



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-871

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 22, 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 seven months of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of July.

Very truly yours,

A handwritten signature in cursive script, reading "S. R. Carpenter", is written over the typed name.

S. R. Carpenter,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

R-871-a

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. -- July 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	26	56,270	8	12,026	224	76	126	21	224
Philadelphia	7	8,210	4	3,777	225	101	108	13	225
Cleveland	11	7,510	25	37,595	475	327	139	6	474
Richmond	7	9,410	18	21,868	394	301	86	7	232
Atlanta	1	730	3	5,298	484	415	65	2	52
Chicago	36	123,470	62	74,483	1,219	1,008	200	10	1,079
St. Louis	11	9,260	21	12,412	664	578	78	3	434
Minneapolis	1	250	9	10,382	420	391	27	0	78
Kansas City	1	150	10	14,197	487	459	28	0	402
Dallas	3***	1,090	24	21,154	282	253	29	0	174
San Francisco	2	830	4	5,125	194	138	37	9	182
Total	106	217,180	****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.

R-871-b
August 22, 1941
Not for publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF JULY 1941

BOSTON

Cape Cod, Massachusetts

Lending rates remained unchanged--few loans being made at less than 6 per cent. Bond accounts were inactive....

Several bankers called attention to increasing reserves and their inability to employ more of their funds locally.

NEW YORK

South Central New York (six counties)

The investment portfolios of the 47 commercial banks in this area aggregate about \$42,800,000 and continue to reflect an increasing volume of United States Government issues, direct or fully guaranteed, which now amount to \$29,075,000, or approximately 68 per cent of all security investments.

In Cortland and Norwich the banks are seeking new business in the surrounding agricultural sections, one bank in each of these cities having engaged the services of men experienced in agricultural problems and financing to set up a department to develop closer relations with farmer customers and to seek new business from that source.

The employees of Endicott-Johnson Company are said to have received two wage increases during the past year. The next largest industrial concern is the International Business Machines Corporation at Endicott which has just completed and started operations in a large addition to its plant.

The farms in much of this area have suffered from a long drought lasting from early spring to mid-summer.... This condition together with dissatisfaction about the price received for milk resulted in a milk strike the first week in July among the farmers identified with the Dairy Farmers Union, and it lasted about seven days.... The Union is asking for a base price of \$3.00 per hundred-weight whereas the current price is slightly under \$2.00.

PHILADELPHIACentral Pennsylvania (4 counties)

In Shamokin, which has been most seriously affected by reduced activity, the number employed in legitimate mining has been reduced from 7,500 to 700 within a ten-year period. The majority of the men thrown out of work have resorted to bootleg or illegal mining.... The United States Army is establishing a large storage depot in Shamokin which, when in operation, will give employment to some 1,000 persons under civil service regulations at a yearly salary ranging from \$1,400 to \$1,700.

The Bethlehem Steel Company, the largest employer of industrial labor, operates a large plant a few miles south of Harrisburg. This company is engaged in the manufacturing of steel and steel products such as propeller shafts for large vessels and railroad rails.... The number employed by the company is estimated to be approximately 6,500 or about twice that of a year ago.

The American Car and Foundry Company plant at Berwick is employing some 6,000 men as compared with 3,500 a year ago.

The Middletown Air Depot (just below Harrisburg) used by the War Department as a maintenance and supply base for the entire Atlantic seaboard, has a civilian personnel exceeding 5,000 and it is rumored that the force will be increased to 6,000 in the near future.

The Pennsylvania Turnpike from Harrisburg to Pittsburgh has diverted many tourists to Harrisburg. This, with the increase in activities at the Middletown Air Depot and the Indiantown Gap Military Reservation, Pennsylvania's army training center for National Guardsmen and Selective Service men, has been an important factor in stimulating retail and hotel business in Harrisburg. Prior to the adjournment of the State Legislature, about the middle of July, it was reported that one Harrisburg hotel was turning away 75 to 100 prospective guests daily.

CLEVELAND

Rural sections are complaining of losing farm labor to defense industries in the cities paying much higher wages.

A bank in northwestern Ohio reported that a new kind of wheat recently introduced in that section of the State had yielded over 60 bushels per acre. This compares with a State average of approximately one-third that amount.

RICHMOND

District of Columbia

Employment in the executive service of the Federal Government in the District of Columbia at the end of May 1941 stood at 177,328 persons, which was 2.6 per cent more than in April and 26.8 per cent above the end of May a year ago. At the end of March 1933, executive service employment in the District was given to 69,001 persons.

