

FLUCTUATIONS IN WHEAT PRICES, JANUARY 2 TO APRIL 18, 1925

INTRODUCTION

This is a report of the special investigation occasioned by the rapid and extreme fluctuations in the price of wheat futures during the early part of 1925. There were many days on which the price of May wheat fluctuated through a range of 5 cents or more, several days of 10 cents or more, and on two occasions over 13 cents per bushel. The widest and most erratic daily fluctuations occurred during the month of March.

The details of this study cover a period of 89 trading days, from January 2 to April 18, 1925, with a general summary of the important price changes during the life of the May future. This period was selected because it covers the advance of nearly 30 cents in the price of May wheat at Chicago during January when the "public" was participating heavily on the buying side in anticipation of handsome profits. The period likewise covers the decline of 65½ cents from a secondary high of \$2.02 on March 2, to a low of \$1.36½ by April 3.

The material for this report has been confined mainly to operations on the Chicago Board of Trade, as approximately 90 per cent of all trading in grain futures in the United States takes place on the Chicago Board of Trade. During the calendar year 1925 the aggregate volume of trading in wheat for future delivery on all exchanges was 20,623,939,000 bushels bought, with an equal quantity sold. Of this total, 18,048,510,000 bushels were on the Chicago Board of Trade. A comprehensive study has been made of all accounts involving purchases or sales of 100,000 bushels or more within a single trading day.

Special consideration has been given to accounts of 302 speculators who were active in the market during this period. Of this number there were only 38 whose net purchases or net sales within a single day amounted to 500,000 bushels or more. These 38 include 14 persons who bought or sold net on one or more days 1,000,000 bushels or more. The latter group includes five individuals whose trading reached 2,000,000 bushels or more. There were, however, eight whose open commitments at some time during the period amounted to 2,000,000 or over.

While this report emphasizes large-scale operations, which are important price-making factors, it is essential to keep in mind that futures markets can not function effectively without an element of purely speculative activities. It is equally important to keep in mind that the transactions in futures on the Chicago Board of Trade are primarily speculative in character in that probably not more than 5 per cent of the total volume of trading in wheat represents hedging transactions. Just what volume and character of speculating trading is essential to best serve the hedging requirements of producers, dealers, exporters, and millers is an open question.