

Commodity Futures Trading Commission  
CEA CASES

**NAME:** VINCENT W KOSUGA, SAM S. SIEGEL, AND NATIONAL PRODUCE DISTRIBUTORS, INC.

**DOCKET NUMBER:** 73

**DATE:** JUNE 18, 1956

**DOCUMENT TYPE:** COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Vincent W Kosuga, Sam S. Siegel, and National Produce Distributors, Inc.,  
Respondents

CEA Docket No. 73

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

There is reason to believe that the respondents, Vincent W. Kosuga, Sam S. Siegel, and National Produce Distributors, Inc., attempted to manipulate and did manipulate the price of a commodity in interstate commerce and for future delivery on or subject to the rules of a board of trade, in violation of the Commodity Exchange Act (7 U.S.C. 1952 ed. §§ 9, 13), as amended July 26, 1955 (7 U.S.C. 1952 ed. Supp. III § 2), and in accordance with the provisions of section 6 (b) of the said act (7 U.S.C. 1952 ed. § 9) this complaint and notice of hearing is issued stating the charges in that respect as follows:

I.

Respondent Vincent W. Kosuga, an individual whose address is Pine Island, New York, is now and was at all times material herein a grower and shipper of onions, and a trader in onion futures and cash onions. At all such times the said Vincent W. Kosuga was a member of the Chicago

Mercantile Exchange and a registered floor broker under the Commodity Exchange Act.

II

Respondent National Produce Distributors, Inc., an Illinois corporation with offices and a place of business at Franklin Park, Illinois, is now and was at all times material herein engaged in the wholesale produce business. At all such times, respondent Sam S. Siegel, an individual, was the president, manager, and a principal shareholder of said corporation, traded in onion futures and cash onions in the name of the corporation, and directed, controlled, and was responsible for the corporate transactions hereinafter described. At all such times, respondent Sam S. Siegel was a member of the Chicago Mercantile Exchange.

III

At all times material herein, the Chicago Mercantile Exchange was a duly designated contract market under the Commodity Exchange Act.

IV

During October and November 1955, respondent Vincent W. Kosuga, acting for the purpose and with the intent of causing an increase in the price of November 1955 onion futures and cash onions, purchased and

held large quantities of November 1\$ 55 onion futures on the Chicago Mercantile Exchange, and established a long position in such future which, on October 17, 1955, reached approximately 928 contracts or carlots, which was about 45 percent of the total open interest in such future. By reason of such transactions, large quantities of cash onions were shipped to Chicago during November 1955, and were delivered to and received by said respondent in satisfaction of his long futures position, with the result that on November 30, 1955, said respondent owned and held approximately 262 carlots of cash onions stored in warehouses in Chicago, or about 50 percent of the total stocks of onions in Chicago available for delivery in satisfaction of onion futures contracts on the Chicago Mercantile Exchange. By reason of such acts, respondent Vincent W. Kosuga attempted to manipulate the price of onion futures on the Chicago Mercantile Exchange and of cash onions, in wilful violation of sections 6 (b) and 9 of the Commodity Exchange Act, as amended (7 U.S.C. 1952 ed. §§ 9, 13; 7 U.S.C. 1952 ed. Supp. III § 2).

## V

During the latter part of November 1\$ 55 and throughout December 1955, as a result of the transactions described in paragraph IV, respondent Vincent W. Kosuga owned and held large quantities of cash

onions stored in warehouses in Chicago. During the same period, respondent National Produce Distributors, Inc., by reason of transactions theretofore made by respondent Sam S. Siegel, owned and held large quantities of cash onions stored in warehouses in Chicago and at various points outside of Chicago. During the latter part of November and early December 1955, respondents Vincent W. Kosuga and National Produce Distributors, Inc., owned and held a combined total of approximately 1000 carlots of cash onions in warehouses in Chicago and at various points outside of Chicago, which were or could be made available for delivery in satisfaction of onion futures contracts on the Chicago Mercantile Exchange, and the combined cash holdings of respondents in Chicago warehouses constituted about 98 percent of the total stocks of onions in Chicago available for such delivery.

## VI

During November or December 1955, respondents informed a group of approximately 13 individuals engaged in the business of growing, shipping, and trading in onions, hereinafter called the grower-shippers, that unless the grower-shippers purchased, at a specified price, a major portion of the cash onions owned and held by respondents in Chicago, said respondents would sell onion futures and would deliver their cash onions on the Chicago Mercantile Exchange in satisfaction thereof, thereby causing a decline in the price of onions, but that if the grower-shippers

purchased such onions, respondents would refrain from such deliveries, accumulate additional supplies of cash onions, and support the long side of the market.

## VII

Beginning some time in November 1955, and continuing thereafter until some time in December 1955, respondents engaged in a conspiracy to increase or prevent a decrease in the prices of cash onions and onion futures, and to increase the spread between the prices of different onion futures, by means of an agreement and concert of action among themselves and between themselves and the aforesaid 13 grower-shippers, under which the respondents and the grower-shippers agreed substantially as follows:

(1) that the grower-shippers would purchase and take title to approximately 285 carlots of cash onions owned and held by respondents in Chicago, at the price previously specified by respondents; and

(2) that in consideration of such purchase, respondents would make no deliveries in satisfaction of futures contracts during the period December 1955 - March 1956, of any part of the remaining cash onions which they owned and held in Chicago or elsewhere, but would accumulate additional supplies of cash onions and support the long side of the market.

