FUTURES TRADING UNDER THE COMMODITY EXCHANGE ACT

1946 - 1954

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COMMODITY EXCHANGE AUTHORITY

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Introduction

Over the past several years most of the futures markets subject to regulation under the Commodity Exchange Act have attained a volume of trading and degree of stability that compare favorably with the prewar period 1935-39.

In their recovery from the trading restrictions and price-fixing measures of the World War II period, the leading futures exchanges have reestablished their services in the two fields of major importance to agricultural marketing, i.e., price basing and risk bearing (hedging).

In the older futures-trading commodities, particularly grains and cotton, futures prices are now about as widely used as before the war in determining cash or spot prices, and the amount of hedging by merchandisers and processors to diminish price risks in marketing and distribution is not greatly changed from the prewar period. The services of the futures markets in a number of other commodities, including fats and oils, soybeans, wool, and wool tops, have increased considerably in the postwar period.

In the postwar years there has been a marked reduction in the volume of trading in wheat, but increased trading in other leading commodities, including soybeans, corn, oats, cotton, eggs, and fats and oils.

The relative stability of the markets and their adequacy for hedging against price risks is reflected in the average levels of open contracts over the past several years. For most commodities the levels exceed the average for the prewar period. Although there have been a number of changes in trading patterns in some of the markets, such as in the amount or character of speculative, hedging, or spreading positions, the over-all impression is that the postwar markets have resumed the basic economic functions which they performed before the war. To the extent that the services of price basing and risk bearing have increased in commodities which now have broader futures markets, a net gain in agricultural marketing economy may be credited.

The continuing purpose of futures-trading regulation under the Commodity Exchange Act is to maintain fair trading practices and competitive pricing conditions in the markets. Such practices and conditions are not only important to merchants, farmers' marketing cooperatives, and processors who deal directly in these markets, but also to individual farmers who do not trade in futures but whose products, the country over, are sold on the basis of futures prices. In the years since World War II when the price structure has been subjected to many quickly changing supply and demand factors, and disquieting international situations, the maintenance of fair trading practices, the proper registration of futures prices, and the prevention of price manipulation have perhaps been of greater importance than in the period before the war.

The regulatory work of the Commodity Exchange Authority in the postwar period has dealt with many special problems incident to the resumption of trading in markets closed or restricted during World War II, and the effects of inflation and speculation in the postwar years. The impact of the Korean war and the imposition and removal of price ceilings also brought special problems, both for the markets and the regulatory agency. The job of restoring high or acceptable trading standards after a period of wartime laxness in trading practices requires more in the way of time and persistence than specific regulations. Much work was needed to deal with manipulative practices or techniques that arose in part from wartime conditions, and also to curb speculative excesses in markets and commodities particularly exposed to erratic speculative activity and price movements because of wartime conditions or quickly changing supply and demand conditions, or both.

The purpose of this survey is to indicate briefly the current condition of the futures markets and the volume and character of trading as compared with prewar, and to outline some of the regulatory objectives and problems of the postwar period.

Commodities Under the Act

Basic provisions of the Commodity Exchange Act providing for Federal regulation of futures trading were enacted in the Grain Futures Act of 1922, which, as the title indicates, covered grains only. Amendments in 1936 changed the title to Commodity Exchange Act and added cotton, butter, eggs, potatoes, rice, and millfeeds. Subsequent amendments added other commodities--in 1938 wool tops; in 1940 fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal; and in 1954 wool.

In leading commodities now under the act there was active futures trading in the prewar years, 1935-39, and these commodities have continued with active futures markets in the postwar years. The currently active markets in soybeans, soybean oil, soybean meal, potatoes, and wool have been inaugurated or largely developed since 1939. Commodities in which there was limited or nominal trading before the war or since then, but none at present, include barley, middlings, rice, and tallow. There has been no trading in cottonseed or peanuts in the period since these commodities were brought under the Commodity Exchange Act.

The Contract Markets

To conduct futures trading in a regulated commodity, an exchange must be "designated" or licensed under the Commodity Exchange Act as a "contract market." Originally, only grain exchanges were designated as contract markets. Over the years, as additional commodities were included under the act, other exchanges were designated. Also, from time to time, an exchange already licensed as a contract market for one or more commodities has made application to conduct futures trading in an additional commodity and has been so designated. In a few cases designations as contract markets have been voluntarily vacated.

The following list shows the 17 commodity exchanges which at the present time (December 1954) are designated as contract markets, and the 20 commodities in which futures trading is being conducted under supervision of the Commodity Exchange Authority:

Market	Regulated commodity
Chicago Board of Trade	Wheat, corn, oats, rye, soybeans, lard, cotton, soybean oil, grain sorghums, soybean meal.
Chicago Mercantile Exchange	Butter, eggs, potatoes.
Chicago Open Board of Trade	Wheat, corn, oats, rye, soybeans.
Duluth Board of Trade	(No trading in 1953-54.)
Kansas City Board of Trade	Wheat, corn, bran, shorts, grain sorghums.
Memphis Board of Trade Clearing Association	Cottonseed meal, soybean meal, soybeans.
Milwaukee Grain Exchange	Wheat, corn, oats, rye.
Minneapolis Grain Exchange	Wheat, oats, rye, flaxseed.
New Orleans Cotton Exchange	Cotton.
New York Cotton Exchange	Cotton.
New York Mercantile Exchange	Potatoes.
New York Produce Exchange	Cottonseed oil, soybean oil.
Portland Grain Exchange	(No trading in 1953-54.)
St. Louis Merchants' Exchange	(No trading in 1953-54.)
San Francisco Grain Exchange	(No trading in 1953-54.)
Seattle Grain Exchange	Wheat.
Wool Associates of the New York Cotton Exchange	Wool, wool tops.

The Chicago Board of Trade continues as the largest of the contract markets under the act. To the Chicago market's long-standing primacy in grain futures--wheat, corn, oats, and rye--has been added the greatly increased volume of soybean futures which has developed in the postwar period. With the inauguration and growth of futures trading in soybean oil, and a larger volume in lard, Chicago has become of increased importance as a fats and oils market. During the postwar years the Chicago Board of Trade has also inaugurated futures trading in soybean meal and grain sorghums.

The Minneapolis Grain Exchange and the Kansas City Board of Trade also continue from the earlier period as leading grain futures markets. In wheat, notwithstanding Chicago's larger trading volume, both speculative and hedging, Minneapolis and Kansas City are larger cash wheat markets, and the use of the Minneapolis and Kansas City futures markets for hedging purposes is a considerable factor in wheat marketing. In addition to wheat, corn, and grain sorghums, the Kansas City exchange conducts futures trading in bran and shorts, and since World War II has been the only futures market for the latter commodities.

The New York Cotton Exchange remains the largest contract market in cotton, although the New Orleans Cotton Exchange has about one-fourth of the total trading. The latter market has regained in the postwar period a proportion of the volume which it lost in the late thirties. The contract market for wool tops, and for the more recently developed futures trading in wool, is the Wool Associates of the New York Cotton Exchange.

In fats and oils, and also in the produce commodities--butter, eggs, and potatoes--there are contract markets in both New York and Chicago. As in the prewar period the New York Produce Exchange is the active futures market for cottonseed oil, and the Chicago Board of Trade continues as the only futures market for lard. In soybean oil, however, futures trading has developed during the postwar period both on the New York Produce Exchange and on the Chicago Board of Trade, the larger volume at present being on the latter market.

The Chicago Mercantile Exchange is the leading contract market for butter and eggs. There has been very little futures trading in these commodities on the New York Mercantile Exchange in the postwar period. The New York market has been the center, however, for the greatly increased volume of futures trading in potatoes which has occurred in the past few years.

The Memphis Board of Trade Clearing Association conducts futures trading, as before the war, in cottonseed meal and soybean meal, and in 1953 was designated also as a contract market for soybeans.

Wool Futures Market Designated Under the Act. The most recent addition to the markets under the act is that for wool conducted by the Wool Associates of the New York Cotton Exchange. Legislation to place wool under the Commodity Exchange Act was enacted by the 83d Congress and approved by the President on August 28, 1954. Under this legislation the regulation of futures trading in wool became effective October 27, 1954.

There was no futures trading in wool in 1938, when wool tops, a semimanufactured product of wool, was added to the commodities under the act. The futures market for wool was inaugurated in 1941.

The Wool Associates of the New York Cotton Exchange, which conducts futures trading in wool as well as wool tops, was designated as a contract market for wool effective October 27, 1954. On the same date, reporting requirements for wool, comparable to those already in existence for wool tops, were made effective for futures commission merchants and large traders.

There are many close links between the futures markets for wool and wool tops. Prices of the two commodities have direct connections and many members of the wool trade use both futures markets in varying degrees for hedging purposes.

Reports from large traders have already provided partial information on the extent of such participation. In addition, a market survey was made as of October 31, 1954, covering the positions of all traders in both the wool and wool top markets. It is believed that the effectiveness of regulation will be increased by the inclusion of both futures markets under the Commodity Exchange Act.

General Measures of Market Activity

Over-all activity in the commodity futures markets has been strikingly stable in the postwar years. Annual estimates of total number of transactions in all commodities covered by the Commodity Exchange Act have varied between 7.1 and 8.9 millions in the period from 1947-48 through 1953-54.

As shown in table 1, this over-all measure of futures market size (number of purchases and sales in terms of trading units) shows that market activity has recovered from the reduced volume during the war and has again reached the level of the years immediately prior to World War II. It is impossible to aggregate the volume of trading in all commodities, since the quantities for grains are in bushels, cotton in bales, eggs in carlots, lard in pounds, etc. The number of transactions provides a common measure of changing market activity.

Table 1.--Estimated number of transactions and value of futures trading in all commodities under the Commodity Exchange Act, years beginning July, 1937-38 through 1953-54

Year	Transactions 1/	Value of trading 2/
	Number	1,000 dollars
1937-38 3/	8,300,000	13,015,300
1938-39	5,208,000	6,715,100
1939-40	7,194,000	10,769,700
1940-41 3/	5,084,000	8,083,000
1941-42	5,719,000	14,272,200
1942-43	3,917,000	10,429,700
1943-44	4,025,000	12,612,800
1944-45	4,777,000	14,848,300
1945-46	4,294,000	16,823,300
1946-47	6,720,000	33,546,100
1947-48	8,863,000	49,452,200
1948-49	7,273,000	33,445,500
1949-50	7,115,000	32,351,400
1950-51	8,257,000	47,143,600
1951-52	8,682,000	49,179,100
1952-53	8,792,000	45,560,300
1953-54	8,460,000	42,136,100

1/ Estimated number of purchases plus sales in terms of contract units.
2/ Estimated from monthly volume of trading on all markets and average prices on principal markets.
3/ Commodities placed under the act during a year are included for the entire year.

It provides the best available gauge of year-to-year changes, but is less adequate for intercommodity comparisons in one year because one contract traded in potatoes, for example, is given the same weight as one contract in cotton, although the size and value of the two contracts are quite different.

