

Jeffrey Williams
Department of Agricultural and Resource Economics
University of California, Davis

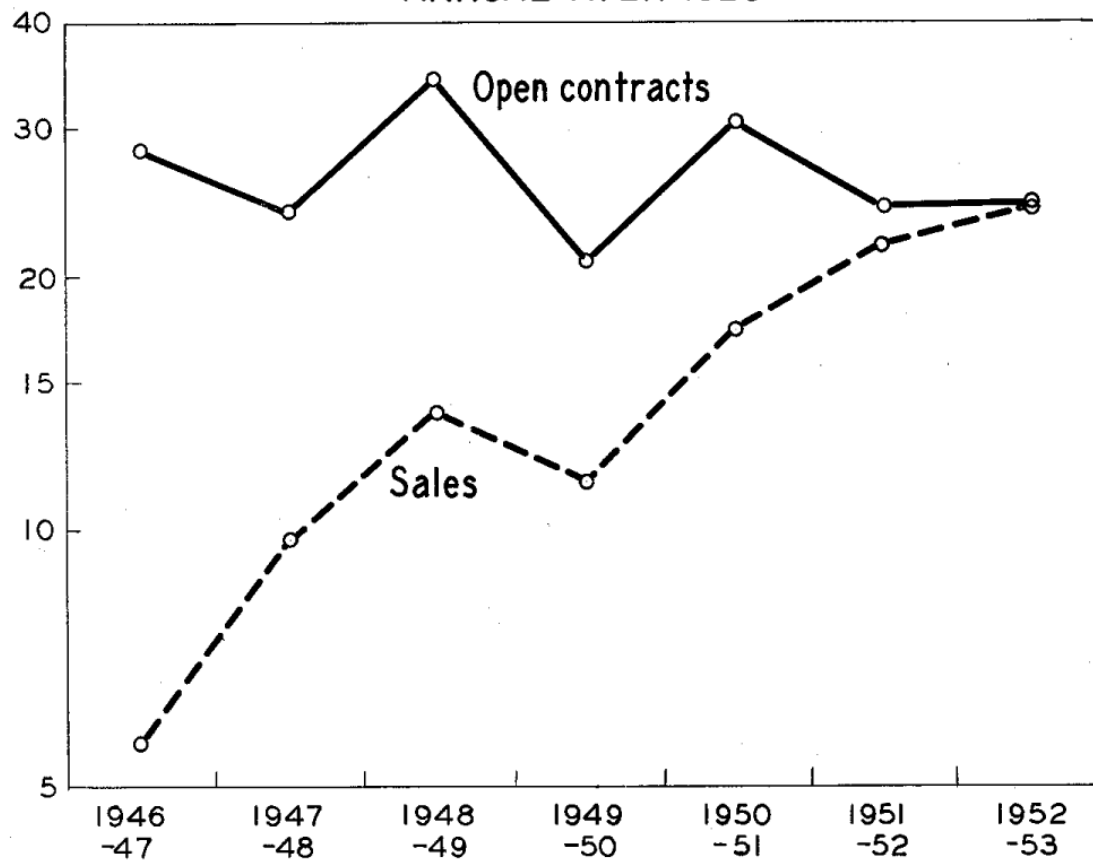
Whose Markets? Revisited

“Whose Markets?
Evidence on Some Aspects of
Futures Trading”

