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Ms. Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre, 21st St., NW
Washington, DC 20581

Dear Ms. Webb:

I am a cattle feeder, and am Chairman of the Texas Cattle Feeders Association. I am requesting you to not grant the Chicago Mercantile Exchange the increases in speculative position limits which they have requested for the Live Cattle Contract.

The Live Cattle Contract is the only tool we cattle feeders have to manage price risk. For the contract to be useful, it must be balanced between the needs of the speculator and the needs of the hedger. Right now, the contract doesn't adequately balance those needs, and the proposed increases in spec limits will make matters worse.

We have made a number of deliveries over the years against the CME Live Cattle Contract, and it is a frustrating experience. To begin with, the carcass weights that are acceptable under the carcass delivery option can come from cattle that are considerably heavier than are allowed to be delivered live. Since the receiving long has the option to determine whether to take delivery on a live or carcass basis, the delivering short (me) has difficulty knowing just how many deliverable cattle he has. Thus, you don't know how many to tender for delivery, which really makes convergence questionable.

The contract now has a limit of 600 speculative contracts in the delivery month. That works out to about 20,000 cattle. Just a handful of speculators could easily hold more long contracts than there are deliverable cattle. The problem is exacerbated by the lengthy and cumbersome delivery process. The current contract is subject to manipulation. An increase in the limits would make matters considerably worse.

The cattle industry has been asking the Merc for years to make heifers deliverable. They have "studied" it for years, but have failed to act. Should heifers be deliverable, it would go some towards solving the problem of inadequate deliverable supplies of cattle.

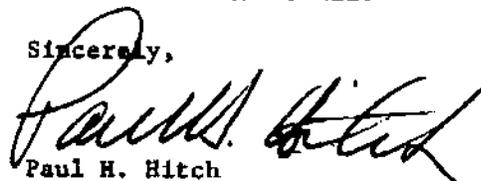
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In short, to make the contract work best, the Merc should:

1. Allow heifer delivery.
2. Reduce the spot month spec limit to 300 contracts.
3. Increase the allowable animal weights on live delivery to coincide with those weights allowed in carcass delivery.
4. Provide a step down on allowable contract limits prior to the spot month, and
5. Keep the spec limit at 2,400 contracts in the non-delivery months.

The proposal as written will make a bad situation worse. We have poor convergence now. Should this proposal be allowed, we will have none at all.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul H. Hitch", written in a cursive style.

Paul H. Hitch

PHH/mb