The dollar value of futures trading in all commodity futures, also shown in table 1, provides another common measure. Although affected greatly by changing prices, as well as changing volume of market activity, the value of trading in all commodities under the act has also been relatively stable during the last several years at a level of more than 40 billion dollars. The total dollar amount of futures trading under regulation is much in excess of the dollar value of transactions in stocks and bonds on the registered securities exchanges. In the year ended June 30, 1954, the latter amounted to $19,861,000,000, or approximately one-half the dollar value of supervised commodity futures trading.

In recent years, four commodities, wheat, corn, soybeans, and cotton, have accounted for a major portion of the number of transactions and of the total value of trading. Detailed information on the amounts by commodities is given in appendix table 14 for 1937-38 and for the two most recent years.

Volume of Trading

In each of the grains shown in table 2 except wheat the average volume of futures trading in the postwar years was larger than in the prewar years. For all grains in which there was trading the combined volume averaged 12.1 billion bushels in the postwar period 1948-49 through 1952-53, and 14.2 billion bushels in 1953-54, compared with an annual average of 12.2 billion bushels in the prewar period 1934-35 through 1938-39. With increased trading in corn, oats, and rye, and much larger trading in soybeans, total activity in the grain futures markets is at approximately the same level as in the prewar period, notwithstanding the reduced volume in wheat. There was a small amount of trading in barley in earlier years, but none since 1947-48.

Although trading volume in cotton futures was low in 1953-54, the average volume in the postwar period has been considerably larger than in the prewar years--an annual average of 77,806,000 bales on all markets in the postwar period shown in table 2, as compared with an average of 45,879,000 bales in the prewar years. The table also shows the very considerably increased activity in wool tops in recent years, while most of the now substantial volume in wool has developed in the postwar period.

Table 2.--Volume of futures trading on all contract markets combined, by commodities, prewar average 1934-35 to 1938-39, postwar average 1948-49 to 1952-53, and 1952-53 and 1953-54, years beginning July

Commodity	Unit	Prewar average 1934-35 to 1938-39	Postwar average 1948-49 to 1952-53	1952-53	1953-54
Wheat	1,000 bu.	8,731,290	4,302,959	3,780,534	4,763,276
Corn	do.	2,325,650	2,675,822	2,811,204	2,343,979
Oats	do.	749,018	1,700,323	2,421,172	1,232,496
Rye	do.	297,087	482,570	703,044	724,630
Soybeans	do.	1/ 27,028	2,880,738	3,346,329	5,147,957
Flaxseed	do.	11,978	18,747	32,039	14,637
Grain sorghums	Million lb.	0	2,325	682	58
Cotton	1,000 bales	45,879	77,806	91,335	44,886
Wool tops	1,000 lb.	33,436	105,649	154,910	103,540
Butter	Carlots	20,018	7,741	7,293	115
Eggs	do.	42,458	106,507	145,588	149,163
Potatoes	do.	1,446	32,013	123,449	67,525
Cottonseed oil	1,000 lb.	2,222,406	5,220,438	3,050,280	871,680
Soybean oil	do.	---	1,920,840	3,048,720	4,711,260
Lard	do.	1,272,760	2,017,232	1,414,080	2,861,920
Bran	Tons	375,870	326,814	246,450	142,320
Shorts	do.	109,155	177,516	195,900	88,680
Cottonseed meal	do.	705,320	425,400	98,200	216,300
Soybean meal	do.	---	1,540,620	1,837,900	4,054,000

1/ 3-year average.

NOTE: Five-year averages are not shown for all commodities in the prewar period because trading was not inaugurated until sometime during the period or subsequent thereto.

In the fats and oils field the data in table 2 show that the long established futures markets for lard and cottonseed oil have experienced considerable growth in market activity in the postwar years. The futures market for soybean oil, which for various reasons was little used before the war, has attracted a volume in the postwar period which compares very favorably with both cottonseed oil and lard.

Futures trading in eggs has had two or three times as much activity in the postwar period as in the years before the war. Potato futures trading, which in the 1930's enjoyed only a limited or "trade-market" volume, has in recent years come closer to "public participation" status than at any previous time. The trade in butter futures, as already indicated, has declined markedly in the postwar period.

Of the remaining commodities, bran and shorts continue with a volume of "trade-market" proportions not greatly changed from the prewar period. There has been a decline in the volume of trading in cottonseed meal in recent years which has been offset, however, from the standpoint of market activity, by the development of very active trading in soybean meal.

In the postwar period, as to some extent also in the late thirties, there was decreased activity in a number of commodities of which very substantial quantities were under Government loan or owned by the Government. At times in 1953 and 1954, for example, hedging and speculative trading in wheat, cotton, cottonseed oil, and wool tops was reduced by the effect of Government price support operations and the nearness of market prices to the Government loan and purchase rates.

Factors involved in the increased trading in most regulated commodities in the postwar years vary considerably among commodities. Marked changes in supply and demand conditions in some commodities have been accompanied by considerable price ranges and attendant price risks. These have attracted speculative trading and also have increased the need for hedging protection on the part of merchandisers and processors. In other commodities or commodity situations, increased production, or more diversified uses of the commodity, has influenced merchandisers, processors, and distributors to make increased use of the futures markets for hedging purposes.

The above brief appraisal of the postwar futures volume, as compared with the prewar period of the late thirties, indicates that total activity in the grain markets is now about the same or somewhat larger and activity in most other commodities is appreciably increased.

Compared with the late twenties and early thirties, trading volume in wheat futures in both the prewar and postwar periods has been markedly lower, and volume in corn was also reduced. The decline in wheat accounts largely for the fact that the total grain volume today is substantially smaller than in the late twenties. In some years of the twenties the wheat futures volume was 15 to 25 times the size of the crop; in most recent years it has been approximately 3 to 5 times the size of the crop. Trading volume in oats and rye in the postwar period has been at approximately the level of the late twenties.

The total volume in the grain markets in the postwar period has equaled or exceeded that of the prewar period of the late thirties primarily because rapidly expanding activity in soybean futures has substantially offset the reduced volume in wheat. Increased trading volume in soybean futures in the postwar years is based in part on the rapidly expanding production and commercial utilization of the crop, and the correspondingly increased need for hedging protection against price risks on the part of merchandisers and processors.

The soybean market has also attracted a volume of speculative trading which has some of the characteristics of the record years of wheat futures speculation in the twenties. The trading volume in soybeans in recent years has ranged from 10 to 20 times the size of the crop. To some extent, soybean futures trading reflects factors like those underlying the large volumes in wheat in the twenties, economic and financial conditions favorable to large speculative markets, changing supply and demand conditions, and widely ranging prices; in other words, a fast-moving market particularly attractive to speculative traders.

For some commodities, other than grains, comparisons of activity in the postwar years with the twenties and early thirties are not possible because the trading had not begun, or data are not available. Trading volume in cotton in recent years has been lower than in the late twenties but approximately equal to that in the early thirties. Postwar activity in lard, cottonseed oil, and eggs has been much above the levels of trading in both the late twenties and early thirties, while the volume in butter is much smaller. Volume of trading during recent years in millfeeds has been at approximately the same level as in the early thirties (trading began in 1929) and volume in potatoes has been very much greater (trading began in 1931).

Open Contracts

Trade use of the futures markets, indicated partially by volume of trading data, is reflected more clearly by data on open contracts. While an adequate and continuing volume of trading is obviously necessary to a futures market, relatively substantial and stable levels of open contracts are ordinarily more indicative of the services of the market in agricultural marketing. In the larger futures markets volume of trading includes a large proportion of in-and-out and scalping transactions which are closed out before the end of the day, while open contracts reflect the more durable commitments of hedgers and speculators who hold positions open over night and for longer periods.

The data in table 3 show open contracts by commodities, all markets combined, for prewar and postwar periods. The open contract data are compiled from reports made to the Commodity Exchange Authority by exchange clearing members. Comparable data are not available, with minor exceptions, prior to the application of the reporting system to the various commodities under the act.

Open contract levels have averaged somewhat higher during the postwar period in most commodities for which comparable postwar and prewar data are presented in table 3, including corn, oats, rye, flaxseed, cotton, wool tops, eggs, potatoes, and shorts. To this list should be added wool, soybeans, soybean oil, and soybean meal, since the futures markets for these commodities were developed to their recent proportions primarily in the postwar period, and obviously have higher open contract levels than before the war, although comparable figures for the prewar period are not available. The data presented in this table reflect lower levels of open contracts in the postwar period in wheat, butter, and bran.

For all grains combined, average open contracts in the postwar period, 1948-49 through 1952-53, were 266,000,000 bushels. This figure is somewhat above the level of open contracts for all grains in which there was trading in the prewar period, 1934-35 through 1938-39. In the peak postwar year, 1952-53, open contracts in all grains then traded amounted to 332,000,000 bushels, which was a 19-year record, and not greatly below the all-time peak as shown by available records which was 375,000,000 bushels in 1929-30.

Postwar open contract levels in wheat are below the level of prewar and also below the peak years of the twenties and thirties, but the decline is much less marked than in volume of trading. Postwar open contracts in corn, oats, and rye compare favorably with the years immediately before World War II and also with the high years of the twenties and thirties. Most of the reduction since the twenties in the "all grains combined" total has been offset by the addition of open contracts in soybeans.

In cotton the average level of open contracts in the postwar period, 1948-49 through 1952-53, was 3,066,000 bales, or an increase of 12 percent compared with the prewar average shown in table 3.

Table 3.--Average month-end open contracts on all contract markets combined, prewar average 1934-35 to 1938-39, postwar average 1948-49 to 1952-53, and 1952-53 and 1953-54, years beginning July

Commodity	Unit	Prewar average 1934-35 to 1938-39	Postwar average 1948-49 to 1952-53	1952-53	1953-54
Wheat	1,000 bu.	129,015	97,497	106,540	96,213
Corn	do.	48,980	58,858	66,683	61,458
Oats	do.	32,463	50,555	84,135	45,564
Rye	do.	10,864	12,772	17,323	20,834
Soybeans	do.	---	42,703	54,468	82,160
Flaxseed	do.	652	1,133	2,223	875
Grain sorghums	Million lb.	0	147	22	3
Cotton	1,000 bales	1/ 2,749	3,066	3,666	2,748
Wool tops	1,000 lb.	2/ 5,110	8,966	14,586	10,936
Butter	Carlots	951	425	567	15
Eggs	do.	1,832	2,599	3,038	3,008
Potatoes	do.	64	1,440	4,014	4,134
Cottonseed oil	1,000 lb.	---	224,895	182,680	57,935
Soybean oil	do.	---	98,879	153,495	196,315
Lard	do.	---	75,171	91,237	59,707
Bran	Tons	1/21,126	18,284	13,445	8,060
Shorts	do.	1/ 6,080	10,710	12,730	4,440
Cottonseed meal	do.	---	33,767	10,708	19,225
Soybean meal	do.	---	111,685	123,706	310,546

1/ 2-year average.
2/ 3-year average.

NOTE: Five-year averages are not shown for all commodities in the prewar period because there were no open contracts or comparable data are not available prior to the inclusion of the commodities under the Commodity Exchange Act.

Cotton open contracts were somewhat below the postwar average in 1953-54, which was a year of reduced activity in the cotton markets, but in general the level of cotton open contracts has been fairly stable in the years since World War II.