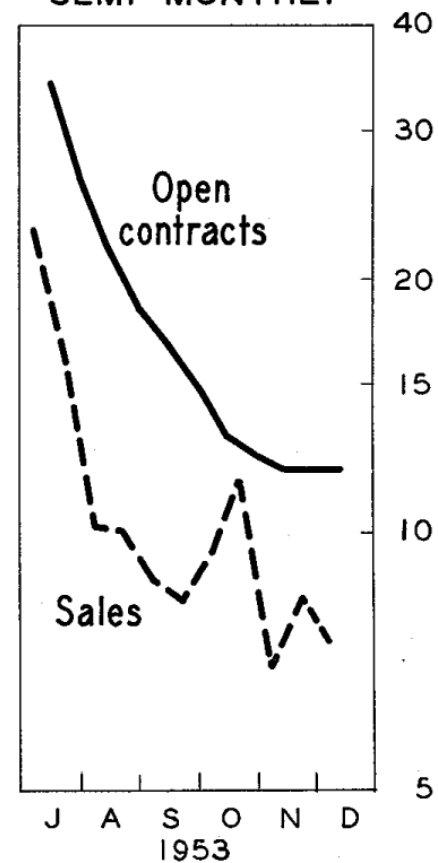
Holbrook Working

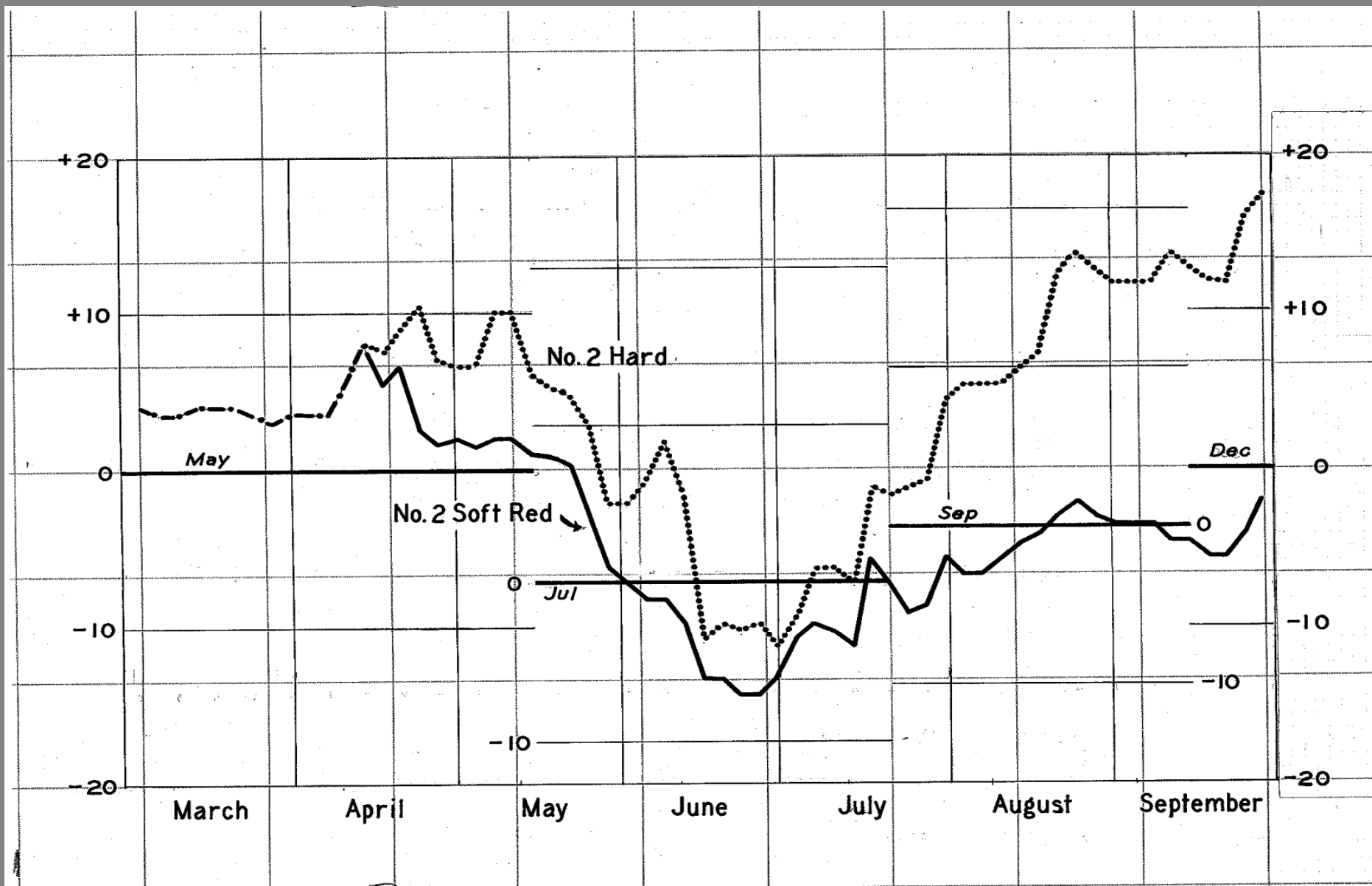
Journal of Marketing
Vol. 19 (July 1954): 1-11

