

Commodity Futures Trading Commission
CEA CASES

NAME: LANDON V. BUTLER, BLACK GIN COMPANY, BUTLER-FOSTER MILLING COMPANY, AND ALABAMA GRAIN ELEVATOR COMPANY

DOCKET NUMBER: 65

DATE: FEBRUARY 4, 1955

DOCUMENT TYPE: COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Landon V. Butler, Black Gin Company, Butler-Foster Milling Company, and Alabama Grain Elevator Company, Respondents

CEA Docket No. 65

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

The Assistant Secretary of Agriculture has reason to believe that the respondents, Landon V. Butler, Black Gin Company, Butler-Foster Milling Company, and Alabama Grain Elevator Company, attempted to manipulate the price of a commodity in interstate commerce and for future delivery on or subject to the rules of a board of trade, and knowingly delivered or caused to be delivered for transmission in interstate commerce, false, misleading, or knowingly inaccurate reports concerning market information or conditions that tended to affect the price of a commodity in interstate commerce, in violation of the Commodity Exchange Act (7 U.S.C., Chapter 1). In accordance with the provisions of section 6(b) of the Commodity Exchange Act (7 U.S.C. 9), this complaint and notice of hearing is issued alleging as follows:

I

Respondent Landon V. Butler, an individual whose address is 60 South Front Street, Memphis, Tennessee, is now and was at all times material herein a trader in commodity futures and engaged in various business enterprises through respondents Black Gin Company, Butler-Foster Milling Company, and Alabama Grain Elevator Company, more particularly described hereinafter. At all such times the said Landon V. Butler was also a partner in F. M. Crump and Company, Memphis, Tennessee, a registered futures commission merchant under the Commodity Exchange Act. Respondent Landon V. Butler and the said Crump and Company were at all such times members of the Board of Trade of the City of Chicago.

II

Respondent Black Gin Company, a Missouri corporation, is engaged in the business of ginning and merchandising cotton and trading in commodity futures. Respondent Butler-Foster Milling Company, a Missouri corporation, and respondent Alabama Grain Elevator Company, a corporation operating in Alabama, are engaged in the business of milling and merchandising grain and trading in commodity futures. Each of the said corporations maintains an

office at 60 South Front Street, Memphis, Tennessee, and respondent Landon V. Butler is the president and managing officer of each of such corporations. All of the stock in respondents Black Gin Company and Butler-Foster Milling Company is held, in equal amounts, by respondent Landon V. Butler, Sydney J. Butler, his wife, not a respondent herein, and Robert Foster and his wife, not respondents

herein. Respondent Landon V. Butler is also a substantial stockholder in respondent Alabama Grain Elevator Company.

III

The Board of Trade of the City of Chicago, hereinafter called the Chicago Board of Trade, was at all times material herein a duly designated contract market under the Commodity Exchange Act.

IV

During the calendar year 1954, respondent Landon V. Butler and each of the corporate respondents had commodity trading accounts with F. M. Crump and Company, and the said F. M. Crump and Company also carried commodity trading accounts for certain other persons and firms, hereinafter called Crump accounts or Crump customers, including the following:

Allen-Davis Company

Sydney J. Butler

Dabney Crump

Robert Foster

Hunter S. George

Walter Regnery

Frank Crump

Jackson Davis

Virginia Emmert

Rodgers, Fay & Brown

Alexander Sprunt & Son, Inc.

J. K. Willey

V

During the period from January 1, 1954 through November 30, 1954, respondent Landon V. Butler, acting for himself or on behalf of the corporate respondents, traded actively and extensively in soybeans and soybean futures contracts on the Chicago Board of Trade, and during this period there was also active trading in the Crump accounts. In the course of such trading the respondents and the Crump customers purchased and sold substantial quantities of March, May, July, and September 1954 soybean futures, established large long positions in each of the said futures, stood for delivery thereon, received large quantities of deliverable cash soybeans in satisfaction thereof, and purchased and received, and entered into contracts to purchase and receive, additional large quantities of cash soybeans in store in Chicago grain elevators and available for delivery in satisfaction of such futures contracts. In connection with such trading, respondent Landon V. Butler purchased and received from various Crump customers, and the said customers sold and delivered to respondent Landon V. Butler, large quantities of deliverable cash soybeans which such customers had received in satisfaction of soybean futures contracts

which they held. As a result of such trading activities, the combined futures and cash holdings of the respondents and the Crump customers represented a substantial portion of the deliverable stocks of soybeans in Chicago during most of 1954. These holdings were approximately 21 percent on the last day of trading in the March 1954 future, approximately 46 percent on the last day of trading in the May 1954 future, and approximately 94 percent on the last day of trading in the July 1954 future.