For fats and oils, comparable data for the prewar years are not available. Open contracts in lard and cottonseed oil in the postwar period have been substantial most of the time. There has been increasing stability in the more recently developed soybean oil futures markets, indicating increased utilization of this market for price-basing and hedging purposes.

Market Composition

The principal source of information on the classification of traders' positions is the reports received from traders subject to the reporting requirements under the Commodity Exchange Act. In these reports the trader includes a classification of his positions as hedging, speculative, or spreading. Aggregate figures compiled from these reports have been published for all commodities covered by the act on a monthly or bimonthly basis since 1940 in the annual statistical bulletin, Commodity Futures Statistics. For the major grains and cotton similar data appeared in various statistical bulletins from 1937. Prior to that time some information on the classification of positions in grain futures was published, but the basis of classification was somewhat different.

In the typical pattern of traders' commitments in a futures market small traders and speculators are long on balance and hedgers are short on balance. Experience with regulation, and particularly the results from various over-all market surveys, has indicated that most positions of small traders are speculative. This typical pattern of net long speculative and net short hedging positions has continued in the postwar period with but few exceptions.

Table 4, which presents annual average data for all commodities for the two years, 1952-53 and 1953-54, shows this tendency for small traders and large speculators to be net long and for hedgers to be net short. Annual average data do not, of course, reveal changes within a year. At times during a year the reverse of the typical pattern may develop. In soybeans, for example, small traders and large speculators were consistently net long throughout the period of rising prices from September 1953 to the expiration of the May 1954 future, but sold on balance after that and were net short at the end of June 1954. In rye, eggs, and lard, large speculators were short on balance most of the time during the 1953-54 year.

Table 4.--Open contracts and commitments of large (reporting) and small (nonreporting) traders on all contract markets, average of midmonth and month-end figures, by commodities, years beginning July, 1952-53 and 1953-54

Commodity and year	Unit	Total open contracts	Small (nonreporting traders		Large (reporting) traders			
					Speculative 1/		Hedging	
			Long	Short	Long	Short	Long	Short
Wheat:								
1952-53	Million	106.8	49.9	26.0	36.1	25.7	20.8	55.1
1953-54	bushels	96.8	51.8	30.5	33.4	24.0	11.6	42.3
Corn:								
1952-53	do.	67.1	38.3	24.6	20.3	16.0	8.5	26.5
1953-54	do.	61.5	29.1	23.4	26.4	15.6	6.0	22.5
Oats:								
1952-53	do.	84.4	64.8	22.1	18.5	19.0	1.1	43.3
1953-54	do.	46.1	33.0	14.5	12.4	10.0	.7	21.6
Rye:								
1952-53	do.	17.3	14.1	8.0	3.1	4.6	.1	4.7
1953-54	do.	20.9	17.0	6.5	3.8	4.4	.1	10.0
Soybeans:								
1952-53	do.	54.1	30.8	30.4	15.3	12.0	8.0	11.7
1953-54	do.	80.4	42.5	35.9	29.4	24.1	8.5	20.4
Flaxseed:								
1952-53	do.	2.2	1.6	1.1	.2	.3	.4	.8
1953-54	do.	.9	.5	.7	.1	.1	.3	.1
Grain sorghums:								
1952-53	Million	24.0	12.0	18.0	7.0	2.0	5.0	4.0
1953-54	pounds	3.0	2.0	3.0	0	0	1.0	0
Cotton:								
1952-53	Million	3.7	2.3	1.9	.6	.5	.8	1.3
1953-54	bales	2.8	1.7	1.3	.6	.4	.5	1.1
Wool tops:								
1952-53	Million	14.7	7.9	4.1	1.9	.7	4.9	9.9
1953-54	pounds	10.8	5.3	3.2	1.8	1.1	3.7	6.5
Butter:								
1952-53	Thousand	.6	.4	.2	.1	(2)	.1	.4
1953-54	carlots	(2)	(2)	(2)	0	0	0	0
Eggs:								
1952-53	do.	3.0	2.2	1.9	.8	.5	(2)	.6
1953-54	do.	3.0	2.3	2.0	.7	.8	(2)	.2
Potatoes:								
1952-53	do.	4.0	2.4	1.8	1.1	1.0	.5	1.2
1953-54	do.	4.1	2.6	1.9	1.0	.5	.5	1.7

(Continued)

Table 4.--Open contracts and commitments of large (reporting) and small (nonreporting) traders on all contract markets, average of midmonth and month-end figures, by commodities, years beginning July, 1952-53 and 1953-54---continued

Commodity and year	Unit	Total open contracts	Small (nonreporting traders		Large (reporting) traders			
					Speculative 1/		Hedging	
			Long	Short	Long	Short	Long	Short
Cottonseed oil:								
1952-53	Million	187.9	67.3	34.8	83.7	55.1	36.9	98.0
1953-54	pounds	59.0	24.9	11.7	20.8	13.0	13.3	34.3
Soybean oil:								
1952-53	do.	155.7	75.5	17.0	52.1	45.0	28.1	93.7
1953-54	do.	194.6	90.3	25.6	63.0	30.6	41.3	138.4
Lard:								
1952-53	do.	92.3	71.0	12.1	18.4	6.6	2.9	73.6
1953-54	do.	59.1	39.5	34.9	11.7	11.9	7.9	12.3
Bran:								
1952-53	Thousand	13.8	7.7	5.1	.3	.1	5.8	8.6
1953-54	tons	8.2	4.2	2.8	1.9	.7	2.1	4.7
Shorts:								
1952-53	do.	13.1	4.7	4.4	.9	.1	7.5	8.6
1953-54	do.	4.5	3.2	2.2	.2	.4	1.1	1.9
Cottonseed meal:								
1952-53	do.	12.4	6.7	8.9	3.0	2.5	2.7	1.0
1953-54	do.	18.3	9.6	6.9	5.4	1.4	3.3	10.0
Soybean meal:								
1952-53	do.	121.4	37.9	36.3	39.7	38.0	43.8	47.1
1953-54	do.	257.7	57.1	42.2	149.3	95.9	51.3	119.6

1/ Includes spreading or straddling.
2/ Less than 50 carlots.

In the period from 1937, for which data on a comparable basis are available, it is apparent that the futures markets for leading commodities have continued to be of great importance for hedging purposes.

In cotton the average hedging commitments of reporting traders for the postwar period, as reflected in table 5, are not greatly changed from the prewar years, 1937-38 through 1939-40. Long hedging commitments of reporting traders averaged 758,000 bales in the postwar period, 1948-49 through 1952-53, compared with 438,000 bales in the indicated prewar period, and short hedging commitments were 936,000 bales compared with 1,471,000 bales. It is apparent from these figures that although there has been some variation in the relative use of long and short hedging commitments in the two periods, the aggregate utilization of the cotton futures markets for hedging purposes is about the same as in the prewar period. Speculative commitments of reporting traders which were long or short only have shown some increase, and there has been a larger increase in the commitments reported as straddling.

Comparable data for commitments in wheat futures are given in table 6. Short hedging commitments of reporting traders in recent years have been below the levels of the late thirties, although substantially above the amounts in World War II years. Reported long commitments have tended to be larger in the past few years. Total open contracts have averaged somewhat smaller in recent years than in the late thirties, but have been quite stable at a level of approximately one hundred million bushels. Long speculative positions of reporting traders have shown a considerable increase as compared with the late thirties, while long and short speculative positions reported as spreading have shown an even more pronounced rise.

In corn futures, commitments reported as short hedges, shown in table 7 have been at approximately the same levels in the last few years as in the late thirties. In contrast to wheat, there has been some decrease in reported long hedging commitments in corn. Open contracts are somewhat larger than in the earlier years, with the increase primarily in reported spreading positions and the commitments of small traders.

In wheat, corn, and cotton, although total supplies have been very large in recent years, large stocks have been under Government loan or owned by the Government. At times "free" supplies in private hands have not been large, and smaller inventories have been reflected in merchants' and processors' hedging commitments. Also at times in recent years market prices of these commodities have held close to loan levels for considerable periods. In many instances merchants and processors have considered the risk of prices declining much below the loan rates as relatively small, and have not been inclined to hedge inventories against such risks by making short sales of futures.

Table 5.--Cotton futures: Commitments of reporting and nonreporting traders on all contract markets combined, years beginning July, 1937-38 to 1953-54 1/

(In thousands of bales)

Year	Total open contracts	Nonreporting (small) traders' speculative and hedging commitments 3/		Reporting (large) traders' commitments 2/ reported as:					
				Speculative				Hedging	
				Long or short only		Long and short (straddling)			
		Long	Short	Long	Short	Long	Short	Long	Short
1937-38 4/	3,197	2,640	1,079	52	9	148	111	357	1,998
1938-39	2,418	1,917	971	76	12	115	143	310	1,292
1939-40	1,950	1,080	681	75	12	149	134	646	1,123
3-year av.	2,522	1,879	911	68	11	137	129	438	1,471
1940-41	1,435	801	515	27	9	119	117	488	794
1941-42	2,091	1,529	616	111	50	119	117	332	1,308
1942-43	1,752	1,129	601	162	76	138	140	323	935
1943-44	1,643	1,058	808	143	71	88	89	354	675
1944-45	1,640	1,055	847	174	58	88	88	323	647
1945-46	2,640	1,853	1,015	221	43	306	306	260	1,276
1946-47	3,103	1,827	1,527	193	72	365	365	718	1,139
1947-48	2,706	1,615	1,405	168	39	334	334	589	928
1948-49	2,403	1,308	1,506	174	49	331	331	590	517
1949-50	2,374	1,315	1,355	136	41	358	358	565	620
1950-51	3,288	1,591	1,459	285	91	485	481	927	1,257
1951-52	3,564	1,920	1,961	139	83	535	531	970	989
1952-53	3,672	2,299	1,853	164	48	472	472	737	1,299
5-year av.	3,060	1,686	1,627	180	62	436	435	758	936
1953-54	2,764	1,663	1,251	220	15	405	406	476	1,092

1/ Average of month-end data 1937-38 through 1946-47 and of midmonth and month-end data 1947-48 through 1953-54.
2/ Reporting traders are persons subject to reporting requirements under the Commodity Exchange Act.
3/ Derived by subtracting reporting traders' commitments from total open contracts.
4/ 10-month average.