ANNUAL AVERAGES



SEMI-MONTHLY





Monthly

1948-1954

| FIRST TRADING DAY | | MINIMUM PREMIUM | | BASIC | RED | FIRST TRADING DAY | | MINIMUM PREMIUM | | BASIC | RED |
|-------------------|------|-----------------|--------|-------|--------|-------------------|------|-----------------|--------|-------|---------|
| | | OVER | FUTURE | | | | | OVER | FUTURE | | |
| | | 2 HARD | 2 RED | | MINUS | | | HARD | 2 HARD | | 2 RED |
| 1948 | JAN. | 7 | 9 | MAY | +2 | 1952 | JAN. | 3 1/2 | 9 1/2 | MAY | +6 1/2 |
| | FEB. | 11 1/2 | 14 1/2 | " | +3 | | FEB. | 4 1/2 | 4 1/2 | " | = |
| | MAR. | 10 | 12 | " | +2 | | MAR. | 4 1/2 | 4 1/2 | " | = |
| | APR. | 6 1/2 | 8 | " | +1 1/2 | | APR. | 6 1/2 | 6 1/2 | " | = |
| | MAY | 3 | 3 | " | = | | MAY | 9 | 9 | " | = |
| | JUN. | 4 | 4 | JULY | = | | JUN. | 12 1/2 | 12 1/2 | JULY | = |
| | JUL. | 2 | 2 | " | = | | JUL. | -6 1/2 | -5 | " | +1 1/2 |
| | AUG. | -10 | -10 | SEP. | = | | AUG. | -4 1/2 | -4 1/2 | SEP. | = |
| | SEP. | 2 | 2 | " | = | | SEP. | 0 | 0 | " | = |
| | OCT. | 1/2 | 1 | DEC. | + 1/2 | | OCT. | - 1/2 | 0 | DEC. | + 1/2 |
| | NOV. | 3 | 5 | " | + 2 | | NOV. | 0 | 0 | " | = |
| | DEC. | 3 1/2 | 7 | " | +3 1/2 | | DEC. | 0 | 0 | " | = |
| 1949 | JAN. | 9 | 10 1/2 | MAY | +1 1/2 | 1953 | JAN. | -1 | -1 1/2 | MAY | +3 1/2 |
| | FEB. | 13 | 15 | " | +2 | | FEB. | 2 1/2 | 2 1/2 | " | = |
| | MAR. | 18 | 24 | " | +6 | | MAR. | 4 | 4 | " | = |
| | APR. | 25 | 26 | " | +1 | | APR. | 3 1/2 | 3 1/2 | " | = |
| | MAY | 16 1/2 | 17 1/2 | " | +1 | | MAY | 6 1/2 | 2 | " | -4 1/2 |
| | JUN. | 16 | 16 1/2 | JULY | + 1/2 | | JUN. | 5 | 1 | JULY | -4 |
| | JUL. | 1/2 | 4 1/2 | " | +4 | | JUL. | -3 1/2 | -5 1/2 | " | +7 |
| | AUG. | -5 | -5 | SEP. | = | | AUG. | 8 1/2 | -2 1/2 | SEP. | = |
| | SEP. | 3 1/2 | 1 1/2 | " | +2 | | SEP. | 15 1/2 | 0 | " | -15 1/2 |
| | OCT. | 9 | 5 | DEC. | -4 | | OCT. | 19 | -2 | DEC. | -21 |
| | NOV. | 3 1/2 | 4 | " | + 1/2 | | NOV. | 17 | -2 | " | -19 |
| | DEC. | 2 | 3 1/2 | " | +1 1/2 | | DEC. | 17 | 5 | " | -12 |
| 1950 | JAN. | 12 | 12 | MAY | = | 1954 | JAN. | 19 | 8 1/2 | MAY | -10 1/2 |
| | FEB. | 13 | 13 | " | = | | FEB. | 16 | 9 | " | -7 |
| | MAR. | 13 | 14 | " | +1 | | MAR. | | | | |
| | APR. | 7 1/2 | 10 1/2 | " | +3 | | APR. | | | | |
| | MAY | 3 | 6 | " | +3 | | MAY | | | | |
| | JUN. | 10 | 12 | JULY | +2 | | JUN. | | | | |
| | JUL. | -2 1/2 | -2 | " | + 1/2 | | JUL. | | | | |
| | AUG. | -4 | -2 | SEP. | +2 | | AUG. | | | | |
| | SEP. | -3 | -3 | " | = | | SEP. | | | | |
| | OCT. | -5 | -1/2 | DEC. | +4 1/2 | | OCT. | | | | |
| | NOV. | -4 1/2 | -1/2 | DEC. | +4 | | NOV. | | | | |
| | DEC. | -2 | 0 | " | +2 | | DEC. | | | | |
| 1951 | JAN. | -1 | 2 | MAY | +3 | | | | | | |
| | FEB. | 0 | 1 1/2 | " | +1 1/2 | | | | | | |
| | MAR. | 1/2 | 2 | " | +1 1/2 | | | | | | |
| | APR. | 1/2 | 3 | " | +2 1/2 | | | | | | |
| | MAY | 1 | 3 | " | +2 | | | | | | |
| | JUN. | -1/2 | 2 | JULY | +1 1/2 | | | | | | |
| | JUL. | 0 | 1 | " | +1 | | | | | | |
| | AUG. | -1 1/2 | -1 1/2 | SEP. | = | | | | | | |
| | SEP. | -1 | 0 | " | +1 | | | | | | |
| | OCT. | -3 | -1 1/2 | DEC. | +1 1/2 | | | | | | |
| | NOV. | 1/2 | 1 | " | + 1/2 | | | | | | |
| | DEC. | 0 | 1 | " | +1 | | | | | | |



