

Melamed in Active Leadership of C.M.E. Direction, Expansion

Chicago, Jan. 3. — At the end of last month Leo Melamed, 39, retired after three active years as chairman of the board of governors of the Chicago Mercantile Exchange. Retirement was mandatory, even at 39, for C.M.E. chairmen are limited to a maximum of three consecutive one-year terms.

During the three years, Mr. Melamed has seen—and has taken an active role in—trading volume that has nearly doubled to 3,317,366 contracts in 1970 from 1,852,089 in 1968, in part through the adding of new commodities. In fact, the years 1969 through 1971 will be the three biggest years, in terms of volume, of any three in C.M.E. history.

During Mr. Melamed's terms, C.M.E. also became the first major commodity exchange to establish a customer protection trust. The trust currently is funded with \$3,000,000.

IN REVISION OF EXCHANGE'S RULES

Also under Mr. Melamed's leadership, an 18-month effort has reconstructed and revised C.M.E.'s rules. A new rule book, published last March has "liberated many archaic concepts that seemed to hang on year after year, and replaced them with more realistic approaches," according to one C.M.E. observer.

The program to revise the rules has been coupled with a vigorous enforcement that, on a number of occasions, has resulted in stiff penalties for wrongdoers. At the same time, industry colleagues recognize Mr. Melamed as a "law and order man."

HOWARD STRONG PUBLIC INTEREST

In comments about Mr. Melamed's three terms of chairman, the spokesman for C.M.E. related:

"His thinking on customer protection works hand in hand with his efforts to generate strong public interest in commodity futures trading. He views the projects the exchange has undertaken under his guidance as being subtle and tangibly bold.

"In the latter category are the efforts underway to standardize a national commodity solicitors' examination which will have meaning for all exchanges. More subtle is the exchange's far-reaching educational program, including the first credited college level business program in commodity futures trading."

FOUNDED DELLISHER INVESTMENT CO.

Mr. Melamed, normally a full-time commodity speculator through Dellisher Investment Co., Inc., a firm he founded in 1966, is also credited as C.M.E. chairman with formalizing C.M.E. research and education programs and beefing up the administrative staff in this area.

As part of a program to reach the market for C.M.E. services, Mr. Melamed launched a program with separate advertisements directed at potential hedgers and speculators and opened communications channels to brokerage houses with two series of seminars for commodity houses and for stockbrokers not yet trading in commodities.

GUIDED BY AN ADVISORY COUNCIL

Mr. Melamed also led development leading to creation last July of an advisory council to the C.M.E. board of governors. Charter members of this council are: Dr. Phillip Alampi, chairman, National Egg Pricing System Study Committee, and secretary of agriculture of New Jersey; Dr. R. L. Kohls, dean of Purdue University

School of Agriculture; Lane Palmer, editor of *Farm Journal*; Charles B. Shuman, former president of the American Farm Bureau Federation; and Dr. Michael Sumichrast, chief economist of the National Association of Home Builders.

"The council provides us with the perspective, information and expertise of outside authorities in coping with various problems and in discharging our obligations to the public," Mr. Melamed said. Of special value, too, he noted, is the council's ability to bring in hedger views that can help shape the various futures contracts to meet hedger requirements better.

PORK BELLIES LEAD VOLUME SURGE

The biggest factor in C.M.E.'s nearly doubled trading volume in the last three years has been the frozen pork belly (uncured bacon) contract. Termed by some as a radical departure for what had been Chicago's conservative butter-and-egg house when introduced in 1960, frozen pork bellies last year provided more than half of the volume, at 1,779,139 contracts.

In November, for example, trading in frozen pork belly contracts accounted for nearly half of all November volume at C.M.E., increasing to 137,620 contracts—more than double the 64,727 contracts in November, 1970.

TO ADD FEEDER CATTLE FUTURES

As one of his last official acts for C.M.E., Mr. Melamed presided over the opening of trading of feeder cattle futures contracts. It was the fourth new contract to be added to the exchange during Mr. Melamed's tenure.

Introduction of the feeder cattle futures contract followed inauguration of trading in milt (March, 1971), boneless beef (April, 1970) and lumber (September, 1969). In the first eight months of milt trading, volume totaled 7,033 contracts, reflecting spring and summer uncertainty regarding the size of the grain harvests.

'THREE-WAY HEDGE OPPORTUNITY'

The new futures contract in feeder cattle—ranch-bred steers destined for attening in feedlots before being sold to meatpackers as potential steak and hamburger—opened on Nov. 30. Mr. Melamed observed that the big appeal of this futures contract lies in the way it fills a three-way hedge opportunity

or all steps in the beef production-marketing chain. With grain sorghum and live cattle, he noted, heavy investments in breeding, feeding, processing and storing beef can be covered through futures contracts at each step of the process.

To implement work of the C.M.E., Mr. Melamed—as chairman before him—has relied on a network of 26 committees manned by some 250 C.M.E. members reporting to the 12-man board of governors. All are working committees.

STUDY OF 48 COMMITTEES, SERVICES

The New Commodities committee, for example, last year examined the possibilities of listing 48 commodities and services. Most were judged unsuitable, Mr. Melamed said, but in addition to the milt and feeder cattle approvals, about a dozen more are still being considered.

Some of these still under consideration—much like the recently-adopted lumber contract—depart from the traditional definition of a commodity and open the hedging concept of price protection to industries, such as home-elding, far removed from the farm.

FLED FROM PORTLAND IN WAR YEARS

For Mr. Melamed, the trading floor

of the "Chicago Merc" is a far cry from his place of birth and early upbringing. Born in Bialystok, Poland, he left the country at the age of seven with his parents after the German invasion and occupation in 1939. They fled through Russia on the Trans-Siberian Railroad to Vladivostok and arrived in Japan in January, 1941. Two months later they arrived in the United States, settling in Chicago.

Mr. Melamed attended grammar school on the Northwest side of Chicago, then Roosevelt High School and the University of Illinois. He attended John Marshall Law School, received his doctor of laws degree there in 1955, and became a member of the Illinois Bar that same year. He had become a member of the Chicago Mercantile Exchange in 1954, and later practiced law in Chicago from 1956 to 1966, as a partner in Melamed, Kravitz & Verson.

ELECTED TO C.M.E. BOARD IN 1967

Giving up his active practice for full-time speculation in commodities and stocks, Mr. Melamed founded Dellisher Investment Co. in 1966 and was first elected to the board of governors the following year. He served as secretary of the board from 1967-1968 and was elected chairman in 1969. In 1970 and 1971 Mr. Melamed was reelected by acclamation.

Away from the C.M.E. activity, Mr. Melamed enjoys tournament bridge (he is a Life Master), acting and poetry reciting. He also writes essays and short stories and pieces of political analysis, both national and international in scope.

Mr. and Mrs. Melamed reside in Skokie, Ill., with their three children, ages 8, 11 and 13.