engage in two transactions instead of one. And if you much raise the price of engaging in the futures transactions, they will simply have to resort to a kind of transaction pattern that is more costly that preceded futures trading before this device came along, and that has got to be passed along to the consumer in the form of higher prices because this margin, their marketing margins, would go up.

Mrs. SULLIVAN. Again I go back to the only market in which we have made any kind of study, and that is sugar. In 1963 there was excessive speculation in sugar futures leading to a sharp rise in both world and domestic futures and in cash prices also. The large users of sugar, like confectionery firms and so forth, came in to see us to ask for help and ask what should they do. Because if they had bought ahead as they normally do, they would have had to raise the price of everything that they were producing in the line of bakery goods, and in all products that used sugar—candy, soft drinks, and so forth.

In the hearings that we held and the studies that were made, there was definite proof that there was overspeculation. Brokers had been enticing people to come in and turn over a fast dollar on very low margin. This definitely increased the price of sugar at that time.

Mr. WILLIAMS. Madam Chairman.

Mrs. SULLIVAN. I will give you your time in a few minutes, Mr. Williams. I cannot speak about grains, Dr. Gray, or other commodities, because we have not made a study of them. That is why we asked you gentlemen to come here and give us your advice. But I cannot see how overspeculation in these commodities ultimately does not go down to the consumer in higher costs of the things we buy, particularly in the unregulated commodities.

Mr. GRAY. Madam Chairman, when prices rise there is no doubt in my mind that these prices must be passed on to the consumer. The question before us is whether in general there is any tendency to speculating in commodity futures to cause undue price fluctuations, either upward or downward, because we have got to be concerned with the appropriate price levels for producers as well as consumers.

The answer to that, as best as we can do in general terms—and it is my experience at Stanford University for a number of years and they have studied their cases—this has been studied intensively for a period of some 35 years, and the best general answer is that price fluctuations are minimized with futures trading rather than exaggerated. I am sorry that I cannot speak directly to your one counterexample of sugar. I did not make a study of that particular price rise.

Mrs. SULLIVAN. The hearings revealed that while there was much talk of a world shortage of sugar, it was only an estimate of what the world would need in sugar, and there was really no shortage. And the same thing happened back in 1954 in coffee from Brazil; and there was no shortage of coffee. It was manipulation in coffee futures that caused the coffee price increases in 1954 to the consumer, just as it was the fear of a scarcity of sugar in the world market that caused the excessive speculation in sugar in 1963 and the subsequent price increases.

Mr. WILLIAMS. I did not want to ask any questions, I wanted to make one point.

Mrs. SULLIVAN. If you will pardon me, Mr. Williams.