brokers and the commissions firm, just lined up lots of customers with lots of money and tried to push the market price up, and temporarily achieved this.

Mr. GONZALEZ. Thank you.

Mr. Caldwell, do you recall any recent efforts at manipulation in this market, wheat grain, or any strong fluctuations that resulted in price increases to the consumer?

Mr. CALDWELL. We haven't had any within the past year. The most recent case in which we have brought charges involved wheat in 1963. That case has not yet been settled.

Mr. GONZALEZ. Thank you very much.

Mrs. SULLIVAN. Mr. Williams?

Mr. THEIS. Madam Chairman, could I address an answer to Mr. Gonzalez' question?

Mrs. SULLIVAN. Surely.

Mr. THEIS. I believe you asked if the depletion of the Government stocks in the past few years—referred to the wheat stocks—had any implication on the futures contract market.

Mr. GONZALEZ. Was it a factor?

Mr. THEIS. Yes, it was, and I shall quote you figures from the Kansas City market.

In 1962 the volume of speculative trades were more or less the same as the volume of speculative trades on the Kansas City market in wheat in the year 1966. However, the volume of contracts in hedging in 1962 were approximately 25 million bushels, whereas in 1966 they were almost double. They were more than double. They were 58 million bushels. So this brings the grain industry into play where they are carrying the grains on a hedge basis rather than having the grains carried by the Government in the case of surplus.

Mr. GONZALEZ. Thank you very much.

Mrs. SULLIVAN. Mr. Williams?

Mr. WILLIAMS. Thank you, Madam Chairman.

Dr. Gray, I would like to say that I think it would be helpful to this committee if you would take the case raised by Mr. Stephens where he has $500 to invest in cotton futures and describe the various things that can happen to Mr. Stephens' $500, and I would like to suggest that you submit that for the record.

Mr. GRAY. All right, I'll endeavor to do that.

(The material requested follows:)

DISPOSITION OF MARGIN DEPOSITS

Take the price of December corn futures to be $1.00 per bushel, and the margin requirement to be $500 for a 5000 bushel futures contract. When a December futures contract is purchased (or sold) at $1.00 per bushel, the opposite side of the bought (or sold) position is taken by the clearing house, which therefore holds the seller's (delivery) obligation toward all buyers, and the buyer's (receipt) obligation toward all sellers. The basic purpose of margins is to protect the clearing house in the event of price change; so that it can meet its seller's obligation in the event of price decline, or its buyer's obligation in the event of price rise.

If prices rise to $1.05 per bushel, half of the seller's margin has been impaired, so he would be called upon to deposit $250 additional margin. If prices, rise further to $1.10, he would be required to deposit an additional $250 margin, etc., so long as prices continue to rise. If prices *declined*, then *buyers* would be required to deposit additional margin according to the same schedule ($250 for each 5¢ price decline). Thus at all times the clearing house is protected.