Table 6.--Wheat futures: Commitments of reporting and nonreporting traders on all contract markets combined, years beginning July, 1937-38 to 1953-54 1/

(In millions of bushels)

Year	Total open contracts	Nonreporting (small) traders' speculative and hedging commitments 3/		Reporting (large) traders' commitments 2/ reported as:					
				Speculative				Hedging	
				Long or short only		Long and short (spreading)			
		Long	Short	Long	Short	Long	Short	Long	Short
1937-38	127.8	91.3	41.2	5.7	3.9	11.6	15.9	19.2	66.8
1938-39	124.3	94.8	33.3	8.7	1.8	12.5	9.8	8.3	79.4
1939-40	120.2	87.4	31.5	8.9	1.5	13.1	8.4	10.8	78.8
3-year av.	124.1	91.1	35.3	7.8	2.4	12.4	11.4	12.8	75.0
1940-41	79.0	53.8	25.6	5.1	1.2	9.0	4.6	11.1	47.6
1941-42	71.4	45.7	19.7	6.1	.7	4.6	4.4	15.0	46.6
1942-43	67.2	36.4	18.5	8.4	1.2	5.8	5.9	16.6	41.6
1943-44	65.5	35.5	22.8	6.0	2.8	5.2	5.4	18.8	34.5
1944-45	59.9	35.2	27.0	5.5	3.9	5.1	5.2	14.1	23.8
1945-46 4/	51.6	25.5	24.2	9.3	1.9	5.5	5.5	11.3	20.0
1946-47 4/	38.3	17.0	24.1	2.2	1.3	5.5	5.5	13.6	7.4
1947-48	94.4	47.6	36.6	9.4	2.3	16.9	16.9	20.5	38.6
1948-49	90.9	39.6	35.8	7.4	6.8	15.8	15.8	28.1	32.5
1949-50	85.9	40.2	35.3	14.2	2.7	13.6	13.6	17.9	34.3
1950-51	97.5	47.6	26.8	11.6	2.9	17.9	17.9	20.4	49.9
1951-52	107.2	51.7	29.5	14.2	4.4	21.0	21.0	20.3	52.3
1952-53	106.8	49.9	26.0	13.7	3.3	22.4	22.4	20.8	55.1
5-year av.	97.7	45.8	30.7	12.2	4.0	18.2	18.2	21.5	44.8
1953-54	96.8	51.8	30.5	12.3	2.9	21.1	21.1	11.6	42.3

1/ Average of month-end data 1937-38 through 1946-47 and of midmonth and month-end data 1947-48 through 1953-54.
2/ Reporting traders are persons subject to reporting requirements under the Commodity Exchange Act.
3/ Derived by subtracting reporting traders' commitments from total open contracts.
4/ 11-month average; trading suspended.

Table 7.--Corn futures: Commitments of reporting and nonreporting traders on all contract markets combined, years beginning July, 1937-38 to 1953-54 1/

(In millions of bushels)

Year	Total open contracts	Nonreporting (small) traders' speculative and hedging commitments 3/		Reporting (large) traders' commitments 2/ reported as:					
				Speculative				Hedging	
				Long or short only		Long and short (spreading)			
		Long	Short	Long	Short	Long	Short	Long	Short
1937-38	48.5	24.4	19.3	6.0	2.4	4.2	4.2	13.9	22.6
1938-39	56.9	32.3	15.6	7.6	3.3	5.5	5.6	11.5	32.4
1939-40	39.8	19.6	10.6	8.0	4.4	2.2	2.2	10.0	22.6
3-year av.	48.4	25.4	15.2	7.2	3.4	4.0	4.0	11.8	25.8
1940-41	24.2	10.5	11.1	6.5	3.5	1.7	1.7	5.5	7.9
1941-42	53.6	31.6	12.4	10.9	.4	2.6	2.6	8.5	38.2
1942-43 4/	42.7	23.7	7.9	8.2	1.6	2.7	2.7	8.1	30.5
1943-44 5/	---	---	---	---	---	---	---	---	---
1944-45 6/	21.1	9.6	14.6	1.0	2.1	1.5	1.5	9.0	2.9
1945-46 4/	16.8	5.9	9.9	1.7	1.4	1.7	1.7	7.5	3.8
1946-47	36.3	19.3	19.5	4.1	1.5	4.8	4.8	8.1	10.5
1947-48	52.8	28.7	29.9	5.4	1.8	11.0	11.0	7.7	10.1
1948-49	58.1	34.9	27.0	7.7	2.7	9.5	9.5	6.0	18.9
1949-50	49.4	28.9	18.8	7.5	3.1	8.2	8.2	4.8	19.3
1950-51	54.9	28.8	17.5	11.5	3.7	8.3	8.3	6.3	25.4
1951-52	65.9	37.9	24.1	10.9	4.3	10.9	10.9	6.2	26.6
1952-53	67.1	38.3	24.6	10.3	6.0	10.0	10.0	8.5	26.5
5-year av.	59.1	33.7	22.4	9.6	4.0	9.4	9.4	6.4	23.3
1953-54	61.5	29.1	23.4	13.4	2.6	13.0	13.0	6.0	22.5

1/ Average of month-end data 1937-38 through 1946-47 and midmonth and month-end data 1947-48 through 1953-54. Because of suspension of trading in one or more markets some months are not included in annual average.
2/ Reporting traders are persons subject to reporting requirements under the Commodity Exchange Act.
3/ Derived by subtracting reporting traders' commitments from total open contracts.
4/ 11-month average.
5/ Trading suspended, all markets.
6/ 10-month average.

In both cotton and wheat there has evidently been some tendency for long hedging commitments to increase relatively to short hedging commitments, and this was also true in corn during and immediately after World War II. In part this was a reflection of efforts to obtain supplies through the futures markets when price ceilings were in effect. Trends of longer duration are indicated, however, and may be a reflection of an increased use of futures markets in connection with fixed-price forward sales of cash commodities.

One of the most striking changes for wheat, corn, and cotton has been the increase in reported spreading or straddling commitments. In cotton this has probably been due to some extent to increased use of so-called protective straddles for the purpose of anticipating expected price movements or supply requirements. But to a considerable extent the growth of spreading commitments in leading futures markets is the result of the use of futures transactions as a means of avoiding income taxes.

Commitments in egg futures reflect some contrasts to the pattern shown in wheat, corn, and cotton. In the egg futures markets open contracts have been larger in recent years than in the late thirties, but short hedging commitments have been much smaller, as shown in table 8. Reported speculative positions (including spreading) have increased but the largest rise has been in commitments of small traders.

Reports on Cotton "Call Sales"

Since 1938 the Commodity Exchange Authority has published current information on cotton "on call" contracts--transactions which are used extensively in marketing the cotton crop, and have a significant bearing on the cotton futures market. Basic data on cotton call transactions are released in a weekly report which is made available to cotton mills, merchants, producers' cooperatives, and the press.

Cotton call sales, in contrast to sales at "fixed" prices, are made at "unfixed" prices based on futures-market quotations. A call contract, briefly defined, is an agreement, usually between a cotton merchant and a mill, to sell spot cotton at a specified premium or discount on a designated cotton future, the final price to be determined later.

For example, a cotton merchant on July 1 may sell 1,000 bales of 15/16" middling white cotton to a mill "on call" at 150 points (1 1/2 cents) over the December future--buyer's call. The final price will be determined or "fixed" on a subsequent date chosen by the buyer, ordinarily prior to first notice day of the December future. If the price of the December future on the date the price is fixed, say November 15, is 31.00 cents a pound, the fixation price is 32.50 cents.

Table 8.--Egg futures: Commitments of reporting and nonreporting traders on all contract markets combined, years beginning July, 1937-38 to 1953-54[1/]

(In carlots)

Year	Total open contracts	Nonreporting (small) traders' speculative and hedging commitments[3/]		Reporting (large) traders' commitments[2/] reported as:					
				Speculative				Hedging	
				Long or short only		Long and short (spreading)			
		Long	Short	Long	Short	Long	Short	Long	Short
1937-38[4/]	1,845	1,444	461	244	52	33	33	124	1,299
1938-39	2,480	1,834	514	470	121	81	81	95	1,764
1939-40	2,221	1,813	387	282	65	8	8	118	1,761
3-year av.	2,182	1,697	454	332	79	41	41	112	1,608
1940-41	1,838	1,376	383	237	87	5	5	220	1,363
1941-42	2,046	1,271	518	186	83	19	18	570	1,427
1942-43	615	433	217	23	4	0	0	159	394
1943-44	455	415	311	14	4	0	0	26	140
1944-45	1,389	1,120	1,065	125	80	4	4	140	240
1945-46	3,646	2,683	1,629	553	177	268	268	142	1,572
1946-47	4,211	3,147	2,084	508	129	325	325	231	1,673
1947-48	2,655	2,025	1,426	279	106	176	176	175	947
1948-49	2,547	1,713	1,301	384	233	81	81	369	932
1949-50	2,289	1,437	1,135	427	110	144	144	281	900
1950-51	2,906	1,870	1,487	326	110	400	400	310	909
1951-52	2,260	1,725	1,239	260	120	144	144	131	757
1952-53	2,980	2,215	1,884	456	175	287	287	22	634
5-year av.	2,596	1,792	1,409	371	150	211	211	222	826
1953-54	3,037	2,281	2,014	432	467	296	296	28	260

1/ Average of month-end data 1937-38 through 1946-47 and of midmonth and month-end data 1947-48 through 1953-54.
2/ Reporting traders are persons subject to reporting requirements under the Commodity Exchange Act.
3/ Derived by subtracting reporting traders' commitments from total open contracts.
4/ 10-month average.

The quantity of spot cotton sold by means of such transactions is considerable. A sizeable volume of call contracts based on New York cotton futures is continuously outstanding, ranging from approximately 500,000 bales to 2,000,000 bales, depending on seasonal factors and market conditions.

The volume of call contracts outstanding is an indication of the potential demand for cotton. Normally, merchants' call sales increase during the summer and reach their peak in the early fall. Ordinarily there is a pronounced seasonal rise in open contracts in the late summer and fall. The fixing of prices on call contracts is credited with contributing to the seasonal increase in open contracts, since merchants, on fixation, may make immediate purchases of futures to cover their market risks. Cotton mills, on fixation, may make hedging sales in futures to cover their risks on spots purchased--unless such risks are offset by forward sales of goods, or are carried unhedged.

Reliable data on these transactions are helpful in appraising cotton market conditions. The data in the CEA weekly release on call transactions are obtained from the required weekly reports made by cotton merchants in special account status, i.e., those having futures contracts of 5,000 bales or more in any one cotton future on one contract market.1/ While the CEA release does not include data from merchants having futures positions below the 5,000-bale reporting level, it does cover the larger spot cotton houses, and as such is broadly representative of the total use of call contracts. A special survey on this subject, made in 1952 at the request of the cotton trade, determined that at the peak of the marketing season the regular weekly release covered approximately 75 percent of total call transactions.

During the recent cotton crop year, in which the volume of trading on the New York Cotton Exchange declined 49.7 percent compared with the previous crop year, and the average level of open contracts decreased 28.6 percent, the level of reporting merchants' call sales based on New York futures decreased only 1.5 percent. As shown in table 9, the month-end average of call sales in the crop year ended July 31, 1954, was 990,500 bales, somewhat lower than in the two previous crop years. Call sales in the most recent crop year were

1/ Call purchases of cotton mills are excluded from the release since such purchases are merely the other side of call sales reported by merchants. The call purchase data reflected in the CEA release are those of reporting merchants--not mills--and are ordinarily much smaller than merchants' call sales, since merchants purchase most cotton at fixed prices rather than on call.

