

Mrs. SULLIVAN. Mr. Chartrand—oh, you are with Mr. Theis, and would have the same information.

Mr. CHARTRAND. Except there is no credit extended. Margins are charged, required—maintenance and initial margins are required, but no credit is extended.

Mrs. SULLIVAN. Mr. Brooks?

Mr. BROOKS. We don't do any trading. Our members do.

Mrs. SULLIVAN. I am interested in the margin that is needed in order to buy and sell in the futures market because we found that, in the case of sugar, when an investigation was made under subpoena—the brokers asked to be subpoenaed so they could divulge their information without breaking confidence with their customers—that speculators who had never ever been in the sugar market before were coming into it in 1963 to try to make a fast dollar. For a few hundred dollars they could trade on futures contracts worth many thousands. Many of them came out well heeled, while others went broke. But because of the speculative fever involving so many people who had never been into this kind of trading before, the price was pushed up to the highest level in 40 years. Our reason for going into this in 1963 was the doubling of sugar prices. Users of sugar—the confectioners, the soft drink people, and others—pleaded with the Congress to do something to help stabilize a commodity whose price was completely out of control. By the time we started our investigation, sugar had gone to something like 13.9 cents on the world market. Today if I recall the last figures I have seen it is something like 2 cents.

Mr. THEIS. Madam Chairman, I would like to make one statement as to margins and percent that were mentioned to you and given to your committee.

Please understand that those are minimum margins. As far as margins are concerned on the Kansas City Board of Trade in their contracts they are governed by the board of directors and also looked over and scrutinized by the business conduct committee in the action of our members, and they are set at a minimum level as to the times. They do fluctuate and they have been known to fluctuate, and we have a complete schedule showing how they have fluctuated. This is the margin through the years.

Mrs. SULLIVAN. I do not know about the other committee members, but I think most of us are fairly ignorant of how the futures market works on grains and other regulated commodities. The only experience we have had as a subcommittee have been, as I said, in coffee and sugar futures. Neither of those commodities are under any regulation at all. After the Federal Trade Commission investigated coffee prices at my request, I put in a bill to regulate coffee futures trading, as the FTC had recommended. In 1965, I added sugar to the bill because of what we had learned in our own study into the 1963 spiral. Then this year, based on what I learned as a member of the National Commission on Food Marketing in 1965 and 1966, I also included livestock and livestock products.

Now, if Dr. Gray will proceed with his statement, we will proceed from there.

Mr. GRAY. Thank you, Madam Chairman, members of the committee.