Maryland

Maryland tobacco planting is 3 per cent higher than last year. The indicated yield per acre is 850 pounds, the second highest on record. Sales now under way are averaging around 30 cents a pound compared with 21 cents a year ago.

Maryland is experiencing its worst crab season since 1926.

Virginia

This year's peach crop has produced the heaviest surplus in some years in Virginia. It is more than 100 per cent larger than the crop of 1940.

Virginia's 1941 flue-cured tobacco yield is estimated at 65,450,000 pounds compared with 67,160,000 pounds last year. The 1941 crop at the pegged minimum price of 19.6 cents per pound will yield Virginia flue-cured tobacco farmers \$2,300,000 more than a year ago.

Miners in southwestern Virginia were estimated to have drawn over \$750,000 in their pay envelopes in the week ended July 26. This is believed to be the largest single weekly pay roll in the history of the Virginia coal industry.

North Carolina

Stocks of raw silk in the hands of hosiery manufacturers throughout the State are only sufficient for one to two weeks of operation.... The change-over for a mill from silk to rayon or cotton would mean a great deal of trouble. The labor cost would be very high.... Nylon is not available in sufficient quantities to fill more than 15 per cent of the country's hosiery requirements, and this will only be augmented by an additional 10 per cent when the new nylon plant at Martinsville, Virginia, begins operations sometime this fall.

The OPM has approved plans of the TVA for construction of a \$50,000,000 hydro-electric plant in western North Carolina on the Little Tennessee River.

Construction of a \$20,000,000 gasoline pipe line from Baton Rouge, Louisiana, to Greensboro, North Carolina, got under way during July when several contracts amounting to \$3,500,000 were awarded.

South Carolina

Growing conditions during the end of July were favorable to cultivation in South Carolina.... Boll weevil infestation has been exceptionally heavy....

ATLANTA

Little bank relations work was done during July.

CHICAGO

Six State banks were admitted to membership and one nonmember State bank was authorized to commence business as a national bank.

In the past few months this Bank has been distributing a booklet descriptive of the operations of the Federal Reserve Bank of Chicago similar to the one it distributed in 1937. In February 1941, a letter was addressed to 849 member banks in the District, enclosing a copy of the booklet and stating that a specified number, from 100 to 500 copies depending upon the deposits of the bank, had been allotted to each bank for distribution to its customers. The bank was advised that if it wished to participate in the program and would furnish a list of its customers, an imprint would be placed on the booklets showing that the bank was a member of the Federal Reserve System and the booklets would be mailed direct from this office with no cost to the bank. Additional copies over the original allotment were offered to the member banks at a cost of five cents each plus cost of mailing or transportation charges. To date requests have been received from 628 banks for 139,514 booklets....

Advance inquiries for Treasury Tax Notes indicate a probable sale of \$100,000,000 during the month of August.

During the four weeks ending July 26, the total production of passenger cars and trucks was 426,322 units. A year ago the total was 204,993, and during the same period of 1939 it was 206,151.... The metals industry in the District added approximately 370,000 employees to its pay rolls during the year ended June 30, 1941, without drawing down employment in other industries.... That agriculture has been contributing workers to industry is indicated by the steadily decreasing ratio of supply to demand for farm labor.

For the first time in the history of the Chicago Board of Trade, shippers were asked on July 18 not to send any more grain to this market unless they had made previous arrangements for storage.

In Wisconsin cheese production increased about 13 per cent over a year ago, and sales were up approximately 45 per cent.... Farmers are happy over the size of their milk checks.

One competent observer reported that farm labor is commanding \$4.50 a day, or about \$85.00 on a monthly basis. The farm wage rates are, roughly, 35 per cent above a year ago.

Reports on corn crops were as follows:

	<u>Acres</u>	<u>Yield per Acre</u>	<u>Production</u>
Indiana	3,937,000	47	185,039,000
Iowa	over 9,000,000	52	474,290,000
Michigan	1,511,000	38	57,418,000

ST. LOUIS

Agricultural Conditions

In northern Missouri the wheat crop was below normal due largely to frost damage last fall. In general, yields of other crops, including other small grains and hay, appear to be good.

In Illinois the small grain crops already harvested have made fair to good yields.

In Arkansas crops are generally satisfactory. The cotton crop is not made, but there appears to be a good plant throughout most of the State.... The corn crop appears to be good in most sections.

The tobacco crop in Kentucky has made favorable progress.

Industry and Trade

Up to date there has been practically no curtailment of manufacturing operations in consumers' goods industries as a result of inability to obtain materials which are required for the defense program.... The inability to obtain coal cars from the railroads has resulted in a temporary stoppage of mining operations only in a few isolated cases.

