The New Orleans Cotton Exchange is a cotton Futures market that was organized on January 17, 1871.

The Exchange itself buys or sells nothing, nor does it set or fix prices. Prices are arrived at by open bidding and offering, the Exchange merely records and publicizes them.
It is a non-profit institution which provides the facilities for the members to carry on their individual business activity in accordance with a strict code of ethics and the self-imposed rules of the Exchange and the supplementary regulations of the U. S. Department of Agriculture.

A commodity Exchange, like the New Orleans Cotton Exchange, is simply a market place where buyers and sellers meet, where commodities like cotton, wheat and corn are bought and sold. It is a continuous auction. The sellers naturally want to sell at the highest possible price, and the buyers seek to buy at the lowest price. When a sale is made, the price is registered on the Exchange’s quotation board, and broadcast.

The transactions are generally handled by brokers who act as agents, for both buyers and sellers. They make bids or offers, by outcry, on orders from their principals. The actual seller may be in Dallas, the buyer in Charlotte, but their trade is concluded on the floor of the New Orleans Cotton Exchange.

Looking down onto the trading floor from the visitor’s gallery of the New Orleans Cotton Exchange during a trading session, the visitor is impressed by the noise and rush, the sharp switches from frenzied action to deadly calm. Colorful and exciting as it may be, it is only incidental to the operation of the serious and efficient business machine at work before your eyes.
and are conveyed to the firm’s floor broker by the messengers. The counter to the right is Western Union with direct wires to all principal points. Beneath you are private teletype communication systems of brokerage firms, and the Exchange’s telephone switchboard and booths for private calls. The rostrum on the edge of the ring is used only on “Opening” and on “Close.” The little ring between the main ring and the Quotation Board is the 50 bale ring. The little round table between the main ring and the railing is the cottonseed oil “ring.”

The Main Trading Ring

Directly below you is the trading ring—around it in regular positions stand the brokers and representatives of member firms of the Exchange. In the center of the ring is the “talker” and his clerk, and at the little table the Morse operator on the direct wire to the New York Cotton Exchange. Above and in front of the ring is the Quotation Board. Directly across the room is the message center—in the two rooms are the private phones of the various brokerage houses. Orders to buy or sell, come in on these phones.
The main ring is in contract units of 100 bales. The figures on the board are actually the price per pound and trading is done in the fractional points — therefore a one point difference i.e., 1/100 of a cent, on 500 lbs., which is the standard bale weight, multiplied by 100 bales which is the contract unit equals $5.00.

Trading is forbidden prior to the opening and after the closing bell. Secret transactions are not permitted and prompt publicity is given all prices as they are established on the floor.

The big activity is, of course, centered in the main ring where trading in cotton futures is going on. Futures are contract amounts of cotton bought now for delivery in the (future) months indicated on the Quotation Board.

The activity you see lasts for five hours, 9:30 AM to 2:30 PM CST, Monday through Friday, except during summer observance elsewhere of Daylight Saving Time. Trading in...
market is then open and trading becomes general.

So that you may understand the action going on below you—pick out one of the brokers on the ring and watch him—we’ll call him Mr. A. In a minute you’ll see a messenger hand him a slip of paper, this may be either an order taken over the private wire from a distant point or over the telephone or via Western Union. Let us assume that the slip is an order to buy one October (this means at market)—since no other price is indicated.

An Order by Phone

Calling the Market

Each day’s trading starts with the traditional sounding of the big bell and a “call.” An official of the Exchange calls each month in turn and “orders for the opening” are executed in the same manner as during the rest of the day. Buyers make bids and sellers make offers, each raising or lowering his bid or offer until they meet. Each month is traded in until all immediate market orders are executed. Then the official “calls” the next month and so on until all active months have been called. The
Mr. A looks at the board and sees that the last recorded price on October was 35.20. As you watch him he moves closer into the ring—and in a loud voice, waving his hand with one finger extended, he yells his bid of 35.19 for 1 October. What he actually shouts is “19 for October”, omitting the first figures as they are understood. The one means one contract or 100 bales.

