

Webb, Jean A.

From: secretary
Sent: Thursday, January 27, 2000 10:42 AM
To: Webb, Jean A.; Colbert, Edward W.
Subject: FW:

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COMMENT

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-----Original Message-----

From: Roger.Wallace@dtm.com [mailto:Roger.Wallace@dtm.com]
Sent: Tuesday, January 25, 2000 6:07 PM
To: secretary@cftc.gov
Subject:

I am against the proposed changes in spec limits for live cattle contracts. As a cattle feeder who actively manages risk through fed cattle contracts I have been continually frustrated with the divergence between cash and futures. This has resulted in my frequent use of deliveries against the fed cattle contracts in the past. However, while the plant delivery process is great the live delivery is a joke. The specs for live delivery are far more difficult to match and don't reflect the kind of cattle produced in NE. The lack of heifer delivery is also a limiting factor. Without changes in the delivery process- which have been requested by cattle feeders for years- this increase in spec limits can only impair convergence even more.

I beg you to reject this change until better delivery specs are introduced by the CME. Don't increase the chances for market manipulation without giving hedgers the tools to counteract.

Sincerely Yours,

Roger Wallace
200 Skyline Drive
Elkhorn, NE 68022
phone 402-399-6403

P.S. If you would like a feeder's perspective on how the delivery process can be changed, I'd be more than happy to explain. But a simple comparison may suffice for now. While the maximum live weight animal for live delivery is 1350 lb and the entire group must average 1300 or less, plant deliveries can have a carcass weight up to 950 lbs with no discount which is typically a 1500 lb animal! The long can request plant or live delivery and this uncertainty limits the shorts ability to confidently offer cattle for delivery. Keep in mind that plant delivery specs reflect packer acceptance of various weights and grades. In short, CME live delivery specs have not kept up with the real world and create and the ability to squeeze the market by spec longs. The CME's proposed change would only enhance their abilities.

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