The market determined value of a futures contract at the moment it is bought (sold) is zero. Only as its price may subsequently rise or fall does it acquire any value to buyers (sellers). Margins are established and maintained to assure that any increments in value are transferred from buyers to sellers (or vice versa) if and when they occur.

As to what happens, then, to Mr. Stephens' $500, the following happens:

(1) If price does not change, his margin is returned to him, minus approximately $20 commission fees, when his contract is offset in the pit.

(2) If price changes in his favor, his margin plus $50 for each one-cent change in price is returned to him, minus $20 commission fees, when his contract is offset in the pit.

(3) If the price changes against him, his margin *minus* $50 for each one-cent change in price is returned to him, minus $20 commission fees, when his contract is offset in the pit.

(4) If his contract is not offset in the pit, then a cash delivery transaction results, and the remaining margin is applied to this transaction.

Congresswoman Sullivan submitted the following news release from Office of Assistant Secretary of Defense (Public Affairs)

NOVEMBER 17, 1965.

Secretary of Defense Robert S. McNamara stated that our greatly increased defense efforts in Vietnam and recent international political disturbances threaten to disrupt and distort the market for copper despite the best efforts of the industry to supply the market. This market disruption can lead to strong inflationary developments not only in copper essential to defense needs, but also more generally throughout our economy. Such developments would seriously impair our defense efforts in Vietnam. To avert them, the Government, after discussion with members of the industry, is initiating the following action:

a. Arrangements are being made for the orderly disposal of at least 200,000 tons of copper from the National Stockpile.

b. Exports of copper and copper scrap from the U.S. will be controlled for an indefinite period in order to conserve domestic supply.

c. Legislation will be requested of the Congress by the Administration to permit the suspension of import duties on copper which at present amount to 1.7¢ per pound.

d. Discussions will be held with the directors of the New York Commodity Exchange urging them to curb excessive speculation in copper trading by raising the margin requirements for copper from the current level of approximately 10% to a figure more comparable to that required for trading on the New York Stock xchange.

Mr. WILLIAMS. I am quite certain you are familiar with the International Wheat Agreement which comes under the jurisdiction of this committee, and we have the International Coffee Agreement which comes under the jurisdiction of another committee. I believe these agreements were entered into with the understanding that the international price and production controls would eliminate undue speculation which would tend to decrease severe fluctuations in prices. However, leaving out the considerations of foreign policy and foreign aid, is it not true that these agreements have actually resulted in American housewives paying much higher prices?

Mr. GRAY. It is unquestionably true that where we enter into agreements to support the prices of the imported tropical commodities which we do as a consuming, importing country, that this is the effect, it is unquestionably true that the leading cause of continued high sugar prices for the American housewife is the sugar quota system which is in effect. It is unquestionably true that the payment which flour millers make in excess of the price of wheat which they purchase from farmers to pay for the market—for the farmer's marketing certificates ultimately increases the prices of flour and, therefore, of bread.