GOFFE & CARKENER, INC.

GRAIN COMMISSION MERCHANTS

W. B. YOUNG, PRESIDENT
R. A. WOOD, VICE-PRESIDENT
A. W. GILL, VICE-PRESIDENT
H. T. HANSEN, VICE-PRESIDENT
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SECURITIES DEPT.

June 10, 1953

J. B. Gregg, Chairman,
Morrison, Gregg, Mitchell
Board of Trade Bldg.,
Kansas City, Mo.

Dear Mr. Gregg:

Circular No. 2294 from the Secretary's office re. delivery of red wheat on futures contract, was received and we note you wish expressions from each member as to their views on the matter.

Since Kansas City is primarily a hard winter wheat market, and since the acreage of soft red winter wheat in this area is nil, it is the writer's opinion that it would be to the advantage of the Kansas City futures market if we made this strictly a hard wheat contract market.

It is a fact that even now some of our so-called speculators who had been trading in Kansas City futures, now are trading in Chicago futures, stating that since Chicago is the broader market, and since Kansas City futures no longer represent strictly hard wheat deliveries, they prefer to trade in Chicago.

We also have had expressions from several of our mill customers complaining about soft red winter wheat being deliverable in Kansas City, and that when they buy Kansas City futures against flour sales they do not feel they are amply protected and that they might as well trade in Chicago, for the reason also that it is a broader market and that orders of a substantial quantity can be filled more readily there than in Kansas City.

Therefore, the writer would like to go on record as favoring making the Kansas City futures market strictly a hard winter delivery market.