VI

During the period from January 1, 1954 through November 30, 1954, and as part of and in connection with the activities described in paragraph V, respondent Landon V. Butler, acting for himself or on behalf of the corporate respondents:

(a) sold and entered into contracts to sell large quantities of deliverable soybeans under terms and conditions which made them unavailable for delivery in satisfaction of soybean futures contracts on the Chicago Board of Trade;

(b) withheld deliverable cash soybeans from sale except under terms and conditions which made them unavailable for delivery in satisfaction of soybean futures contracts on the Chicago Board of Trade;

(c) shipped large quantities of deliverable soybeans out of Chicago under conditions which made these shipments economically

unjustified, in order to make such soybeans unavailable for delivery in satisfaction of soybean futures contracts on the Chicago Board of Trade; and

(d) entered into purported contracts for the purchase and sale of cash soybeans, or for the exchange of cash soybeans, which were not bona fide cash contracts but which, in effect, constituted transactions in futures under which respondent Landon V. Butler was able to control additional large quantities of soybean futures and determine the disposition thereof.

VII

On or about March 12, 1954, May 24, 1954, and July 15, 1954, respondent Landon V. Butler transmitted in interstate commerce to members of the grain trade and other interested persons, information purporting to relate to impending large shipments of deliverable cash soybeans from Chicago. Such information was false, misleading, or knowingly inaccurate, and was transmitted by the said respondent with knowledge of the fact that it would be widely circulated or disseminated, and for the purpose and with the intent of causing a price movement in the soybean market.

VIII

On or about August 13, 1954, respondent Landon V. Butler transmitted in interstate commerce to the United States Department of

Agriculture and the Chicago Board of Trade, reports that a Chicago grain elevator containing large quantities of deliverable soybeans against which negotiable warehouse receipts had been issued was unable to comply with loading out orders given by the holder of such receipts. At the same time, the said respondent published or caused the publication of similar representations or information among members of the grain trade and other interested persons. Such information, reports, and representations were false, misleading, or knowingly inaccurate in that they were designed to indicate that such grain elevator did not have in its possession and could not deliver soybeans of the quality and in the quantity called for by such receipts, which was contrary to fact. Respondent Landon V. Butler transmitted such reports and published or caused the publication of such information with knowledge of the fact that such reports and information would be widely circulated or disseminated, and for the purpose and with the intent of causing a price movement in the soybean market.

IX

On or about May 19, 1954, near the termination of trading in the May 1954 soybean futures contract, Jackson Davis, a Crump customer, ordered a floor broker on the Chicago Board of Trade to purchase

625,000 bushels of May 1954 soybean futures. The said Jackson Davis gave the order at a time and under circumstances designed to cause an increase in the price of soybean futures, and for that purpose and with that intent, and as a result of such order the price of May 1954 soybean futures was increased substantially by rapid and successive bids on an ascending scale made on the floor of the Chicago Board of Trade by brokers attempting to execute the said order. The resulting purchases of 125,000 bushels of May 1954 soybean futures were allocated and distributed among the accounts of various Crump customers, including accounts influenced or controlled by respondent Landon V. Butler.

X

Respondent Landon V. Butler, in his capacity as president and managing officer of the respondent corporations, initiated, supervised, directed and controlled the above described corporate transactions and was responsible for their execution. The said respondent also advised with respect to and influenced the trading in the Crump accounts, and the above described transactions by the Crump customers were undertaken and carried out pursuant to his recommendations and guidance. Respondent Landon V. Butler and the corporate respondents

acted for the purpose and with the intent of manipulating the price of deliverable cash soybeans in Chicago and soybean futures on the Chicago Board of Trade, in order to enable them to realize larger profits on their cash and futures holdings.

XI

By reason of the acts and transactions described in paragraphs V to X, both inclusive, respondent Landon V. Butler and the corporate respondents attempted to manipulate the price of soybeans in interstate commerce and for future delivery on or subject to the rules of a board of trade, in wilful violation of sections 6(b) and 9 of the Commodity Exchange Act (7 U.S.C. 9, 13).

XII

By reason of the acts and transactions described in paragraphs VII and VIII, respondent Landon V. Butler and the corporate respondents knowingly delivered or caused to be delivered for transmission in interstate commerce, false, misleading, or knowingly inaccurate reports concerning market information or conditions which tended to affect the price of soybeans in interstate commerce, in wilful violation of section 9 of the Commodity Exchange Act (7 U.S.C. 13).

Therefore, the said respondents, Landon V. Butler, Black Gin Company, Butler-Foster Milling Company, and Alabama Grain Elevator Company, are hereby notified to be and appear at a hearing to be held at 10:00 a.m., Central Standard Time, on the 30th day of March, 1955, in Room 1200, Board of Trade Building, 141 West Jackson Boulevard, 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 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 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 five copies, fully and completely stating the nature of the defense and admitting or denying specifically and in detail each material and relevant allegation of the 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 20 days prior to the date set for hearing.

Done at Washington, D. C.

this 4th day of Feb., 1955.

/s/ Earl L. Butz

Assistant Secretary of Agriculture

LOAD-DATE: June 16, 2008