Table 9.--Sales of cotton "on call"1/ and total open contracts on the New York Cotton Exchange, Friday nearest the end of each month, August 1951 - December 1954

(In thousands of bales)

Month	1951-52		1952-53		1953-54		1954-55	
	Unfixed call sales	Open contracts	Unfixed call sales	Open contracts	Unfixed call sales	Open contracts	Unfixed call sales	Open contracts
August	1,798.6	2,811.2	1,375.3	2,582.0	1,025.3	2,068.6	1,676.2	2,160.7
September	2,179.6	3,074.3	1,568.4	2,809.7	860.5	1,978.7	1,795.4	2,414.9
October	2,218.8	3,294.0	1,431.4	3,298.7	971.5	2,198.0	1,679.8	2,708.6
November	1,661.3	3,021.8	1,254.8	3,502.4	1,117.2	2,309.2	1,504.2	2,824.2
December	1,364.6	3,019.8	1,049.5	3,589.0	1,101.7	2,569.5	1,428.3	2,969.0
January	1,173.7	2,976.2	949.4	3,532.4	1,201.6	2,446.9		
February	991.8	3,180.2	790.2	3,356.8	1,037.4	2,167.9		
March	952.8	2,892.5	748.6	3,061.0	1,000.8	2,053.3		
April	488.5	2,468.8	653.6	2,536.0	754.4	1,822.7		
May	501.4	2,405.2	635.8	2,315.1	737.6	1,657.8		
June	498.4	2,215.1	687.8	1,951.2	912.8	1,576.4		
July	956.6	2,516.3	916.9	2,041.9	1,165.4	1,823.2		
Average	1,232.2	2,823.0	1,005.1	2,881.4	990.5	2,056.0		

1/ Sales based on New York futures as reported by merchants in special account status.

at approximately the same level as in the first two years for which data are available, 1938-39 and 1939-40, when the averages were 858,900 bales and 1,027,600 bales, respectively.2/

The seasonal increase in both call sales and open contracts in the 1953-54 crop year was less pronounced than usual. The relatively low level of merchants' call sales in the late summer and fall of 1953 reflected the decreased rate of domestic mill consumption and reduced exports. With large supplies from 1953 production and market prices below the loan level, many merchants and mills reduced their commitments as compared with the previous year and in some instances carried spot cotton commitments and inventories unhedged as long as prices remained below the loan level. In many other instances, however, cotton mills followed their usual practice of buying on call. Call sales reached the season's peak in January 1954, when the 10-spot market average for middling 15/16" advanced above the loan level at these markets for the first time since late August.

In the last half of the 1953-54 crop year, as mill consumption held fairly steady and the export outlook improved, cotton call sales held at very substantial levels. Warehouse stocks of cotton continued very large, but mill stocks declined, and mills bought actively on call. Although the volume of trading and open contracts in cotton futures remained relatively small in the spring and early summer, substantial futures transactions in connection with call sales and hedging operations contributed significantly to the amount of open contracts in the market.

The seasonal increase in call transactions beginning in the summer of 1954 was very pronounced and was accompanied by a marked increase in open contracts in cotton futures. At the end of September 1954, call sales were 1,795,400 bales, compared with 860,500 bales and 1,568,400 bales, respectively, for the comparable dates in 1953 and 1952. Throughout the autumn of 1954, both call sales and open contracts were larger than in the two preceding years.

Reopening of European Futures Markets

The reopening during the past two years of a number of European futures markets, which had been closed since the beginning of World War II, is a further recognition of the need for futures trading in the marketing of agricultural products.

2/ Data on cotton call sales for the period 1938-39 through 1944-45 are included in three issues of the publication, Cotton Futures Statistics (published in 1942, 1943, and 1947), and for the period 1945-46 through 1950-51 in the bulletin, Cotton "On Call" Statistics (published in 1952).

Futures trading in cotton on the Liverpool Cotton Association was resumed May 18, 1954. The wheat futures market of the Liverpool Grain Exchange was reopened December 1, 1953. The corn futures market of the Rotterdam exchange was reopened on September 23, 1953, and futures trading in corn and barley was reinaugurated by the London Corn Trade Association on January 4, 1954. The wool top futures market at Antwerp, Belgium, was reopened as early as November 4, 1947, and that at Roubaix-Tourcoing in northern France on January 15, 1951. Futures trading in wool tops was inaugurated in London on April 29, 1953.

Although trading volume in most of the European futures markets was relatively small in the initial period, their reopening and futures price quotations were followed with interest in United States markets.

Use of foreign futures markets in conjunction with those in the United States was an important factor in the export of American grains and cotton in the years before World War II. The resumption of futures trading in European markets on any considerable scale is expected to facilitate the marketing of American farm products in some foreign countries. Traders in reporting status to the Commodity Exchange Authority have begun to show positions in European futures markets.

Before the European markets were reopened some foreign firms as well as U. S. exporters used futures markets in the United States in connection with foreign trade. More extensive use of futures to reduce price risks in international trade may be expected when firms are able to use futures markets in both exporting and importing countries and active arbitraging operations aid in maintaining stable futures price relationships between markets.

A further essential is reasonably free convertibility of currencies. The reopening of European futures markets followed the relaxation or discontinuance by some European governments of state trading programs and limitations on currency convertibility which had been put into effect in World War II or afterwards. Futures trading in the international sense is of limited economic value without freedom to buy and sell foreign exchange in connection with the execution of futures contracts, in order to be protected or hedged against losses from fluctuations in exchange rates.

The reopening of the Liverpool cotton futures market was of particular interest to the American cotton trade, as the Liverpool contract calls for the delivery of U. S. cotton. Although the use of the Liverpool futures market in connection with the sale of U. S. cotton was not expected to be very extensive prior to the marketing season for U. S. 1954 crop cotton, straddle operations between New York and Liverpool developed fairly actively in the summer of 1954, and some export firms were using the Liverpool market for hedging purposes or selling cotton "on call" based on Liverpool futures.

The opening of futures trading on the London wool top futures market has also attracted interest in the United States, since this country is on an import basis with respect to grease wool, and a small amount of tops is imported. Trading in the London market is in tops made from Australian wools, but the base grade (Bradford 64's B) is similar to the base grade used on the wool top futures market conducted by the Wool Associates of the New York Cotton Exchange, thus facilitating arbitraging and hedging operations between the two markets. The volume of trading on the London market in the first year after reopening was reported at 12,120 contracts (of 5,000 pounds each), or approximately 60 percent of the volume on the New York market during the comparable period.

Participation of U. S. exporters in the reopened European grain futures markets was not extensive in the initial period, although some positions in Liverpool wheat and Rotterdam corn were included in large-trader reports to the Commodity Exchange Authority. Wheat futures prices registered on the Liverpool market have been widely quoted by the U. S. grain trade. Data are not available, however, on the volume of trading in wheat at Liverpool, or in corn at London and Rotterdam. Developments in the international wheat trade are conditioned, of course, by many special quota and pricing programs, including the International Wheat Agreement.

Federal regulation of futures trading and speculation in the United States has received increasing attention from foreign exchanges and foreign governments. The maintenance of futures trading and competitive pricing on commodity exchanges in the United States, notwithstanding wartime conditions over a long period, has furnished example and experience which have been carefully studied abroad. The regulatory work under the Commodity Exchange Act to prevent excessive speculation and price manipulation is recognized as an important factor in the American experience. Over the past few years representatives of foreign governments and exchanges who have consulted with the Commodity Exchange Authority on methods of trading supervision have included officials of the Liverpool Cotton Association, Indian government officials with reference to the Bombay cotton futures market, representatives of the Alexandria cotton exchange, and Japanese government officials concerned with the regulation of commodity exchanges in that country.

Regulation Under the Commodity Exchange Act

The Commodity Exchange Act is predicated upon certain findings and conclusions of the Congress, the most basic of which are clearly set forth in the act itself. The commodity futures markets are affected with a national public interest. Transactions in commodity futures are carried on in large volume by the public, as well as by persons engaged in the business of buying and selling agricultural commodities in interstate commerce. Transactions and prices are susceptible, however, to speculation, manipulation and control, and sudden and unreasonable price fluctuations, and such fluctuations are a burden upon interstate commerce and make regulation essential in the public interest.

It is implicit in these findings that the commodity exchanges are part of our agricultural marketing system. Farmers' cooperative marketing organizations, merchants of grain, cotton, and other farm products, and processors of agricultural products use them in establishing prices on purchases and sales of farm commodities, and as a means of hedging against risks of price changes. The Commodity Exchange Act provides for regulation to assure fair play in the futures markets; it is not the intent of the act to shackle or destroy the futures markets.

As I said in a speech a year or more ago: "I look upon regulation of the commodity exchanges as Congressional recognition of the public services performed by the exchanges and consider that the basic purpose of regulation is to preserve and improve such services in the public interest."

I believe the regulatory policies and procedures developed over the years have been directed toward this end. Regulatory procedures have been adopted only after careful study and periods of testing. Every attempt has been made to work with the exchanges to find means of accomplishing the purposes of the law without interfering with or restricting the healthy and constructive development of market services.

Supervision of trading begins with a system of reports from brokers and traders themselves. The reports give basic facts and figures on futures trading. These reports, the observation of floor trading, and information and data from other sources indicate when and where special surveys or investigations of specific market conditions are needed. In considering market situations, or the need for changes in regulatory procedures, close contact is maintained with exchange control committees and officials.

Regulation of brokerage activities includes the periodic registration of brokers and the auditing of the books and records of brokerage firms. Each year, all brokerage firms soliciting orders or handling funds of the public are required to be registered as futures commission merchants. Persons engaged as floor brokers on exchanges must also register annually. The segregation audit program is designed to prevent misuse of customers' funds and to see that separate accounting records and proper segregation of funds are maintained by futures commission merchants.

Basic Information From Reports

The first requisite for effective regulation is to know the facts. The basic means for obtaining regularly the current facts on futures trading operations continues to be the reporting system under which daily reports are obtained from exchange clearing members, commodity brokers, and large traders. These reports, required by regulations under the Commodity Exchange Act, are also the basis for the release of summary data on futures trading to the public.

Information on individual reports is zealously guarded by the Commodity Exchange Authority. A system of code identifications is used in connection with the reports as one means of preventing disclosure of names and market positions of traders and brokers reporting. Provisions of the act prohibit disclosure of the names or business operations of individual firms in the market, except in connection with formal complaints of violation of the act, prosecution, or other special situations specified in the law.

The Commodity Exchange Authority provides printed forms for reporting, and the reports are arranged in series according to the group reporting and the type of information required, and by commodity or commodity groups, as follows:

Clearing Member Reports on Trading and Open Contracts--reports on CEA forms 200 (grain), 300 (cotton), 400 (butter), etc. The '00 reports provide an over-all picture of market activity and the make-up of the market from day to day. These reports by exchange clearing members show the aggregate trading and open contracts of their customers and of house accounts and are used for general market analysis and enforcement. They are also the source from which the CEA compiles the summary figures of daily volume of trading and open contracts in each market, by commodities and futures, which are released daily and carried regularly by newspapers and wire services.

Brokers' Reports on Large Traders' Holdings--reports on CEA forms 201 (grain), 301 (cotton), etc. The '01 reports give the position of large traders carried by the reporting broker and ordinarily are the quickest source of information on such traders. Each commodity broker (futures commission merchant) reports daily the net position of each customer and house account in large-trader status, that is, each customer in wheat having 200,000 bushels or more in one future on one market, in cotton having 5,000 bales or more in one future on one market, etc. When a position reaches large-trader size for the first time, the broker must identify the account to the CEA on a separate form (CEA form 102).

