

Commodity Futures Trading Commission  
CEA CASES

**NAME:** INDIANA FARM BUREAU COOPERATIVE ASSOCIATION INC. AND LOUIS M. JOHNSTON

**DOCKET NUMBER:** 234; 75-14

**DATE:** DECEMBER 11, 1974

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**NOTE:** LATER BECAME CFTC DOCKET # 75-14

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Indiana Farm Bureau Cooperative Association, Inc., and Louis M. Johnston,  
Respondents

CEA Docket No. 234

Complaint and Notice of Hearing Under Section 6(b) and 6(c) of the Commodity  
Exchange Act

There is reason to believe that the respondents Indiana Farm Bureau  
Cooperative Association, Inc., and Louis M. Johnston attempted to manipulate and  
did manipulate the market price of a commodity for future delivery on or subject  
to the rules of a contract market, in wilful violation of the Commodity Exchange  
Act (7 U.S.C. 1 et seq.). In accordance with the provisions of section 6(b) and  
6(c) of the said Act (7 U.S.C. 9 and 13b), this Complaint and Notice of Hearing  
is issued stating the charges in that respect as follows:

I

Respondent, Indiana Farm Bureau Cooperative Association, Inc., hereinafter  
referred to as Indiana Farm Bureau, is an Indiana Corporation whose address is  
47 S. Pennsylvania Street, Indianapolis, Indiana 46204, and

is now and was at all times material herein a member firm of the Board of Trade  
of the City of Chicago.

II

Respondent, Louis M. Johnston, is now and was at all times material herein,  
the manager of the Indiana Grain Division of Indiana Farm Bureau, and a member  
of the Board of Trade of the City of Chicago.

III

The Board of Trade of the City of Chicago, hereinafter referred to as the  
Board of Trade, is now and was at all times material to this complaint, a board  
of trade duly designated as a contract market under the Commodity Exchange Act.

IV

At all times material herein, Indiana Farm Bureau maintained three commodity  
futures accounts with Illinois Cooperative Futures Company, a registered futures  
commission merchant, as follows:

| Account No. | Name of Account  |
|-------------|--|
| 1160        | Gold Proof Elevator<br>Div. Indiana Farm Bureau<br>P. O. Box 773<br>Louisville, Kentucky 40201 |

Account No. Name of Account

1190 Indiana Grain Coop  
Div. Indiana Farm Bureau  
47 S. Pennsylvania St.  
Indianapolis, Indiana

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Account No. Name of Account  
1191 Indiana Farm Bureau  
47 S. Pennsylvania St.  
Indianapolis, Indiana 46204  
Feed Division

Louis M. Johnston, at all times material herein, directed and controlled the futures trading in the Gold Proof Elevator (1160) and Indiana Grain Coop (1190) commodity futures accounts and gave advice as to the futures trading in the Feed Division account (1191).

V

The futures transactions and positions referred to in this complaint relate to the July 1973 corn future on the Board of Trade. The last day of trading in the July 1973 corn future on the Board of Trade was July 20, 1973.

VI

CEA Form 203 Corn Reports filed by Indiana Farm Bureau show that the futures transactions and positions of the respondent corporation referred to in this complaint were hedging transactions or positions and did not constitute speculative transactions or positions.

VII

The Board of Trade corn futures contract specifies delivery of 5,000 bushels of yellow corn conforming to the following USDA grades at the following price differentials:

No. 1 yellow corn -- at 1/2 cent per bushel over contract price.

No. 2 yellow corn at contract price

No. 3 yellow corn (maximum

15 1/2 percent moisture) -- at 1 1/2 cents per bushel under contract price.

The only delivery point acceptable under the rules of the Board of Trade then in existence was Chicago, Illinois. The lower than average quality of the 1972/1973 corn crop, the scarcity of transportation during the summer of 1973, and the unwillingness of elevators regular for delivery in Chicago to accept corn for delivery or to accept corn for delivery only under special conditions at additional costs during July 1973, limited the supply of corn available for delivery on the July 1973 corn futures on the Board of Trade to the stocks of deliverable grades of corn in deliverable position in Chicago, Illinois. As of July 20, 1973, the stocks of deliverable grades of corn in deliverable position which were available for delivery at a price not exceeding the economic value of corn in Chicago or were otherwise uncommitted amounted to approximately 511,000 bushels.

VIII

On July 19, 1973, the Board of Directors of the Board of Trade voted to remove the 10 cent maximum daily limit on price fluctuation for the final day of trading in the July 1973 corn future. This limit was not removed for any other corn futures.

IX

On July 20, 1973, prior to the beginning of trading on the Board of Trade, Indiana Farm Bureau owned or controlled a net long futures position in the July 1973 corn future of 4,705,000 bushels, representing 27.5 percent of the total open interest. This net futures position consisted of a long position in the Indiana Grain Coop account of 4,895,000 bushels and a short position in the Gold Proof Elevator account of 190,000 bushels. By 11:02 a.m. on July 20, 1973, the short position in the Gold Proof Elevator account had been completely liquidated. From the beginning of trading until 11:24 a.m. on July 20, 1973, three spread transactions (Order Numbers 70489, 70490, 70491) were executed for the Indiana Grain Coop account whereby Indiana Farm Bureau sold 1,500,000

bushels of July 1973 corn futures and purchased a like number of bushels of September corn futures. As of approximately 11:24 a.m. on July 20, 1973, before the July corn futures price rose to \$ 3.00 per bushel, Indiana Farm Bureau held a long July corn futures position of 3,395,000, representing about 62 percent of the total open interest in such future. This long position was six times larger than the stocks of corn available for delivery in Chicago.

