

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

R-893

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



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

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

L. P. Bethea,  
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

R-893-a

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. - August 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	1	1,730	0	0	141	45	87	8	141
New York	31	75,880	8	12,026	224	76	126	21	224
Philadelphia	8	8,920	4	3,777	225	101	108	13	225
Cleveland	11	7,510	25	37,595	475	327	139	6	474
Richmond	9	10,280	18	21,868	394	301	86	7	232
Atlanta	1	730	3	5,298	484	415	65	2	52
Chicago	39	124,180	62	74,483	1,219	1,008	200	10	1,079
St. Louis	12	9,540	21	12,412	664	578	78	3	434
Minneapolis	1	250	9	10,382	420	391	27	0	78
Kansas City	2	640	10	14,197	487	459	28	0	402
Dallas	6***	1,960	24	21,154	282	253	29	0	174
San Francisco	2	830	4	5,125	194	138	37	9	182
<b>Total</b>	<b>123</b>	<b>242,450</b>	<b>****188</b>	<b>218,317</b>	<b>5,209</b>	<b>4,092</b>	<b>1,010</b>	<b>79</b>	<b>3,697</b>

\* 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-893-b  
September 26, 1941  
Not for Publication

EXCERPTS FROM BANK RELATIONS REPORTS  
FOR THE MONTH OF AUGUST 1941

BOSTON

Visits were made to 28 banks and two branches located in small agricultural communities in western and central Maine ... The only complaint heard at any bank was that of inability to lend more funds locally.

NEW YORK

Three small banks in Chautauqua County (southwestern corner of New York State) have deposited a total of approximately \$500,000 on time certificates of deposit with banks in various sections of the country, on which interest of from 1 to 2-1/2 per cent is received. These funds are placed only in insured banks and the individual deposits do not exceed \$5,000. One banker mentions that he is allowing these deposits to run off as they mature due to the criticism of the supervisory authorities, but the other bankers remark that they can see no basis for such criticism and will continue this practice.

Oil prices recently advanced 23 cents a barrel to \$2.98, the fifth increase so far this year, and the highest price at which oil has sold since April 30, 1930, when it was \$3 a barrel. These increases in price are said to be necessary in order to spur new development work and increase the production of crude oil to help bolster the East Coast's dwindling petroleum supply. However, effective August 23, Price Administrator Leon Henderson issued an order imposing a schedule of ceiling prices on Pennsylvania crude oils, which set a limit of \$2.75 a barrel on the oil produced in this area, thus cancelling this 23 cents increase.

PHILADELPHIA

In recent years many communities in the Philadelphia suburban area have experienced an unusual growth in population as improved transportation facilities have encouraged new residents to locate here. Because of excellent water transportation facilities, many large industrial organizations have located in the southern part of the county which has as its boundary the Delaware River.

Seven new ship ways are under construction at the yards of the Sun Shipbuilding and Dry Dock Company at Chester and, while the

number of workers employed by this company has been increased from 5,000 to more than 9,000 within the past year, it is estimated that an additional 7,000 men will be given employment by October 1st of this year when the expansion program is expected to be completed.

#### CLEVELAND

Comment that the terms of Regulation W are less stringent than anticipated is almost universal. Display advertising issued by substantial instalment houses frequently refers to the terms of the regulation as "moderate and sound". The principal merchants appear to welcome the regulation since it "tends to bring the gyp into line". The head of a retail merchants organization of substantial size states that the regulation does not reach one class of instalment seller whose activities should be regulated--the instalment jeweler.

Not one bank in ten apparently has made any effort to keep up with the flood of material which has been sent to them, dealing with the subject of foreign funds control.... We are definitely of the opinion that a statement in as simple terms as it is possible to couch it of even the important things to consider in the determination of whether a person is a "national" of a blocked country or is a "generally licensed national" would be of tremendous help to bankers, and we are contemplating the issuance of a circular along those lines.

#### RICHMOND

In Maryland all banks visited have taken cognizance of the foreign funds control order. Some have made a thorough check of their accounts, while others intend to do so at an early date.

A number of banks in the northern mixed farming section of Maryland are operating largely as banks of deposit, partly as a result of the character of the population which traditionally abhor or have religious scruples against debt.

More than 20,000,000 pounds of American leaf tobacco has been shipped to England during the past two months.

Boll-weevil infestation in the Carolinas, as well as the cotton South, is the worst this year of any time since 1922. Fighting this pest this year is under difficulties because of the scarcity of spraying machines, since priority makes it difficult to secure these machines. Calcium arsenate, used in the destruction of the weevil, is also difficult to obtain. It seems likely that the crop

estimate of September 1 will be still lower than that of August 1. In many places damage is reported anywhere up to a third of the crop.

North Carolina's 1941 flue-cured tobacco crop was estimated at 469,940,000 pounds on August 1.... Rapid growth and abnormally fast ripening of the crop produced comparatively thin, light-weight leaves, but a good color. A larger proportion of the crop than usual will be of good cigarette quality. Prices have been unusually strong, with the averages for early marketings of poorer tobacco running between 26 cents and 29 cents a pound. It is estimated, however, that it will take \$25 a hundred or more to offset the tremendous decline in weight and the severe loss in quick ripening.

The North Carolina employment situation has been retarded to an unknown extent by the curtailment of the use of silk in hosiery mills. The latest information available, however, indicates that this unemployment will not become serious and that substitute materials can be obtained in a short while.