Large Traders' Reports--reports on CEA forms 203 (grain), 303 (cotton), etc. The '03 reports obtained from large traders themselves provide more comprehensive information on their trading operations. Each individual trader holding open contracts in one future on one market equal to or exceeding the specified large-trader level (in wheat 200,000 bushels, cotton 5,000 bales, eggs 25 carlots, etc.) must report daily all his positions (open contracts) and also his trades and deliveries in that commodity on all markets, and must classify his positions whether speculative, spreading, or hedging.

Reports by Large Merchants and Processors--reports on CEA forms 204 (grain), 304 (cotton), and 504 (eggs). These weekly reports give data on cash commodity stocks and forward purchase and sales commitments, which are important for appraisal of current market situations and the prevention of price manipulation and corners.

Analysis of the various reports and data derived enables the CEA to maintain surveillance of over-all market activity and to keep watch on the build-up of positions and the trading operations of large speculators. The classified data on positions of traders include a considerable part of total open contracts, and are the only systematic data available on the amount of speculative as compared with hedging trading and positions in futures markets.

Reports on Foreign Accounts in U. S. Futures Markets

Futures commission merchants in the United States and foreign members of U. S. contract markets carrying accounts for traders located outside this country have long been required to keep records showing the identities of such traders, and to make regular reports on all accounts having positions of a specified size in U. S. contract markets.

When a futures commission merchant in the United States carries an account for a correspondent broker (located within or outside the country) on a "disclosed" basis, the identity and futures position of the ultimate customer is immediately available to the Commodity Exchange Authority. This is not the case, however, when the account carried for the correspondent broker is an "omnibus" account, i.e., an account handled as a unit although usually consisting of the positions of a number of traders whose identities and individual positions are not disclosed. Hence, a futures commission merchant in the United States, or a foreign member of a contract market, carrying such an account for a correspondent broker, reports the account on an omnibus or nondisclosed basis.

In a number of situations, market surveillance and investigations of suspected manipulative activity have been hampered by lack of information on foreign traders in U. S. markets carried through such "omnibus" accounts. Under an amendment to the CEA regulations which became effective November 13, 1954, all brokerage firms with accounts in U. S. contract markets have been placed on the same basis in regard to reporting accounts.

Under the amended regulation all foreign brokers are required to identify and report market positions of accounts in large-trader categories (102 and '01 reporting forms) just as are futures commission merchants in the United States and foreign members of U. S. contract markets. A further provision requires reports, when specifically called for, on foreign accounts of smaller size than those in the large-trader categories. The amendment provides, however, that when the required information is available to the CEA from the books of a registered futures commission merchant in the United States, it is not necessary for the foreign broker to report.

The amendment does not require anything more on the part of foreign brokers who are nonmembers of U. S. contract markets than has long been required of brokerage firms in the United States and of foreign brokers who are members of contract markets. Members of contract markets located in various European, South and Central American, and other foreign countries, have been reporting such information to the Commodity Exchange Authority for many years.

Special Surveys and Investigations

From time to time, over-all market surveys are made to supplement the regular information from the basic reporting system. For the most part, such surveys covering the positions, or trading, of every trader in a particular commodity have been made in unusual market or price situations. Data on the size of all positions, the geographical location and occupations of traders, and other details are important in analyzing the character of the market and appraising the forces underlying the unusual condition.

Occasional surveys covering one or more trading days involve the trading of each trader from the ultimate customer on the buying side through the commission house and floor broker to the broker and commission firm and ultimate customer on the selling side. Such trade practice surveys have revealed "accommodation" trades and other irregular methods of execution of customers' orders. Sometimes upon further investigation they are found to involve wash trading, bucketing, or fraudulent practices prohibited by the law.

Limits on Trading of Large Speculators

As early as 1925, the Grain Futures Administration began recommending specific curbs on excessive speculation by large traders. Fixing of limits on the amount of speculative trading of any person was authorized by the 1936 amendments. Authority for fixing such limits, after public hearing, was lodged in a special commission consisting of the Secretary of Agriculture, the Secretary of Commerce, and the Attorney General.

The Commodity Exchange Authority acts for the Commodity Exchange Commission in enforcing its orders, and also prepares evidence for the Commission's consideration in establishing or changing speculative limits.

Speculative limits have proved to be an effective means of curbing large-scale operations of market "plungers," and forced liquidation of large positions causing sharp price fluctuations. The limits which have been placed in effect, specifying fixed amounts in bushels, bales, or carlots, in general prevent an individual trader from having trades or positions amounting to more than 2 or 3 percent of all open contracts.

Limits on daily purchases and sales and on positions were first established for grains in 1938 and for cotton in 1940. The trading and position limit on rye futures was lowered in 1945. After the market collapse in cotton in October 1946, in which the forced liquidation of two large speculative accounts was an important factor, the speculative position limit in cotton was reduced from 30,000 bales <u>in one future</u> to 30,000 bales <u>in all futures combined</u>.

In the post-World War II period, speculative limits were established for additional commodities. A speculative limit of 1,000,000 bushels for soybeans, which were not covered by the 1938 order, was made effective as of October 1, 1951. The order of the Commission was amended, effective November 16, 1953, raising the trading and position limit for soybeans to 2,000,000 bushels, the limit applicable to all other grains except rye.

Speculative limits for eggs were made effective October 1, 1951. Special attention was given to the pronounced seasonal aspects of egg marketing and futures trading. Evidence showed that the impact of speculation on prices was greater during the period of withdrawal from storage in the fall and early winter. The limits placed in effect by the Commission's order are scaled downward for later maturing futures from 150 carlots in the September future to 50 carlots in the December and January futures.

Speculative limits for fats and oils. After public hearings in the summer of 1952 at which all interested parties had an opportunity to testify, the Commodity Exchange Commission established speculative limits for cottonseed oil, soybean oil, and lard, effective April 1, 1953.

The amounts of these speculative limits were based upon average levels of open contracts and analyses of speculative trading in the post-World War II period when demand for fats and oils was strong, and large and active futures markets in these commodities were considered a normal development. By the time of the effective date of the orders, open contracts and speculative activity had shown a downward tendency, and supply and demand conditions had changed.

The Commodity Exchange Authority recommended to the Commission that further consideration be given to the orders in view of the changed situation and certain technical problems peculiar to the hedging use of the fats and oils markets and to inventory accounting and management in the fats and oils industries. Further hearings were held before the Commission in May and July 1953.

Following these hearings the CEA recommended that the amounts previously fixed be retained as proper levels for speculative limits under normal conditions, but that they be held in abeyance in view of the then-existing unusual supply and demand situation and the reduction in futures contracts below the levels regarded as normal at the time the limits were first considered.

The CEA also recommended to the Commission that the orders be amended to exempt bona fide cross-hedging in the three commodities by dealers, merchandisers, and processors of edible fats and oils. A further amendment was recommended to provide for the inclusion of the lard yield of hogs owned or purchased in determining the hedgeable interest of packers and processors.

The Commission, by orders of January 22, 1954, confirmed the amounts previously established as proper levels for speculative limits in fats and oils. The Commission adopted the recommendation of the Commodity Exchange Authority to suspend the limits, with provision for their reinstatement on 30 days' notice, and also the recommended amendments to meet the unusual hedging problems of the fats and oils industries.

Compliance

Over the nearly twenty years which have passed since the Commodity Exchange Act amendments of 1936 were enacted, the exchanges and exchange members, the commodity trades, and traders in futures, have in general become familiar with the provisions of the law and the regulatory procedures. As to be expected, there are inadvertent failures to follow requirements, which are corrected through telephone calls, correspondence, and personal contacts. Investigations of complaints or apparent irregularities may reveal more serious evasions of the law.

Experience in administering the act has shown that in many instances, infractions can be dealt with effectively by semiformal measures, including warning letters and stipulations of compliance. In other instances, formal compliance procedure based on evidence from investigations has been necessary.

Most commonly used has been the procedure provided by the Commodity Exchange Act for the issuance of a complaint by the Secretary of Agriculture leading to administrative hearing and decision by the judicial officer of the Department. Another procedure is to submit the evidence to the Department of Justice with recommendation for prosecution under the criminal provisions of the act or for other appropriate legal action.

Since the Commodity Exchange Act amendments of 1936, formal proceedings have been found necessary in a relatively small number of instances. These include 64 administrative proceedings, which have been disposed of as follows:

Sanctions imposed	54
Cases lost on appeal to courts	2
Cases dismissed on motion of the complainant	5
Cases in process as of December 31, 1954	3

Criminal action has been instituted in 10 instances, in all of which the defendants have either entered nolo contendere pleas or have been found guilty of violation of the Commodity Exchange Act or other criminal statutes covering the offenses charged.

Price Manipulation

Over the years important judicial decisions have strengthened the Government's position in dealing with price manipulation. Decisions of particular significance involving price manipulation and cornering were rendered in 1953 and 1954.

Great Western Food Distributors, et al

The charges in recently-completed proceedings involved price manipulation and cornering in the Chicago egg market in two periods, the first in December 1947 and the second in October and November 1949. In the former case the sanctions imposed in administrative proceedings were affirmed upon judicial review, and in the latter penalties were imposed in judicial proceedings under criminal provisions of the Commodity Exchange Act and the Sherman Antitrust Act.

In the administrative proceeding involving the December 1947 egg market, the judicial officer of the Department held that the respondent corporation had obtained a dominant and controlling position in the egg futures market in Chicago, cornered the commodity in Chicago and in interstate commerce, and manipulated the price. The order of the judicial officer directed the denial of trading privileges on all contract markets of Great Western Food Distributors, Inc., Nathaniel E. Hess, and Charles S. Borden.

This order was appealed to the United States Court of Appeals in Chicago, which handed down a decision in January 1953, affirming the order of the Department. This decision established several points favorable to the Government's contentions which will prove to be valuable precedents in future cases involving corner or manipulation. Among these were the court's ruling as to what constitutes deliverable supplies in a futures market, and its ruling as to the function of a reviewing court under the requirement in the act that the Secretary's findings must be supported by the "weight of evidence."

An appeal from this decision to the United States Supreme Court was denied in June 1953, and the one-year denial of trading privileges became effective September 1, 1953 (CE-A Docket No. 48).

On the basis of CEA investigations of the October 1949 egg futures market, a Federal grand jury in New York City on April 22, 1952, indicted Great Western Food Distributors, Inc., Industrial Raw Materials Corporation, Nathaniel E. Hess, Charles S. Borden, Edward B. Gotthelf, and Jack Rauch. A criminal information filed in the U. S. District Court in Chicago on April 25, 1952, charged that the defendants attempted to manipulate and attempted to corner October 1949 egg futures in violation of the Commodity Exchange Act. Another criminal information filed the same day relating to transactions in November 1949 egg futures charged Great Western and Nathaniel E. Hess with monopoly in violation of the Sherman Antitrust Act and with manipulation and cornering in violation of the Commodity Exchange Act. The New York indictment was subsequently transferred to the U. S. District Court in Chicago where the indictment and two criminal informations were joined.