#### VIII

Pursuant to and in furtherance of the agreement described in paragraph VII, and in order to effectuate the purposes thereof, respondents delivered cash onions to the grower-shippers, received and accepted approximately \$ 168,000 in payment for such deliveries and for additional deliveries to be made subsequently, and temporarily supported the long side of the market by purchasing onion futures. By reason of the acts described in paragraphs VII and VIII, respondents Vincent W. Kosuga, Sam S. Siegel, and National Produce Distributors, Inc., attempted to manipulate the price of cash onions and onion futures on the Chicago Mercantile Exchange in wilful violation of sections 6 (b) and 9 of the Commodity Exchange Act, as amended (7 U.S.C. 1952 ed. §§ 9, 13; 7 U.S.C. 1952 ed. Supp. III § 2).

#### IX

During November and December 1955, and until about March 7, 1956, respondents Vincent W. Kosuga and National Produce Distributors, Inc., traded actively and extensively for speculative purposes in March 1956 onion futures, and throughout this period each of the said respondents held a substantial short position in such future on the Chicago Mercantile Exchange. At the same time, each of the said respondents, respectively, had the sole beneficial interest in other short positions in March 1956 onion futures held in the names of commodity brokerage firms

which had advanced funds to finance the carrying of cash onions by respondents. On December 15, 1955, the combined short March 1956 futures position of respondents in their own accounts and in the accounts carried by such commodity brokerage firms in which accounts respondents had the beneficial interest, was approximately 227 contracts or carlots, or about 14 percent of the total open interest in such future.

#### X

Beginning some time in December 1955 and continuing thereafter until some time in March 1956, respondents engaged in a conspiracy to depress the prices of March 1956 onion futures and cash onions in order to enable the respondents to cover their short positions in such future at lower prices. Said conspiracy consisted of an agreement and concert of action among respondents under which they agreed to sell large quantities of March 1956 onion futures on the Chicago Mercantile Exchange, establish and hold large short positions in such future, and stand ready to deliver onions on the said Exchange in satisfaction of such short positions.

#### XI

Pursuant to and in furtherance of the agreement described in paragraph X and in order to effectuate the purposes thereof, respondents

sold and held open additional large quantities of March 1956 onion futures on the Chicago Mercantile Exchange and increased their short positions substantially, with the result that on February 6, 1956 the combined short

positions of respondents in March 1956 onion futures reached approximately 1148 contracts or carlots and constituted about 42 percent of the total open interest in such future. Said respondents, for the same purpose and with the same intent, shipped cash onions out of Chicago, caused them to be culled, reassorted, and repacked, and then shipped such onions back to Chicago. The sales of March 1956 onion futures by the respondents, the shipment of onions back to Chicago as above described, and the availability for delivery on the Chicago Mercantile Exchange of such onions and of the additional large quantities of cash onions owned and held by respondents in Chicago and elsewhere, caused decreases in the prices of cash onions and of March 1956 onion futures on the said Exchange, and respondents thereupon covered a portion of their short positions in such future at such decreased prices. By reason of the acts described in paragraphs IX, X, and XI, respondents Vincent W. Kosuga, Sam S. Siegel, and National Produce Distributors, Inc., attempted to manipulate and did in fact manipulate the price of cash onions and of onion futures on the Chicago Mercantile Exchange in wilful violation of sections 6 (b) and 9 of the Commodity Exchange Act, as amended (7 U.S.C. 1952 ed. §§ 9, 13; 7 U.S.C. 1952 ed. Supp. III § 2).

Therefore, the said respondents, Vincent W. Kosuga, Sam S. Siegel, and National Produce Distributors, Inc., are hereby notified to be and appear at a hearing to be held at 10:00 a.m., central daylight saving time, on the 24th day of July, 1956, in Room 1200, Board of Trade Building, Chicago, Illinois, before a referee designated to conduct such hearing, and then and there show cause, if any there be, why an order should not be made suspending or revoking the registration of respondent Vincent W. Kosuga as a floor broker, and directing that all contract markets refuse all trading privileges to all the respondents for such period of time as may be determined.

The respondents will have twenty (20) days after the receipt of this notice of hearing in which to file with the Hearing Clerk, United States Department of Agriculture, Washington 25, D. C., an answer with an original and six copies, fully and completely stating the nature of the defense and admitting or denying specifically and in detail each material and relevant allegation of this complaint, Allegations that are not answered will be deemed admitted for the purpose of this proceeding.

It is ordered that this complaint and notice of hearing be served on the respondents by delivery of a true copy thereof by an employee of the Department of Agriculture, or by registered mail, at least twenty (20) days prior to the date set for hearings

Done at Washington, D. C, this

18 day of June, 1956.

/s/ Earl L. Butz

Earl L. Butz

Assistant Secretary

**LOAD-DATE:** June 12, 2008

