

Commodity Futures Trading Commission
CEA CASES

NAME: PLAINS COTTON COOPERATIVE ASSOCIATION AND DAN W. DAVIS

DOCKET NUMBER: 222; 75-11

DATE: FEBRUARY 5, 1974

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NOTE: LATER BECAME CFTC DOCKET # 75-11

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Plains Cotton Cooperative Association and Dan W. Davis Respondents

CEA Docket No. 222

Complaint and Notice of Hearing Under the Commodity Exchange Act

There is reason to believe that the respondents have violated the Commodity Exchange Act as amended (7 U.S.C. Chapter I), and this complaint and notice of hearing is issued stating the charges in that respect as follows.

I

a. Plains Cotton Cooperative Association (Plains), a non profit cooperative marketing association, with its principal office and place of business at 3301-11 East 50th Street, Lubbock, Texas, is now and was at all times material herein engaged in the marketing or selling of agricultural products of its members. It is now and was at all times material herein a member of the New York Cotton Exchange.

b. Dan W. Davis, an individual whose business address is the same as that of Plains, is now and was at all times material herein Executive Vice President, General Manager, and the chief operating officer of Plains.

II

The New York Cotton Exchange is now and was at all times material herein a duly designated contract market under the Commodity Exchange Act.

III

The allegations of this complaint relate to the purchase and sale of December 1971, March 1972, May 1972, and July 1972 cotton futures contracts on and subject to the rules of the New York Cotton Exchange. The first day that all of these futures were open for trading was August 10, 1970.

a. Trading in the December 1971 future began on October 2, 1970. The first day on which notice of intent to deliver spot cotton in satisfaction of December 1971 futures contracts (first notice day) was November 23, 1971. The last day on which trading in the December 1971 future was conducted (last trading day) was December 9, 1971. The last day on which spot cotton could be delivered in satisfaction of December 1971 futures contracts (last day to deliver) was December 23, 1971.

b. Trading in the March 1972 future began on February 25, 1971. First notice day for the March 1972 future was February 23, 1972. Last trading day for the March 1972 future was March 8, 1972. The last day to deliver on the March 1972 future was March 22, 1972.

c. Trading in the May 1972 future began on December 10, 1970. First notice day for the May 1972 future was April 24, 1972. Last trading day for the May 1972 future was May 8, 1972. The last day to deliver on the May 1972 future was May 22, 1972.

d. Trading in the July 1972 future began on January 27, 1971. First notice day for the July 1972 future was June 26, 1972. Last trading day for the July 1972 future was July 7, 1972. The last day to deliver on the July 1972 future was July 21, 1972.

IV

During the period from May 6, 1971 to July 7, 1972, respondents maintained a large, long futures position involving one or more of the futures contracts described in paragraph III above. Detailed information concerning this position is set out in Annex A which is attached to and made a part of this complaint.

V

During the period from November 23, 1971 to July 21, 1972, respondents accepted and held (stopped) transferable notices of delivery and subsequently received delivery of large amounts of spot cotton in satisfaction of their long open futures position in each of the futures contracts referred to in paragraph III above as those futures contracts successively matured. Detailed information concerning these deliveries is set out in the following table.

See original document—page 3

Future	Amount in contract lots	Percent of total deliveries	Percent of Plains' open long position *
December 1971	718	81.7	79.2
March 1972	366	98.7	72.8
May 1972	599	89.7	73.1
July 1972	400	59.7	81.3
Total	2,083	80.5	76.5

* As of the opening of trading on first notice day plus contracts bought during delivery period.

VI

Most of the spot cotton received by respondents on the December, March and May futures, as set out in paragraph V above, was handled by respondents in such a way as to make it unavailable to other traders for redelivery against futures contracts. This was done by decertificating the cotton while in store prior to final disposition or by selling the cotton on a basis of FAS Vessel or landed mill.

a. Of the 72,276 bales of certificated cotton received on delivery in the December 1971 future, Plains so handled 67,466 bales. The remaining 4,810 bales were redelivered by Plains on the December future.

b. Of the 36,420 bales of certificated cotton received on delivery in the March 1972 future, Plains so handled 35,820 bales. The remaining 600 bales were sold f.o.b. warehouse.

c. Of the 59,963 bales of certificated cotton received on delivery in the May 1972 future, Plains so handled 59,078 bales. The remaining 885 bales were sold f.o.b. warehouse.

VII

In pursuing the course of action described in paragraphs IV, V and VI above, the respondents acted for the purpose and with the intent of causing, and did cause, prices of the May 1972 and July 1972 cotton futures and prices of spot cotton to be abnormally and artificially high during the period March 15, 1972 to July 7, 1972.

VIII

By reason of the facts alleged in this complaint, the respondents attempted to manipulate and did manipulate the price of the May 1972 and July 1972 cotton futures and the price of spot cotton during the period from March 15, 1972 to July 7, 1972, in wilful violation of sections 6(b), 6(c) and 9(b) of the Commodity Exchange Act (7 U.S.C. 9, 13b and 13(b)).

WHEREFORE, it is hereby ordered that this complaint and notice of hearing be served on the respondents. 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 four 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 of the material allegations of fact contained in the complaint are admitted likewise shall constitute a waiver of hearing unless a hearing is requested. The respondents are hereby notified that unless hearing is waived, a hearing will be held at a time and place 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 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.

Done at Washington, D. C.

February 5, 1974

[SEE SIGNATURE IN ORIGINAL]

CLAYTON TEUTTER

Assistant Secretary

Number of Contracts and Percent of The Open Interest Held by PCCA Prior to the Open of Trading on First Notice Day and Last Trading Day of the December 1971, March, May and July 1972 Cotton Futures>100> >101>

Future	First Notice Day December Future Nov 23, 1971		Last Trading Day December Future Dec 9, 1971		First Notice Day March Future Febr 23, 1972		Last Trading Day March Future March 8, 1972	
	Amount	Percent of Open Interest	Amount	Percent of Open Interest	Amount	Percent of Open Interest	Amount	Percent of Open Interest
Dec 1971	874	43 2	295	95 2	--	--	--	--
March 1972	181	5 1	242	7 7	401	56 6	249	85 6
May 1972	61	3 9	468	24 0	550	21 2	692	27 1
July 1972	0	--	151	11 4	476	17.0	565	18 3
Total	1,116	13.5	1,156	21.0	1,427	23 4	1,506	25.3
Future	First Notice Day May Future Apr 24, 1972		Last Trading Day May Future May 8, 1972		First Notice Day July Future June 26, 1972		Last Trading Day July Future July 7, 1972	
	Amount	Percent of Open Interest	Amount	Percent of Open Interest	Amount	Percent of Open Interest	Amount	Percent of Open Interest

Future	First Notice Day December Future Nov 23, 1971		Last Trading Day December Future Dec 9, 1971		First Notice Day March Future Febr 23, 1972		Last Trading Day March Future March 8, 1972	
	Amount	Percent of Open Interest	Amount	Percent of Open Interest	Amount	Percent of Open Interest	Amount	Percent of Open Interest
Dec 1971	--	--	--	--	--	--	--	--
March 1972	--	--	--	--	--	--	--	--
May 1972	820	64 4	530	90 0	--	--	--	--
July 1972	488	16 5	370	11 9	440	23.1	250	29.4
Total	1,308	30.9	900	24.4	640	23.1	250	29.4

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