On May 24, 1954, the U. S. District Court in Chicago, following pleas of nolo contendere by all the defendants assessed fines as follows: Great Western Food Distributors, Inc., $21,200; Industrial Raw Materials Corporation, $5,000; Nathaniel E. Hess, $3,800; Charles S. Borden, $1,000; Jack Rauch, $500; and Edward B. Gotthelf, $500.

Cargill, Inc.

In this case, which was the subject of both administrative and judicial proceedings, a large grain firm operating in the United States and Canada was denied trading privileges in oat futures on charges of manipulating the price of the commodity in the Chicago market, exceeding speculative limits, and making false reports to the Commodity Exchange Authority.

The administrative complaint in this case, issued June 11, 1953, charged that in 1951 Cargill, Inc., and Erwin E. Kelm, vice president, shifted large positions in oat futures between its own books and those of its wholly-owned Canadian subsidiary in such a way as to represent and report to the CEA, as hedging transactions, large holdings which were in fact speculative, including very large short positions in United States oat futures markets. Cargill simultaneously bought large quantities of Canadian oat futures in Winnipeg which could be converted to cash oats and imported into the United States. In 1952, as the Chicago price declined in relation to Winnipeg and Cargill began closing out its short position in the Chicago March future, and later in the May future, partly by covering purchases and partly by deliveries, the corporation depressed the Chicago price and increased its profit position, the complaint charged, by delivering Canadian oats at a loss.

This case was resolved when the respondents waived hearing and filed a stipulation consenting to an order denying certain trading privileges, and agreeing that in the future it would, in effect, treat all commodity transactions and positions of all subsidiaries and affiliates as its own transactions and positions. The order of the judicial officer of the Department, issued May 4, 1954, directed that Cargill, Inc., be denied all trading privileges in oat futures from May 14 through December 31, 1954, with the exception of transactions to liquidate existing positions in the May 1954 oat future and transactions made on behalf of customers. The proceeding with respect to Erwin E. Kelm was dismissed (CE-A Docket No. 58).

Simultaneously, a judgment and decree of the U. S. District Court for Minnesota, based on the same facts as set forth in the administrative proceeding, enjoined Cargill, Inc., and Cargill Grain Company, Ltd., from exercising trading privileges for the period indicated above; directed Cargill, Inc., in effect, to treat all commodity transactions and positions of its subsidiaries and affiliates as its own transactions and positions; and also permanently enjoined the defendants and all subsidiaries and affiliates from exceeding the speculative trading limits applicable to oats.

Manipulation by Group Action

Regulation under the Commodity Exchange Act, especially the speculative limits, has made it more and more difficult for an individual large trader or "market leader" to manipulate prices single-handed. Another means of manipulating prices and evading the statutory requirements may be described as the group-action technique.

Manipulative activity by the group technique involves a number of closely associated speculators whose combined activities are large enough to manipulate price, although no one of the group may have holdings large enough to exert an apparent price effect. The complexity of the trading operations involved requires a large amount of detailed and time-consuming enforcement work, both in investigations and in the presentation of evidence.

Basic elements of manipulation by group action were found in the October 1949 egg futures case referred to above, in which the court imposed fines upon two corporations and four individuals.

Hearings are presently under way in a second case involving a number of traders who are charged with acting collectively to manipulate prices.

An administrative complaint and notice of hearing of September 1, 1953, charged the following respondents with manipulating the price of eggs and cornering the commodity in interstate commerce in December 1952: G. H. Miller and Company, Gilbert H. Miller, Howard Randolph, Refrigerated Products, Inc., J. W. Harding, Central Iowa Poultry and Egg Company, John H. Snowgren, Allen Headlee, E. E. Hummel, K. Hummel, Albert Schirm, Leo Hagen, A. L. Myrick, Lewis R. Van Sant, and Roy Rountree.

The complaint charged that the respondents, acting collectively and in a uniform manner, pursuant to an understanding or agreement, attained a dominant and controlling long position in the December 1952 egg future on the Chicago Mercantile Exchange, knowing that their futures holdings greatly exceeded the stocks of deliverable eggs. The respondents then stood for and accepted delivery, withheld deliverable cash eggs from sale, compelled holders of short futures contracts to cover their commitments at prices fixed by the respondents, thereby cornering the market and manipulating the price, the complaint charged.

In September and November 1953, the respondents filed answers denying the charges, and entered various motions to dismiss the complaint, to divide it into several proceedings, and to change the place set for hearings. On December 17, 1953, the referee denied these motions. A prehearing conference took place in Chicago, Illinois, on May 11, 1954, and oral hearings were held in Chicago July 7 to 13, 1954, at which time Government witnesses presented evidence. Further hearings were held from November 16 to 23 and November 30 to December 2, and resumption of hearings is scheduled for February 15, 1955 (CE-A Docket No. 60).

Proceedings Involving Speculative Limits

In addition to the proceedings against Cargill, Inc., in which one of the charges was exceeding a speculative limit, evasion of the speculative limits in oats, wheat, and corn was at issue in a recent administrative proceeding involving six respondents. The complaint, issued April 14, 1954, charged that one of the respondents, Edward R. Byer, caused the entry and recording of futures transactions in oats, wheat, and corn in the names of other persons for the purpose of concealing trades and positions in excess of the speculative limits, and that in furtherance of concealing Byer's position, all the respondents violated provisions of the act, including the keeping of false records, the filing of false reports, and the entry of fictitious trades.

On November 8, prior to the date set for hearing, the respondents waived hearing and consented to the entry of an order by the judicial officer. The order, issued on November 10, 1954, and effective January 10, 1955, imposed sanctions as follows:

Edward R. Byer, denial of trading privileges on all contract markets for 90 days, James T. McKerr and Charles J. McKerr, suspension of registrations as floor brokers and denial of trading privileges for 10 days, James T. McKerr and Company, denial of trading privileges for its own account for 10 days, Joel Starrels and Gilbert D. Mathy, suspension of registrations as floor brokers and denial of trading privileges for 5 days (CE-A Docket No. 62).

Another proceeding, which is still pending, involves fundamental issues as to whether certain futures positions were properly classed as hedging, and therefore exempt, or as speculative, and hence subject to the speculative limits. This proceeding, against Corn Products Refining Company, was initiated July 22, 1952, and is a test case in the nature of a "friendly suit" (CE-A Docket No. 55).

Among the issues are whether long futures purchased against certain anticipated sales of corn products, unpriced sales, and sales to wholly-owned subsidiaries come within the definition of bona fide hedging in the Commodity Exchange Act, and the quantity of futures which constitute reasonable hedges against sales of by-products under the law.

In a decision and order of December 8, 1954, the judicial officer found that a portion of the position classified by the respondent as a hedge was not a bona fide hedge as defined by the act, and that the respondent, as alleged in the complaint, held a position in excess of the 2,000,000-bushel speculative limit, and ordered a suspension of trading privileges for one day.

The decision stated in part: "The act provides for a court review of such an order to refuse trading privileges. The matters involved in this proceeding present issues upon which honest differences of opinion may exist and which have not been settled by court decisions under the act. Any sanction, therefore, should be a minimum one."

The decision of the judicial officer was appealed to the United States Court of Appeals for the Second Circuit, and the case was pending at the end of December 1954.

APPENDIX

There are appended herewith additional summary figures on the futures markets in recent years. Also included are certain data and material on the regulatory work of the Commodity Exchange Authority frequently requested by members of the commodity trades, marketing analysts in agricultural colleges and elsewhere, farmers' organizations, and others.

Table 10.--Summary data pertaining to regulatory work of the Commodity Exchange Authority

	Years beginning July	
	1952-53	1953-54
Licensing		
Futures commission merchants registered	658	623
Floor brokers registered	866	851
Supervision		
Markets and commodities		
Exchanges	18	17
Commodities	19	19
Markets (6 wheat markets, 3 cotton markets, etc.)	42	41
Reports tabulated and analyzed		
Daily trading volume and open contracts	267,461	248,436
Daily and weekly reports on large traders	293,764	286,971
Delivery notices	43,524	29,170
Special position surveys	8	3
Accounts covered	24,800	5,393
Audits		
Segregation audits	605	726
Accounts examined	31,573	33,231
Financial statements examined	658	628
Investigations		
Compliance investigations completed	48	46
Number of transactions examined in trade practice surveys	0	3,370

Table 11.--Floor brokers and futures commission merchants registered under the Commodity Exchange Act during the year, years beginning July, 1944-45 through 1953-54

Year	Floor brokers	Futures commission merchants
1944-45	466	542
1945-46	510	584
1946-47	642	623
1947-48	734	659
1948-49	749	645
1949-50	783	628
1950-51	780	629
1951-52	827	623
1952-53	866	658
1953-54	851	623

Table 12.--Futures commission merchants registered under the Commodity Exchange Act as of June 30 of each year, 1945-1954

Year	Principal offices	Branch offices	Total
1945	513	946	1,459
1946	542	1,006	1,548
1947	562	1,094	1,656
1948	591	1,116	1,707
1949	592	1,149	1,741
1950	584	1,168	1,752
1951	578	1,202	1,780
1952	585	1,260	1,845
1953	597	1,289	1,886
1954	571	1,293	1,864

Table 13.--Segregation audits of futures commission merchants, and customers' accounts and funds covered, years beginning July, 1946-47 through 1953-54

Year	Audits	Customers' accounts	Customers' funds	Average accounts per audit	Average amounts to each customer's credit
	Number	Number	Dollars	Number	Dollars
1946-47	457	11,362	51,706,820.88	24.9	4,550.85
1947-48	621	26,165	139,234,712.14	42.1	5,321.41
1948-49	751	28,064	122,811,161.67	37.4	4,376.11
1949-50	695	25,768	93,768,639.44	37.1	3,638.96
1950-51	641	25,787	145,602,818.23	40.2	5,646.36
1951-52	594	28,884	159,749,240.32	48.6	5,530.72
1952-53	605	31,573	123,145,733.39	52.2	3,900.35
1953-54	726	33,231	125,657,897.74	45.8	3,781.35

Table 14.--Estimated number of transactions and value of futures trading in commodities under the Commodity Exchange Act, by commodities, years beginning July, 1937-38, 1952-53, and 1953-54

Commodity	Number of transactions			Value of trading (in thousands of dollars)		
	1937-38	1952-53	1953-54	1937-38	1952-53	1953-54
Wheat	5,695,000	1,695,000	2,221,000	8,969,400	8,594,700	9,591,800
Corn	1,152,000	1,290,000	1,067,000	1,361,400	4,644,800	3,518,900
Oats	192,000	1,007,000	514,000	121,200	1,956,300	929,800
Rye	104,000	342,000	358,000	138,700	1,264,200	853,000
Soybeans	(1)	1,627,000	2,480,000	(1)	9,996,500	16,816,200
Flaxseed	29,000	64,000	29,000	27,300	128,300	55,200
Grain sorghums	0	5,000	(2)	0	20,900	1,400
Barley	9,000	0	0	10,600	0	0
Cotton	955,000	1,827,000	898,000	2,104,900	16,195,400	7,575,400
Wool tops	3/ 25,000	62,000	42,000	3/ 56,100	297,200	201,800
Butter	34,000	14,000	(2)	99,200	100,300	1,400
Eggs	95,000	291,000	298,000	118,000	992,500	991,200
Potatoes	1,000	247,000	135,000	100	213,100	56,800
Millfeeds 4/	9,000	7,000	4,000	8,400	24,500	10,600
Cottonseed oil	(1)	102,000	29,000	(1)	490,000	133,100
Soybean oil	(1)	102,000	157,000	(1)	361,600	600,700
Lard	(1)	71,000	143,000	(1)	144,600	467,500
Cottonseed meal	(1)	2,000	4,000	(1)	7,200	13,300
Soybean meal	(1)	37,000	81,000	(1)	128,200	318,000
Total	8,300,000	8,792,000	8,460,000	13,015,300	45,560,300	42,136,100

1/ Not included in commodities covered by the Commodity Exchange Act in this year.
2/ Less than 500.
3/ Data are for entire year; commodity placed under the act during the year.
4/ Includes bran, shorts and middlings; no trading in middlings in 1952-53 and 1953-54.