Yours very truly,

WBYoung-m

P.S. By all means the membership should be allowed to vote on this issue

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MILLING WHEAT
COARSE GRAINS
MILLFEEDS
PACIFIC COAST AND
INTERMOUNTAIN
SOFT WHITE WHEATS

GEISEL GRAIN CO.

Established 1917 by Jos. S. Geisel

MERCHANTS - BROKERS - CONSIGNMENTS - FUTURES

Board of Trade Bldg.

KANSAS CITY 6, MISSOURI

J. S. GEISEL

MEMBER

KANSAS CITY BOARD OF TRADE

J. S. GEISEL, JR.

J. J. HUGHES

PHONE BALTIMORE 5066-5067

TELETYPE K. C. 152

June 11, 1953

Mr. J.B. Gregg, Chairman
Special Committee, Board of Trade,
Kansas City, Missouri

Dear Mr. Gregg:

The Kansas City market was established to reflect values in the great southwest on hard wheat varieties. During the years since it started millers of bread flour have looked on this market as a true hedge on flour sales and have used our options extensively.

We are now the leading hard wheat market in the world but if we are to continue to sanction soft red wheat deliveries our future trading will, without any doubt, dwindle to the vanishing point, such as happened in St. Louis many years ago.

The production of soft red wheat in our southwestern area is negligible and I can see no reason whatsoever why we should not maintain strictly hard wheat variety deliveries, so that these producers will have a legitimate hedge on their growing crops. For your information over 90% of our business is with flour mills over the country, both cash wheat and options. Our cash wheat business has increased considerably during the past ten years but option trading has been cut almost 85% these past two years.

From 1949 to 1952 we carried between 115,000 to 650,000 options open, but since October 1952 until December our open interest was less than 50,000 bushels and none since December of 1952.

We have a number of letters from millers and a few from producers stating that they expect no trades in Kansas City until such time as soft red wheat will be outlawed in our deliveries.

I recommend very strongly, for the survival of the Kansas City future trading, that we rescind the rule of soft wheat deliveries.

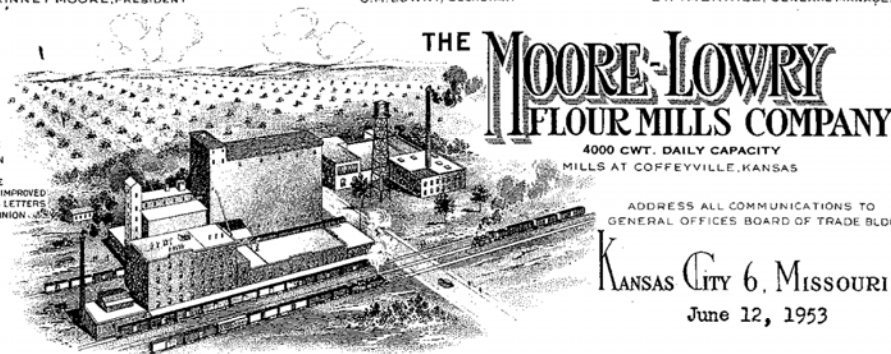
Yours very truly,
GEISEL GRAIN CO.
J. S. GEISEL

JSG/as

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CODES:
ROBINSON
MILLERS
RIVERSIDE
ABC'S/2ED IMPROVED
LIEBERS 5 LETTERS
WESTERN UNION
BENTLEYS



4000 CWT. DAILY CAPACITY
MILLS AT COFFEYVILLE, KANSAS

ADDRESS ALL COMMUNICATIONS TO
GENERAL OFFICES BOARD OF TRADE BLDG.

KANSAS CITY 6, MISSOURI
June 12, 1953



J. B. Gregg, Chairman,
C/O Secretary's Office, Board of Trade,
Board of Trade Building,
Kansas City, Missouri

Dear Mr. Gregg:

Answering the circular received from the Secretary's office, #2294, with respect to delivery of Red Wheat on the futures contracts, will say under existing conditions we believe it would be beneficial for the Kansas City market to change the delivery rule so that only Hard Winter Wheat would be deliverable on Kansas City futures contracts.