X

At all times on July 20, 1973, there was an insufficient supply of deliverable grades of corn in deliverable position to permit holders of short contracts in the July 1973 corn future to satisfy such short contracts without purchasing July corn futures from Indiana Farm Bureau. Such facts were known to the respondents.

XI

On July 20, 1973, the price of the July 1973 corn future on the Board of Trade opened at a price range of \$ 2.80 to \$ 2.93 per bushel, an increase of 20 1/2 to 33 1/2 per bushel over the prior day's closing price and 33 1/8 to 46 1/8 cents per bushel over the September future. The July 1973 corn future traded within the opening range until about 11:12 a.m. on July 20, 1973, and the price of \$ 3.00 per bushel was not reached until about 11:26 a.m.

After 11:30 a.m., with less than a half hour of trading time remaining in the July 1973 corn future, the July corn future price moved sharply and erratically, closing at a price range of \$ 3.70 to \$ 3.90 per bushel. This closing price range was \$ 1.23 1/8 to \$ 1.43 1/8 per bushel over the September corn future and \$ 1.10 1/2 to \$ 1.30 1/2 per bushel higher than the prior day's closing price.

XII

As of 11:24 a.m. on July 20, 1973, Indiana Farm Bureau had two orders on the trading floor which had not been filled. These orders were (1) a spread order (Order Number 70492) entered at 9:15 a.m. on July 20, 1973, to purchase 750,000 bushels of the September corn future and to sell 750,000 of the July corn future at 55 1/2 cents per bushel over the September future, and (2) a price order (Order Number 70589) entered at 9:49 a.m. on July 20, 1973, to sell 150,000 bushels of July corn futures at \$ 3.00 per bushel. The above price order was filled between 11:27 a.m. and 11:30 a.m. Spread order number 70492 was filled between 11:36 a.m. and 11:40 a.m. Between 11:38 a.m. and 11:40 a.m. on July 20, 1973, Mr. Johnston entered the following additional scaled up price orders for the Indiana Grain Coop account:

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| Order No. | Instructions on Order (in Thousands of Bushels) |
|-----------|---|
| 70783     | Sell 100 July corn at \$ 3.70 per bushel        |
| 70784     | " 100 " " " 3.80 " "                            |
| 70786     | " 100 " " " 3.90 " "                            |
| 70787     | " 100 " " " 3.85 " "                            |
| No Number | " 100 " " " 3.75 " "                            |

With the exception of 5,000 bushels of Order No. 70786, these five scaled up price orders were filled before trading expired at 12:00 noon on July 20, 1973.

## XIII

After trading in the July, 1973, corn future expired at 12:00 noon on July 20, 1973, Indiana Farm Bureau had a long position of 2,010,000 bushels. Consequently they received delivery of that quantity of corn: 20,000 bushels on July 23, 1,050,000 on July 24, 470,000 bushels on July 27, 275,000 on July 30, and 195,000 on July 31.

## XIV

The respondents, Indiana Farm Bureau and Louis M. Johnston, engaged in the acts and practices described in the paragraphs set forth herein-above for the purpose and with the intent of causing prices in the July 1973 corn future which were arbitrary and artificial, and demanded

and received such prices in connection with the trading in such future. By reason thereof, the respondents attempted to manipulate and did, in fact, manipulate the price of a commodity for future delivery on or subject to the rules of a contract market, in wilful violation of section 6(b) and 6(c) of the Commodity Exchange Act (7 U.S.C. 9 and 13b).

WHEREFORE, it is hereby ordered that this complaint and notice of hearing be served upon the respondents and this proceeding shall be governed by sections 0.1, 0.2, 0.4(b), 0.5 through 0.22 and 0.28 of the rules of practice under the Commodity Exchange Act (17 CFR 0.1, 0.2, 0.4(b), 0.5 through 0.22 and 0.28). The respondents will have twenty (20) days after the receipt of this complaint in which to file with the Hearing Clerk, United States Department of Agriculture, Washington, D. C. 20250, an answer with an original and five copies, fully and completely stating the nature of the defense and admitting or denying, specifically and in detail, each allegation of this complaint. Allegations not answered will be deemed admitted for the purposes of this proceeding. Failure to file an answer will constitute an admission of all the allegations of this complaint and a waiver of hearing. The filing of an answer in which all the material allegations of fact contained in this complaint are admitted likewise

shall constitute a waiver of hearing unless a hearing is requested. The respondents are hereby notified that unless the hearing is waived, a hearing will be held in Indianapolis, Indiana, at a place therein and date to be specified later, before an Administrative Law Judge designated to conduct such hearing. At such hearing, the respondents will have the right to appear and show cause, if any there be, why an appropriate order should not be issued in accordance with the Commodity Exchange Act (1) prohibiting the respondents from trading on or subject to the rules of any contract market, and directing that all contract markets refuse all trading privileges to the said respondents for such period of time as may be determined, and (2) directing that the respondents shall cease and desist from violating the Commodity Exchange Act in the manner alleged herein.

It is ordered that this complaint and notice of hearing be served on the respondents at least twenty (20) days prior to the date set for hearing.

Done at Washington, D. C.

[SEE SIGNATURE IN ORIGINAL]

RICHARD L. FELTNER  
Assistant Secretary

**LOAD-DATE:** August 6, 2008

