

I am hoping that before we mark up H.R. 11601 the Department of Agriculture will have made public the Nathan report on this subject, and will have some recommendations on the general subject of margins on agricultural commodities, at least. Depending on the research findings, it seems to me that what would be important for agricultural futures would be important also for the defense materials also traded in the futures market.

I want to thank you, Mr. Caldwell. I appreciate your coming here this morning and though we did not make very much use of your broad knowledge and experience, I felt better in having you here as a back-stop.

We will place in the record at this point a letter just received from the Secretary of Agriculture on the general subject of margins, explaining that the Department has not changed its position on margins, but is still studying the new report before making any recommendations.

(The letter referred to follows:)

DEPARTMENT OF AGRICULTURE,
Washington, August 15, 1967.

HON. LEONOR K. SULLIVAN,
House of Representatives,
Washington, D.C.

DEAR MRS. SULLIVAN: I regret the delay in responding to your letter on H.R. 11601, your bill to provide comprehensive consumer credit protection. I had hoped to have more specific information regarding section 207, the proposal to give the Federal Reserve Board authority to regulate commodity futures margins, as a result of a special study of this subject which we commissioned.

As I indicated in the departmental report on the bill, we have supported margin controls in the past, and we have not changed that position.

We are still in the process, however, of evaluating the study. It examines the nature of speculation in grain futures contracts, and represents a pioneering effort to determine both the bearing of "excess speculation" on commodity price fluctuations, and the effect of margin requirements on speculative activity and prices.

More questions were raised by the study than were answered, and we want to assess these carefully before drawing any conclusions or making any recommendations based on the study.

Let me cite a number of questions to illustrate my point. We are reviewing the basic data available for the study to make certain that it does not contain errors which could weaken or nullify some findings. We need to clarify how the various futures positions—such as anticipatory hedging, offsetting transactions and others—were classed for the study to determine their relative price influence.

We are working with the firm which made the study to resolve these and other questions, and we are hopeful that this final phase of the study can be completed by early September.

Until this phase is completed, we do not feel that reasonable judgments can be made, or that qualified recommendations should be attempted.

At that point we will be more than happy to discuss the study and report with you and your subcommittee. We feel it represents a substantial accomplishment in an extremely complex area as it is the first effort to obtain meaningful answers to the questions of speculative activity by economic analysis.

Prior to then, we will be happy to have the officials from the Commodity Exchange Commission be present at your hearings to discuss margin regulation.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

Mrs. SULLIVAN. With that I want to say that tomorrow morning we meet at 10 o'clock for a full morning and if we can, for a full afternoon, too. It is a big schedule which I hope we can complete. We will have in the morning, Mr. Leon Keyserling, former Chairman of the