At the present time there is practically no pure Red Wheat raised in the territory normally served by this market, which was not true when the rule was changed back in 1940. Since Kansas City is the largest Hard Winter Wheat market in the world I firmly believe making only Hard Wheat deliverable on futures contracts would make future trading in this market much more desirable for many and would have a tendency to increase the volume of trade. I say this because both the buyer and seller would know exactly the kind of wheat they were trading in.

It seems to me if it was not the desire of the members to have the market stand for something, then we should move in the other direction and make any grade of wheat deliverable at least to the same extent that the Chicago market does.

In any event, I believe the matter is serious enough that it should be sent to the floor for a vote and that this should be done as quickly as possible so that the change, if any, could be made when the next delivery May comes on the board.

Yours very truly,

THE MOORE-LOWRY FLOUR MILLS COMPANY

General Manager



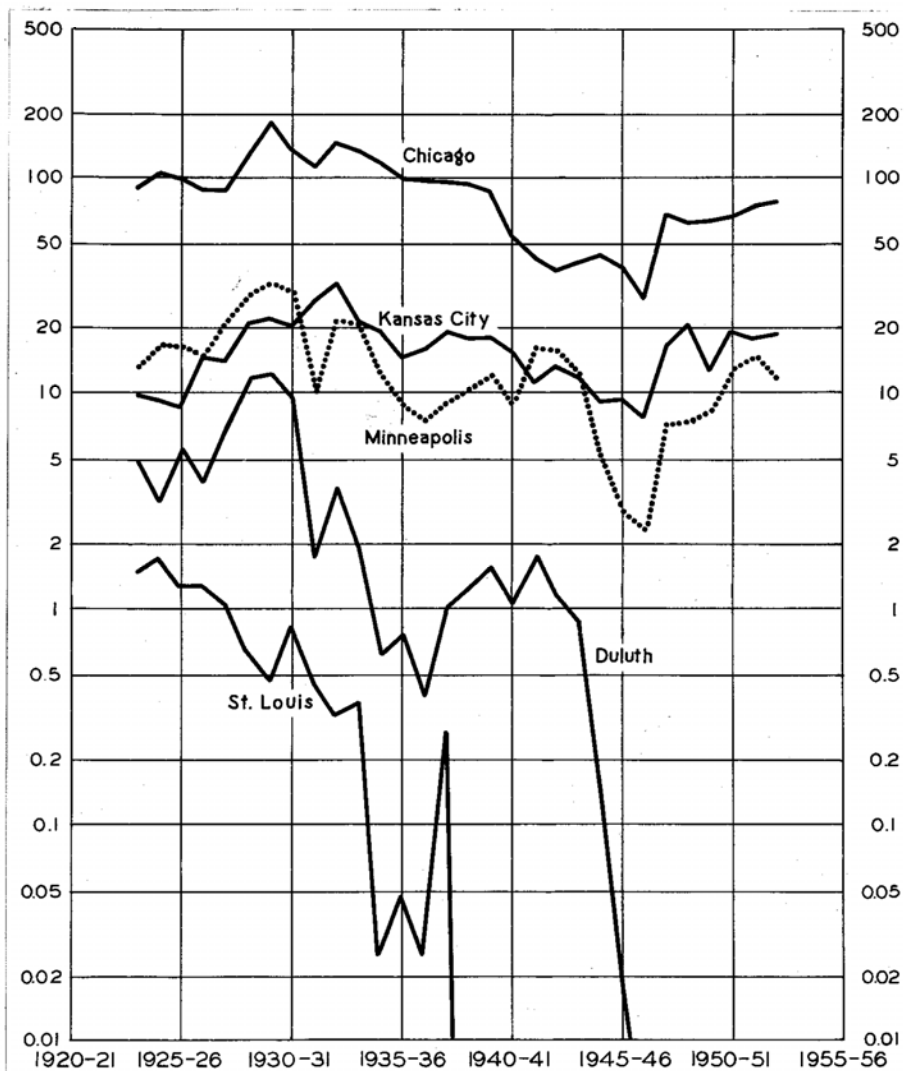
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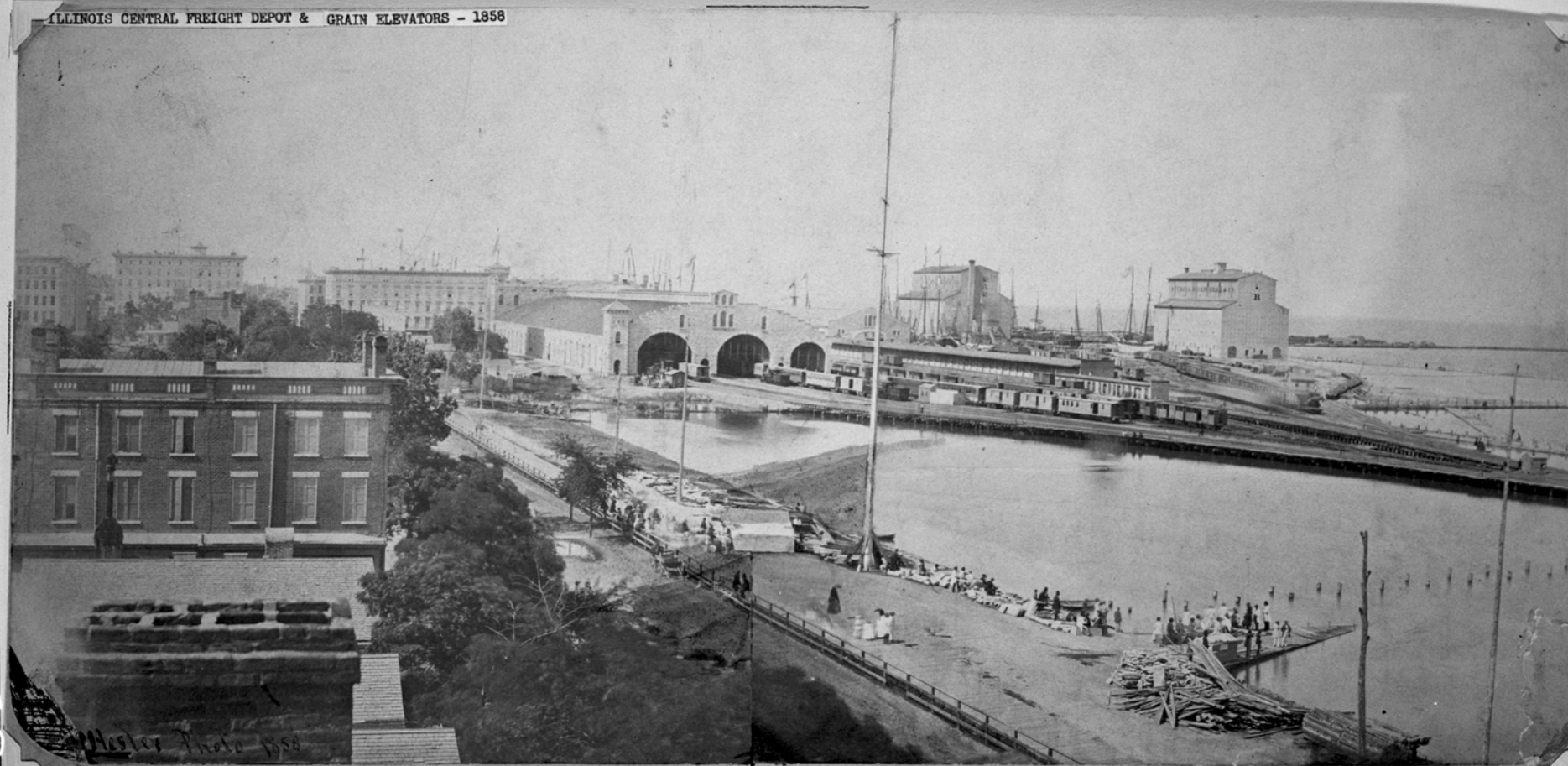
CHART 1.--ANNUAL AVERAGES OF OPEN CONTRACTS IN WHEAT FUTURES AT FIVE MARKETS,
JULY-JUNE YEARS, 1923-24 TO 1952-53.*