Table 15.--Deliveries: Contracts settled by delivery, by commodities on selected markets, years beginning July, 1951-52, 1952-53, and 1953-54

Commodity	Market	Unit	Deliveries		
			1951-52	1952-53	1953-54
Wheat	Chicago Board of Trade	1,000 bushels	14,907	25,079	26,794
Do.	Minneapolis Grain Exchange	do.	11,881	3,467	750
Do.	Kansas City Board of Trade	do.	7,790	11,051	3,815
Corn	Chicago Board of Trade	do.	12,200	29,684	9,369
Oats	do.	do.	37,236	40,550	10,104
Rye	do.	do.	6,869	9,452	13,376
Soybeans	do.	do.	8,848	7,903	21,648
Flaxseed	Minneapolis Grain Exchange	do.	2,349	3,988	1,673
Grain sorghums	Kansas City Board of Trade	Million pounds	509	101	7
Cotton	New York Cotton Exchange	1,000 bales	130.8	325.8	335.5
Do.	New Orleans Cotton Exchange	do.	31.2	31.5	49.5
Wool tops	Wool Associates of the New York Cotton Exchange, Inc.	1,000 pounds	4,395	3,560	3,195
Butter	Chicago Mercantile Exchange	Carlots	231	355	5
Eggs	do.	do.	706	1,287	601
Potatoes	New York Mercantile Exchange	do.	246	900	1,097
Cottonseed oil	New York Produce Exchange	1,000 pounds	95,160	88,320	34,560
Soybean oil	Chicago Board of Trade	do.	33,960	69,180	65,760
Lard	do.	do.	18,720	138,160	55,200
Bran	Kansas City Board of Trade	Tons	5,610	18,570	15,480
Shorts	do.	do.	7,560	21,060	7,080
Cottonseed meal	Memphis Board of Trade Clearing Association	do.	1,300	1,500	5,300
Soybean meal	do.	do.	7,200	14,200	22,100
Do.	Chicago Board of Trade	do.	100	10,100	31,300

Table 16.--Speculative margins: Minimum initial margin required by exchanges and margin as percent of closing price of near future, for specified commodities and markets, June 30, 1954

Commodity	Market	Unit	Contract	Margin per		Price per		Margin as percent of price 1/
				Unit	Contract	Unit	Contract	
				Dollars	Dollars	Dollars	Dollars	Percent
Wheat	Chicago Board of Trade	Bushel	5,000 bushels	0.15	750	1.94 1/2	9,725	7.7
Do.	Kansas City Board of Trade	do.	do.	.15	750	2.09 5/8	10,481	7.2
Do.	Minneapolis Grain Exchange	do.	do.	.15	750	2.29 3/4	11,488	6.5
Corn	Chicago Board of Trade	do.	do.	.12	600	1.59 5/8	7,981	7.5
Oats	do.	do.	do.	.07	350	.72 3/4	3,638	9.6
Rye	do.	do.	do.	.15	750	.98 7/8	4,944	15.2
Soybeans	do.	do.	do.	.40	2,000	3.66 7/8	18,344	10.9
Flaxseed	Minneapolis Grain Exchange	do.	1,000 bushels	.40	400	3.50	3,500	11.4
Grain sorghums	Kansas City Board of Trade	Hundredweight	2,800 hundredweight	.30	840	2.16	6,048	13.9
Cotton	New York Cotton Exchange	Pound	100 bales	.01	500	2/.336	16,800	3.0
Do.	New Orleans Cotton Exchange	do.	do.	.01	500	2/.336	16,800	3.0
Wool tops	Wool Associates of the New York Cotton Exchange	do.	5,000 pounds	.10	500	1.978	9,890	5.1
Butter	Chicago Mercantile Exchange	do.	20,000 pounds	.04	800	2/.528	10,560	7.6
Eggs	do.	Dozen	14,400 dozen	2/.035	500	2/.380	5,472	9.1
Potatoes	New York Mercantile Exchange	Hundredweight	450 hundredweight	2/.533	240	2.68	1,206	19.9
Cottonseed oil	New York Produce Exchange	Pound	60,000 pounds	.02	1,200	2/.164	9,840	12.2
Soybean oil	do.	do.	do.	.02	1,200	2/.137	8,220	14.6
Do.	Chicago Board of Trade	do.	do.	2/.013	800	2/.136	8,160	9.8
Lard	do.	do.	40,000 pounds	.02	800	2/.150	6,000	13.3
Bran	Kansas City Board of Trade	Ton	120 tons	6.00	720	37.50	4,500	16.0
Shorts	do.	do.	do.	6.00	720	42.50	5,100	14.1
Cottonseed meal	Memphis Board of Trade Clearing Association	do.	100 tons	6.00	600	53.50	5,350	11.2
Soybean meal	do.	do.	do.	6.00	600	83.25	8,325	7.2
Do.	Chicago Board of Trade	do.	do.	5.00	500	84.30	8,430	5.9

1/ Figures rounded to nearest tenth of 1 percent.
2/ Figures rounded to nearest thousandth of a dollar.

Compliance Proceedings Under the Commodity Exchange Act, 1953 and 1954

Summarized below are recent proceedings dealing with violations of the act which tend to recur from time to time. In addition to price manipulation and violations of speculative limits, such proceedings include the making of fictitious transactions, cheating or defrauding customers or misuse of customers' funds, and evasion of the segregation, record-keeping, and reporting requirements.

Judicial Proceeding

On June 7, 1954, Charles B. Grady of Chicago, Illinois, was sentenced to two years in jail and fined $5,000 in the U. S. District Court in Chicago for swindling commodity customers, failing to segregate customers' funds, and converting such funds to his own use. The case was appealed to the United States Court of Appeals for the Seventh Circuit, and was pending at the end of December 1954.

Administrative Proceedings

CE-A Docket No. 54--George Sirota and Sons, et al. The judicial officer's decision dated July 31, 1953, found respondents George Sirota and Sons, Norman L. Sirota, Benjamin Sirota, and Harry A. Aspinwall guilty of keeping false records and aiding respondent Dyke Cullum, who was found to have evaded the reporting requirements. The registrations of George Sirota and Sons as a futures commission merchant, and of Norman L. Sirota, Benjamin Sirota, and Aspinwall as floor brokers were ordered suspended for a period of 10 days, and the trading privileges of Cullum were ordered denied for a like period, to become effective September 1, 1953.

On August 26, 1953, the judicial officer entered an order modifying the effective date of suspension insofar as it applied to George Sirota and Sons. This was to determine whether the suspension of George Sirota and Sons also applied to the registration of Sirota and Company, a new firm which had been registered during the course of the proceeding, and consisting of the same persons as comprised the partnership of George Sirota and Sons, with one additional partner. Following an order of the judicial officer of January 13, 1954, hearings were reopened, and a report of the referee, filed April 7, 1954, recommended that the suspension of the registration of George Sirota and Sons be applied to Sirota and Company, and to respondents George Sirota, Norman L. Sirota, and Benjamin Sirota, collectively or individually, when operating under the name of George Sirota and Sons, Sirota and Company, or any other name. This aspect of the proceeding was pending with the judicial officer at the end of December 1954.

CE-A Docket No. 55--Corn Products Refining Company. See page 38.

CE-A Docket No. 56--Gaston Godoy. The complaint charging the respondent with repeated failure to report was dismissed April 1, 1954, due to the death of the respondent.

CE-A Docket No. 57--William Schaffer. The complaint charged the respondent with manipulating the price of cash eggs on the New York Mercantile Exchange by causing fictitious prices to be registered. Testimony of witnesses at the hearing varied so greatly from previous statements that the Government entered a motion to dismiss the complaint for want of evidence, and the motion was granted by the judicial officer on July 16, 1953.

CE-A Docket No. 58--Cargill, Inc. See page 35.

CE-A Docket No. 59--Arnold B. Holland, William B. Brodsky, et al. The complaint filed July 20, 1953, charged violations of the segregation requirements of the act. The respondents filed admission of facts, waived hearings, and consented to the entry of an order (November 23, 1953) suspending the registration and denying trading privileges for a period of 20 days of respondents Arnold B. Holland and the Holland Commodities Corporation, and for 10 days of respondents William B. Brodsky and William B. Brodsky & Company, Inc., and suspending the registration as a futures commission merchant and denying all trading privileges of the Holland Ovson Company for a period of 10 days, such suspension and denial in case of the Holland Ovson Company to be held in abeyance for a period of one year conditioned upon observance of the act and regulations.

CE-A Docket No. 60--G. H. Miller and Company, et al. See page 36.

CE-A Docket No. 61--Peers and Company, et al. The complaint issued February 16, 1954, charged that respondent Leon Salkind controlled Leading Embroidery Company and Smitherman Cotton Mills, Inc., and by giving opposing orders to buy and to sell cotton futures caused Henry M. Peers, Jr., and Peers and Company to have wash or fictitious trades executed on the New York Cotton Exchange. Hearings were opened on June 8, 1954, but prior to the taking of testimony the Peers respondents admitted the facts and waived further hearing. A decision and order of June 28, 1954, suspended the registration of Peers and Company as a futures commission merchant for a period of 15 days. The other three respondents failed to appear at the hearing and filed no answer. An order of the judicial officer dated September 17, 1954, ordered the denial of trading privileges on all contract markets to Leon Salkind, Leading Embroidery Company, and Smitherman Cotton Mills, Inc., for a period of three months.

CE-A Docket No. 62--Edward R. Byer, et al. See page 37.

CE-A Docket No. 63--Myers and Company, et al. A complaint filed September 3, 1954, charged respondents Myers and Company, A. H. Myers, Harry N. Harrison, and Glenn G. Yancey, with violations of the segregation provisions of the act. The proceeding was pending as of December 31, 1954.

CE-A Docket No. 64--A. E. Albert and A. E. Albert and Sons, Inc. On charges of repeated failure to make required reports and submission of incomplete and inaccurate reports on positions in potato futures on the New York Mercantile Exchange (complaint filed November 12, 1954), respondents waived hearing and consented to the entry of an order denying trading privileges for a period of 15 days. The judicial officer ordered denial of trading privileges for a period of 15 days, beginning January 3, 1955.