indicates only a mild degree of interest at this time. The smaller taxpayers are not yet aware of the heavy increase that will be made in taxes and there would probably be only a limited demand for the certificates from this group without a publicity campaign. This might detract public attention from Savings bonds and tend to confuse the general public by adding one more type of Government security; furthermore, that this type of taxpayer would probably not be interested in the certificates unless they brought a yield comparable to savings account interest which in this district runs from one to two per cent. With reference to the large taxpayers, it was suggested the amount of the certificates be increased to $10,000 maximum with a rate of 1/2 per cent interest.

Increases in prices for agricultural products, substantial gains in the building materials industry, restoration of steel production to capacity levels, resumption of coal mining, record sales of automobiles, continued advances in trade, both wholesale and retail, and a sustained demand for commercial loans featured activity in the Seventh Federal Reserve district during May. . . . Prices for most agricultural products moved up during May. Grain products were particularly strong, but this was only a natural reaction to the anticipated passage of the parity bill. By mid-May, corn prices were the highest they have been since 1937. . . . Cheese prices were at the best levels since 1930. . . . Production of American cheese in Wisconsin was up 6 per cent over last year. Hog prices, which were being supported at $9.00 a hundred, have forged ahead of that price and on several days the average reached $9.40. . . . Beef prices have been weak, although prices are much better than they were a year ago.

Production of passenger cars and trucks thus far this year has exceeded production of any similar period in the past eleven years. Dealers' stocks, however, are estimated to be below what they were a year ago. Probably the most significant development in the labor situation was the gaining of bargaining rights by the CIO union at the election held in the Ford Motor plants. . . . Attendance at the American Furniture Mart was more than 25 per cent ahead of any previous mid-season event. . . . For the four weeks ending May 24, department store sales for the district were up 16 per cent over the comparable period a year ago.

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ST. LOUIS

In southern Indiana prospects for wheat and barley are from good to excellent, in fact much better than in the more northern counties. Outlook for fruit is the best in more than a decade. . . . Condition of pastures is reported well above the ten-year average. Carryover of hay is large. Egg and milk production this spring was unusually large. . . .

The cashier of an Indiana national bank commented upon the fact that nonmember State banks in Indiana have in recent years published fewer call reports than have the national banks. He strongly feels that when the Comptroller's office issues a call, other supervising agencies should do likewise.

A Kentucky bank officer commented to the effect that people in his county were not yet awake to the dangers of the present situation in Europe and that it will take an intensive sales campaign or a declaration of war to increase bond sales.

MINNEAPOLIS

North and South Dakota and West Central Minnesota

Crop conditions throughout the territory visited are perhaps the best in a great number of years. Subsoil moisture of from three to four feet abounds throughout the entire area with virtually all the crops planted. . . .

This territory, principally the North Dakota section, up to 1920 was primarily a wheat country, but thereafter began diversifying its crops. . . Bankers in the territory have advocated the placing of small bands of sheep on each farm, as well as brood sows and poultry, and in mostly every case the results have been exceptionally good. . . .

Many of the banks now have a surplus of funds through liquidation of their wheat loans. In some cases, however, because of a good demand for local loans banks were unable to handle wheat loans. . . . A great number of tractors have been sold in this territory. In no case was it reported that a bank suffered a loss. . . . Banks' experience in handling automobile paper is equally as good. One banker stated that he had notified all automobile dealers in his community that he would not accept from them any automobile installment paper which ran for a period longer than twelve months.

There is little demand for defense savings bonds. . . . Many people in this territory can not forget the severe losses suffered

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during the drouth years of 1934-1936 when their crops were destroyed and a good portion of the cattle had to be disposed of. It is only within the last few years that many of them have been able to purchase additional livestock; consequently they have no surplus funds with which to purchase defense bonds even if they wished to.

Two bankers said they did not wish to qualify for the sale of these bonds because of the adverse effect of withdrawals upon their deposits which they had built up at great pains over a long period of time. . . .

Under certain conditions, the laws of South Dakota permit State banks to operate exchanges. Approximately twenty-five banks in South Dakota operate one or more exchanges. . . . Very few of these stations controlled deposits in any great amount and many stations are operated solely to eliminate the possibility of new banks being chartered.

Northern Wisconsin and the Upper Peninsula of Michigan

Editors of twenty-six newspapers were called upon.... The trips made during 1940 together with a short study made during the winter of 1940-41, which indicated that the large weekly papers are not being displaced by the dailies and the radio, resulted in the present policies: that editors of all daily papers and weekly papers of over 2,000 circulation will be called upon at least once during a year; that short news releases covering business conditions in localities throughout the Ninth District would be mailed to these papers regularly and that the services of our statistical department would be open to editors in this district. . . .

In addition to calling on the twenty-six editors, nine banks, twenty department stores, and eleven city clerks were called on in an effort to secure additional data for certain localities. In northern Wisconsin and Michigan there were six cities with newspapers large enough to be called upon which were not reporting bank debits. The nine banks in these cities were all very willing to report debits to us so that their local editors would have the information to use.

KANSAS CITY

Almost without exception small banks reported that there was no interest in the new defense bonds in their communities. . . . The defense bonds went on sale May 1 and at the close of business June 7, 1941, a total of $18,922,150 had been sold in the Tenth District. Of this amount $3,601,950 were of Series E, $3,365,700 were of Series F, and $11,554,000 were of Series G. . . .

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There is very little money in most of these rural communities and many people are in debt. Nearly all parts of this district have been drought stricken for years and any new income that is currently accruing because of better farm conditions is sorely needed for paint, harness, clothing, farm machinery, and many other things. There appears also to be a widespread feeling that before long compulsion will be resorted to in selling Government securities and there is a disposition to wait until that time comes. . . . Almost everywhere there is outspoken criticism of the failure of the Government to reduce sharply nondefense spending. . . .

The demand for money in the cattle country is good, the loans of many banks in those communities being larger than their deposits. A good many country banks are borrowing from their correspondents and others expect to rediscount soon, this being especially true of small banks that have many livestock customers. . . .

DALLAS

Northwest Texas

This entire section has received the heaviest rainfall in years, consequently prospects for crops were never more promising. The wheat crop is one of the best in years. . . . The Irish potato crop in one county has been developed during the past three years to where it is one of the most important sources of income. Approximately 7,000 acres have been planted this year and it is estimated that the crop, at present price, will sell for $2,800,000. . . . The ranges are fairly well stocked and cattle are in excellent condition.

A recent increase in the price of oil has stimulated activity and will bring about considerable drilling operations.

Considerable complaint was registered by the banks visited against the competitive activities of the Production Credit Associations. A few banks have reduced their rates to meet this competition and are doing a lot of missionary work among their customers.

SAN FRANCISCO

Umpqua River Valley, Oregon

The number of sheep has increased in last few years. Outlook for profitable year to livestock operators. Lumber mills are all operating.

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PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

May 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	38	17	55	2	1/	6	570
New York	59	28	87	12	4,020	1	150
Philadelphia	38	16	54	12	3,547 1/	12	3,547 1/
Cleveland	127	67	194	13	3,180	7	496
Richmond	16	25	41	14	3,595	4	269
Atlanta	24	19	43	6	1,629	3	818
Chicago	19	7	26	22	6,360	10	2,002
St. Louis	30	66	96	13	5,360	5	1,500
Minneapolis	99	135	234	4	975	7	1,030
Kansas City	50	40	70	9	4,960	2	350
Dallas	57	10	67	6	2,125	1	700
San Francisco	16	3	19	25	3,700	5	885

1/ Not completely reported.

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