Banking Conditions

Banks generally report an increasing volume of installment loans from customers who are buying automobiles and other types of durable consumers' goods.

As a result of this rapid expansion of deposits, a number of banks are concerned about the reduction in their capital ratios and are afraid that they will be requested by supervisory authorities to increase their capital. As a result many of these institutions are keeping themselves in an abnormally liquid position....

One banker stated with some degree of satisfaction that he could liquidate his bank within twenty-four hours.

In mentioning that Government lending agencies were not in competition with his bank, and did not take any business away from it, the vice president of an Arkansas nonmember said his bank had made 1,150 loans to farmers during 1941, averaging around \$100 each, at a 10 per cent rate of interest.

MINNEAPOLIS

East Central North Dakota

The crop conditions are almost too good to be true.... North Dakota will harvest one of the largest crops in over twenty years.

The territory visited, particularly the Red River Valley, has been known predominantly as the "bread basket of the world", and it has lived up to its name until within the last five or six years.

Additions were being erected on elevators in almost every town visited, while lumber companies are now building portable bins to hold from 1,000 to 1,500 bushels of wheat, so constructed that they can be skidded to farms by tractors. Inasmuch as farmers receive 7 cents a bushel for farm-stored wheat, it is estimated that a bin can be fully paid for through such storage within three years.

More tractors, combines, and other farm machinery, have been sold this year to the farmers than for many years past.

One banker told our representative definitely that if he could retire his preferred stock without converting it into common capital, his bank would remain a national institution.

Western South Dakota

Up to the time of our visit, South Dakota had had more rainfall in 1941 than for several years. Small grain and range conditions were excellent.

Hundreds of small dams have been constructed in the draws

and low spots in the hills, and the landscape is dotted with small watering places for cattle and sheep.

Most of the banks are paying two per cent on time money. In many of the banks, reserves are lower than for many years. The loan demand is unusually good. Some of the banks in this region are discounting with the Federal Reserve Bank. Others may do so or may borrow from their correspondents.

There are almost no loans at a rate below 8 per cent.... In a few of the larger centers, competition forces the rates as low as 6-1/2 or 7 per cent.

Southern Minnesota.

In general, the crop will be better than fair, but no better than good. This region is entirely devoted to diversified farming....

Montana

In some parts of the State agricultural conditions are reported to be better than they have been in the memory of some of the older farmers and ranchers, and in other parts the claim is made that conditions are as good as they were in 1915 when bumper crops were raised. Wool, livestock, and grain prices are good and it is reported that considerable money will be made this year.

The copper mines at Butte are operating at capacity. The price of copper has been fixed at 12 cents by the O.P.M. which it is reported is too low to adjust the wages of the miners upward to meet the present and expected higher cost of living. Miners are now being paid \$5.00. The working contract between the miners' union and the mining company will expire in October of this year and the union has given notice that it expects upward adjustments in wages. In order to meet this and other rising costs, the operating companies are attempting to get the price administration to increase the price of copper to somewhere around 14 cents.

KANSAS CITY

South Central Kansas

There was general disappointment with the wheat crop as in many places yields were scarcely more than half what had been expected a few weeks earlier....

Oklahoma

In Oklahoma the selling of cotton has been active following the sharp increase in prices and this is releasing a good deal of money throughout that State....

Work has just started on the new \$14,000,000 airplane repair depot near Oklahoma City. The Army engineer in charge of the project stated that while the project was classed as only \$14,000,000, it was his opinion the ultimate expenditure would run in the neighborhood of \$25,000,000.

DALLASWest Texas

Practically every bank visited reported a good demand for loans....

Prospects for cotton and feed crops are very promising but the crops are late.

Farmers in general are in much better financial condition than they have been in years.

SAN FRANCISCO

No report received.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

July 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	22	17	39	<u>1/</u>	<u>1/</u>	3	226
New York	122	47	169	0	0	0	0
Philadelphia	49	27	76	0	0	0	0
Cleveland	39	11	50	2	500	3	115
Richmond	51	35	86	3	452	0	0
Atlanta	4	0	4	2	<u>2/</u>	7	560
Chicago	14	25	39	0	0	0	0
St. Louis	57	101	158	5	820	2	125 <u>2/</u>
Minneapolis	117	101	218	4	593	3	150
Kansas City	19	62	81	4	260	1	25
Dallas	19	2	21	0	0	1	300
San Francisco	5	0	5	11	472	6	462

1/ Not reported.2/ Not completely reported.