

It seems apparent, however, that heavy speculative transactions by individuals who operate first on one side of the market then on the other in an effort to force sudden and erratic price changes that have but little, if any, relationship to supply and demand, hinder rather than help legitimate hedging operations.

While this report deals with price changes in wheat futures, it is important to keep in mind that cash prices generally advanced or declined with the dominant future, the cash transactions being based on the futures. As a means of ready reference, there is given in Appendix C a brief summary of the relationship between cash and future prices.

DEMAND FOR AN INVESTIGATION

Urgent and persistent demand for an investigation of wheat price movements came from various sources. In late 1924 an investigation was demanded on the claim that manipulation was forcing the price of wheat higher than was justified by supply and demand, thereby bringing about abnormally high prices for flour and bread.

This group is exemplified by the request for an investigation made by the Trades Council Union News, of St. Louis, Mo., in its issue of December 26, 1924, and the Kansas City Labor News, in the issues of January 2, 9, and 16, 1925. Much of this criticism was directed against three persons who were accused of being in control of the market through their large operations. Frequently such allegations are not well founded, as was the case in this instance. An investigation revealed that one of the three persons was not even in the market, another had commitments representing hedging transactions only, while the commitments of the third were very much below the quantity that he was said to control, and for the most part represented purchases made at a time when the market needed support and at price levels much lower than those prevailing at the time of the complaint.

In the spring of 1925 another group wanted an investigation on the ground that manipulation was causing unwarranted downward fluctuations in the price of wheat. This group of complaints is illustrated by an appeal for an investigation from milling and cash grain interests who found the wide fluctuations and falling prices were proving to be materially injurious to their business. Customers were defaulting on contracts covering both grain and flour, made at much higher price levels, and practically no new business could be booked so long as prices were continually falling rapidly and fluctuating so violently. Exporters having grain afloat or contracts for deferred shipment were in danger of severe losses. In fact, all branches of the cash trade were more or less paralyzed as a result of the rapidly falling prices.

In reply to those who had complained late in 1924 that the price of wheat was being advanced unduly, a statement was made on January 6, 1925, by Hon. Howard M. Gore, then Secretary of Agriculture, to the effect that the price of wheat (the May future on that date closing at \$1.78) was not excessive if world conditions were taken into consideration. Looking backward and viewing the situation in the light of the world's carry over at the end of the year, and considering the large quantity of wheat taken by European