#### ATLANTA

Cotton is the principal agricultural crop in northeastern Georgia. From present indications the current crop will average only about 50 to 75 per cent of last year's production. The weather conditions in most sections visited have been unfavorable and the boll weevil has presented the usual problem to cotton growers. Some farmers had better crops because they had poisoned earlier for boll weevil and, too, many of them planted an earlier variety of cotton which matured before the boll weevil did much damage. The price for the current cotton crop is expected to be considerably above that received last year so that despite the shortage of the present crop, the cash return to the farmers may be equal to that of last year.

The peach crop in northeast Georgia was plentiful. However, weather conditions were such that the fruit was ready for market simultaneously with the crops of middle and south Georgia and South Carolina, which condition resulted in an over-supply and low prices. The Surplus Commodity Corporation relieved the situation considerably by entering the market.

The textile mills and associated industries, located throughout the north Georgia area, are reported to be operating on a full time basis.

#### CHICAGO

Approximately 100,000 copies of Regulation W were mailed to banks, loan companies, newspapers, and firms engaged in the extension of instalment credit.

During August preparations were made to assist the Treasury Department in its census of all foreign owned property subject to jurisdiction of the United States. All banks in the district were notified of the census, and their assistance in disseminating information regarding the necessity of filing reports was sought and is being willingly given. The task of filling these reports (Form TFR-300) is for the large banks of the district a tremendous one, and several of the Chicago banks at least have set up separate departments or formed committees to enable them to complete the job in their own organization. In addition to contacts with the banks, both member and nonmember, constant contact has been maintained with the general public through means of letters, releases to the press, or personal interviews.

Despite the late summer dryness which interfered with a normal sizing of apples, peaches, and pears, Illinois fruit raisers expect a banner production this year.

A special study of milk marketing in the Chicago Market Area, which was made by this Bank, showed that the costs of some essential feeds have risen as much as 44 per cent in the last year. Farm labor costs have also risen sharply in this district. The average paid in addition to board and room for July 1941, was \$55, and the average without board and room was \$78.

#### ST. LOUIS

In southern Missouri, herds of beef and dairy cattle are being enlarged and improved.... Crops of wheat and oats made satisfactory yields, but in many parts of the section late grain crops and pastures have suffered from a prolonged drought.

In western Tennessee and northern Mississippi the cotton crop has deteriorated in the past month, particularly in the southern part of the section, owing to excessive rainfall and insect damage. Weevil activity is reported to be high in some sections and there are scattered reports of damage from the Iowa corn borer.

#### MINNEAPOLIS

The wheat crop will be bountiful in northern Montana.... Over 90 per cent of the wheat farmers are members of the AAA allotment plan. Practically all of them expect to borrow on their stored wheat.

Livestock is one of the brightest spots in the economic picture of Montana this fall. The wool clip was sold at 32 to 35 cents

a pound, lambs are being contracted at 9 to 10 cents, calves are selling at \$42 a head and range cows at \$70 a head. Feed is abundant and there is a large reserve of hay on hand. While the livestock population has returned to normal, there is less danger now than in past years of over-production in view of the wide-spread extent of Federal grazing areas where the number of animals on the range is controlled.

The universal opinion among bankers was that people are not taking the war seriously. They are pleased with high prices for farm products, but they cannot conceive of the necessity of making sacrifices or buying defense bonds. A few banks are advertising defense bonds in the form of newspaper ads, and this advertising is having some effect.

Calls were made upon 31 editors of newspapers in western Minnesota. The comment most generally heard was "I like the stuff we get from you because it is brief and to the point and can be fitted in without too much alteration."

#### KANSAS CITY

Among country banks there is a tendency to say that the instalment credit regulations are unfair to farmers.... The farmer's income is irregular and the provision that as many as four instalments may be skipped is not liberal enough to meet his situation .... Nearly all city dealers of the better class are 100 per cent for the regulations, and for stronger ones if necessary, but some country dealers who sell almost entirely to farmers maintain that their instalment business will be wrecked.

Water for irrigation in northeastern Colorado has been plentiful throughout the season and all irrigation crops have produced well. The sugar beet crop in the area covered is considered to be of good tonnage and sugar content. The dry land areas have received more moisture and had generally better growing conditions than they have experienced in the past ten or fifteen years.

The general feeling is that prices are too high to feed on a scale comparable to the past few years. Most estimates indicate that there will be about one-third less livestock fed in northeastern Colorado during the coming winter.

#### DALLAS

Demands for bank credit have been steadily increasing in west central Texas as the result of high livestock prices this year and the

eagerness of many farmers to inaugurate or expand cattle and sheep operations. Most banks are showing a reluctance to increase their loan accounts at this time, fearing a recession in the prevailing high prices of livestock.

SAN FRANCISCO

No report received.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

August 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	12	16	28	<u>1/</u>	<u>1/</u>	1	40
New York	93	20	113	2	275	0	0
Philadelphia	34	9	43	2	600	2	600
Cleveland	16	12	28	4	260	4	121
Richmond	59	42	101	4	399	0	0
Atlanta	33	21	59	0	0	4	325 <sup>2/</sup>
Chicago	7	10	17	0	0	1	110
St. Louis	22	97	119	6	232 <sup>2/</sup>	1	116
Minneapolis	44	40	84	3	317	4	219
Kansas City	20	19	39	1	150	0	0
Dallas	28	7	35	1	25	0	0
San Francisco	13	3	16	13	1,501	5	505

1/ Not reported.

2/ Not completely reported.