Commodity Futures Trading Commission
CEA CASES

NAME: TYSON FOODS, INC., DONALD TYSON, JOE FRED STARR, ROBERT BONE, KEITH ESTEP, BELL EGG FARMS, INC., NORMAN BELL, WILLIAM R. NEWTON, AND RUTH NEWTON

DOCKET NUMBER: 202

DATE: OCTOBER 2, 1972

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UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE SECRETARY OF AGRICULTURE


CEA Docket No. 202

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. 1 et seq.), hereinafter referred to as the Act. This complaint and notice of hearing is issued stating the charges in that respect as follows:

I

a. Tyson Foods, Inc., hereinafter referred to as Tyson, an Arkansas corporation with its principal office and place of business at 2210 West Oaklawn Drive, Springdale, Arkansas 72764, is now and was at all times material herein principally engaged in the production and sale of poultry and eggs.

b. Donald Tyson, an individual whose business address is the same as that of Tyson Foods, Inc., is now and was at all times material herein, a principal shareholder, a director and the chief executive officer of Tyson.

c. Joe Fred Starr, an individual whose business address is the same as that of Tyson, is now and was at all times material herein, a principal shareholder, a director of Tyson and the president of Chicken Hut Systems, Inc., a wholly owned subsidiary of Tyson.

d. Robert Bone, an individual whose business address is the same as that of Tyson, is now and was at all times material herein a shareholder and a vice president of Tyson.

e. Keith Estep, an individual whose business address is Tyson's Pride of Oklahoma, Inc., Box 18774, Oklahoma City, Oklahoma 73118, is now and was at all times material herein, a shareholder of Tyson and manager of Tyson's Pride of Oklahoma, an Oklahoma corporation and a wholly owned subsidiary of Tyson.

f. Bell Egg Farms, Inc., a Delaware corporation with its principal office and place of business at Route 1, P. O. Box 223, A, Joplin, Missouri 64801, is now and was at all times material herein engaged in the production of eggs.

g. Norman Bell, an individual whose business address is the same as that of Bell Egg Farms, is now and was at all times material herein, a shareholder, a director and the president, treasurer and manager of Bell Egg Farms, Inc., and a shareholder of Tyson.

h. William R. Newton, an individual whose business address is Newton Clinic, 402 N. Jefferson, Cameron, Texas 76520, is now and was at all times material herein, a commodity futures trader.
i. Ruth Newton, an individual whose address is 902 East 8th Street, Cameron, Texas 76520, is now and was at all times material herein, the wife of William R. Newton and a commodity futures trader.

II

The Chicago Mercantile Exchange is now and was at all times material herein a duly designated contract market under the Act.

III

The transactions referred to in this complaint relate to the purchase and sale of September 1970 shell egg futures contracts on and subject to the rules of the Chicago Mercantile Exchange. Trading in this contract began on October 10, 1969, and ended on September 21, 1970. Cash eggs could be delivered in satisfaction of such futures contracts on any business day in the month of September, 1970.

IV

During the period September 1, 1970 - September 21, 1970, respondents held a large aggregate long position in the September 1970 shell egg future. On September 1, 1970, the first day of the delivery month, they held 880 of 4977 long contracts, 17.7% of the open interest; on September 2, 1970, they held 885 of 4719 long contracts, 18.8% of the open interest; on September 18, 1970, the next-to-last day of trading in the future, they held 465 of 1036 long contracts, 44.9% of the open interest; on September 21, 1970, the last trading day, they held 231 of 233 long contracts, 99.1% of the open interest.

V

During the period September 2, 1970 - September 8, 1970, futures traders other than the respondents received delivery of 25 carlots of eggs against their long futures positions. Of these, respondent Tyson bought from the traders who received them 21 carlots before they could be redelivered. Of the other four carlots, Tyson bought three carlots after the first redelivery. These 24 carlots of eggs were subsequently sold by Tyson at substantial losses. Of these eggs, 21 carlots were disposed of in such a way that they were not eligible for redelivery against futures contracts and 15 carlots were not sold until after the expiration of trading in the September 1970 shell egg future.

VI

During the period September 9, 1970 - September 18, 1970, respondent Tyson received delivery of 48 carlots of eggs against its long futures position. These eggs were sold to cash outlets at prices substantially less than Tyson could have received by redelivering them on the September 1970 shell egg future. Of these eggs, 43 carlots were disposed of in such a way that they were not eligible for redelivery against futures contracts and 42 carlots were not sold until after the expiration of trading in the September 1970 shell egg future.

VII

At the beginning of futures trading on September 21, 1970, the last day of trading in the September 1970 shell egg future, the aggregate long position of the respondents, 465 contracts, was in excess of the available deliverable supply of cash eggs. It was, therefore, impossible for all holders of short contracts to satisfy such short contracts without purchasing futures or deliverable cash eggs from the respondents.

VIII

On September 21, 1970, the last day of trading in the September 1970 shell egg future, the respondents placed orders for futures sales to offset their long positions. These orders set price limits, below which sales could not be made, ranging from 47.10 cents to 48.55 cents per dozen. Respondents sold future
contracts on that day at prices ranging from 47.15 cents to 48.20 cents per dozen. Such prices were abnormally and artificially high. Some of the orders could not be executed at the prices demanded, leaving respondents with a large aggregate long position, 231 contracts, open at the termination of trading.

IX

The 231 open long contracts in the September 1970 shell egg future held by respondents at the termination of trading in that future were settled by delivery of cash eggs after September 21, 1970.

Most of the 181 carlots of cash eggs so delivered were sold by the respondents at prices substantially less than the closing future price.

X

In all of the aforesaid transactions, the respondents, in accordance with an arrangement or understanding among them, acted for the purpose and with the intent of causing, and did cause, prices in the September 1970 shell egg future to be abnormally and artificially high.

XI

By reason of the facts alleged in this complaint, the respondents attempted to manipulate and did manipulate the price of the September 1970 shell egg future on September 21, 1970, in willful 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 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, 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 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 a referee 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.

October 2, 1972

[SEE SIGNATURE IN ORIGINAL]