(Million bushels; logarithmic scale)

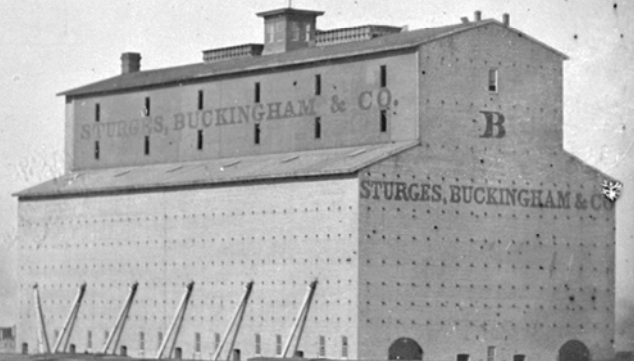


*Averages of month-end open contracts, from U. S. Department of Agriculture
Statistical Bulletin No. 1000 and Monthly issues of Trade in Grain Futures, 1952-53.

ILLINOIS CENTRAL FREIGHT DEPOT & GRAIN ELEVATORS - 1858



Master Photo 1858



1064
940
2047
36
2097
792
2097
727
627
27
1311
124
16711

S. Dunham Esq
Jr

I have sold the Butter at 18⁰⁰
per lb you may send in 6 crocks
of it at a time as I can dispose
of it

Yours Respectfully
John Radcliffe
Jr

JOHN RADCLIFFE,
Commission and Produce Merchant,

OFFICE IN RUMSEY BRO. & CO'S. WAREHOUSE,
(OPPOSITE THE GALENA FREIGHT DEPOT.)

NORTH WATER STREET, CHICAGO, ILLS.

Particular Attention Paid to the Sale of Produce
Arriving by the Galena and Chicago Union Rail Road and Branches.

Chicago Market Report, May 19th 1854

GRAIN.

| | | |
|---------------------|------|------|
| WINTER WHEAT—Prime, | 1.40 | 1.45 |
| " " Ordinary, | 1.30 | |
| SPRING " Milling, | 1.80 | 1.55 |
| " " Common, | 1.25 | |
| RYE, | 75 | |
| BARLEY, | 65 | 70 |
| OATS, | 37 | |
| CORN—Shelled, | 40 | |

| | | |
|---------------|----|---------|
| BEANS, | 75 | no sale |
| POTATOES, | 40 | 42 |
| FLAX SEED, | | |
| TIMOTHY SEED, | | |
| CLOVER SEED, | | |

| | | |
|---------|----|--------|
| PORK, | | |
| EGGS, | | |
| BUTTER, | 18 | 12 1/2 |
| LARD, | | |

| | | |
|----------------|--|--|
| FLOUR, Per Bbl | | |
| PORK, " " | | |
| BEEF, " " | | |
| DRY HIDES, | | |
| GREEN HIDES, | | |

LANGDON & ROUNDS, PRINTERS.

Implications for the present

- Physical markets and contracts markets are interconnected in many ways.
- Prices for specific locations, grades, or season often reflect temporary bottlenecks.
- The specificity of a contract works for some market participants but not for others.
- Specific contractual terms become more or less important as physical movements alter over decades.
- For some market participants, the advantage of contracts with specificity works counter to the desire for liquidity.

Chicago, *Aug 22* 186*1*

Mr J H Lester

Bought of D. H. LINCOLN,

GENERAL

PRODUCE COMMISSION MERCHANT,

P. O. BOX 1256.

188 Kinzie Street, Chicago, Ill.

Scott, Hays & Shurly, Steam Printers.

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10057*

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Colum*