Perhaps someone around the ring will sell at 35.19 but probably they won’t. Some other broker will probably yell out an offer to sell October at 35.21. Mr. A will repeat his bid of 19 a couple of times—and then raise it to 20. If no one will sell at this price after he has repeated it several times, he catches the eye of the broker who a few seconds ago offered to sell at 21 and gestures and says “sold” or “I take it.” Customarily “I take it” is used if one is buying—and “sold” if one is selling. However, in the speed of the trading “sold” is frequently used in either case.
Marking the Board

If you can find the “seller” you will see him report the new price to the man in the center of the ring standing at the mike which leads to the loudspeaker at the top of the quotation board. The board marker catches it thru the loudspeaker and immediately writes it on the board. So 21 now appears below the 20 that was there when the trade began. (Had the price again been 20, a dash would appear beneath the figure, representing a “ditto” and signifying that another transaction had been completed at the same price.) The second man in the ring makes a record of the price, time to the nearest minute, and the seller’s name. These records are kept indefinitely in permanent books in the Exchange office. As you watch, the third man in the center of the ring—the Morse operator taps out the new price over the direct wire to New York where it is immediately posted. Working reversely the man at the Quotation Board marked “New York” is on the other end of a similar direct wire from the New York ring and posts their prices for the New Orleans brokers to see.
Quotation Ticker

On the small gallery opposite you is another operator at a ticker machine. As fast as quotations appear on the New Orleans board he puts them on the machine which sends them all over the country to subscribers of wire ticker services operated by the major commodity exchanges, including the New Orleans Cotton Exchange. These messages go out in code on tape; each month indicated by a symbol (March “H”; May “K”; July “N”; October “V”; December “Z”). As a rule only the last two figures of the price are sent. So the message for the trade you have just witnessed would go out as: NOV 21 (New Orleans October 35.21).

As you watch you'll see your Mr. A—and also the broker who sold him the one October at 21, record the transaction on their trading cards. One side of the card is printed black for purchases and the other side is red for sales. The cards show number of contracts, delivery month, price, name of firm from whom purchased or to whom sold, and customers name. These hastily written cards are as binding as a formal contract. Brokers know one another so well by sight that identification is instantaneous. Sometime within the next few minutes you may see these same two confirm the transaction again—this is to avoid errors.

Confirming a “Trade”
Report to Customer

Broker Mr. A then writes price 35.21 on the order he was handed a few minutes ago and gives it to his clerk or a messenger who wires or phones it back to the customer. If it is a wire it will read: “Bought one October 35.21” signed A or whatever the broker’s name is. The other broker reports to the customer for whom he sold the one October in the same manner.

Following out this trade — each broker makes out a “slip” covering his part of the transaction. During the day the two brokers will meet and exchange slips — providing each with a written confirmation of the verbal trade. “Slips” are filed in the broker’s office and kept from 3 to 5 years.

Exchanging Slips
Each broker then records this transaction and all others made by him during the day on his Clearing House sheet and turns the sheet in to the Clearing House each night. The Clearing House then becomes a party to each contract by substitution and thereafter all settlements are made with the Clearing House and not between individual brokers. Each broker settles of course with his own customer.

The official market closing quotations are all transactions made between 2:29:15 and 2:30 (45 seconds period). One bell is rung at the beginning of the 45 seconds before the end of the period and the last bell (several strokes) is rung at exactly 2:30 and the market is closed. All trades made during the 45 second period are considered made “on the close” and the various quotations represent the closing range.

The system of commodity trading employed by the New Orleans Cotton Exchange is the most orderly, swift and economical method of marketing ever devised by human skill and experience. It provides a year around market in which the producer can sell without difficulty in the fall when supplies of cotton are heavy and the processor can in turn buy without difficulty in the spring when supplies
are normally light. It minimizes violent price fluctuations and makes possible the better determination of cotton values. Its effect within the industry is to reduce the cost of distribution, for by affording the merchant and processor a means of minimizing risk it enables them to operate on a lower margin of profit. The result is that the producer gets more for his raw cotton and the consumer pays less for cotton goods.