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Jean W. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
21st Street NW
Washington DC 20581

RE: CME SPECULATIVE POSITION LIMITS

Dear Ms. Webb:

Washington Beef, Inc. is a regional beef packer located in Toppenish, Washington. There is greater slaughter capacity in the Northwest region of the country (Washington, Idaho and Oregon) than cattle feeding capacity. Therefore, Washington Beef has had to extend itself into the cattle feeding sector to ensure fed cattle supplies.

We depend on a viable futures contract to manage risk of feeding cattle.

Liquidity and orderly convergence are both very important issues to us. We have not found liquidity to be of concern. We have found orderly convergence to be of great concern over the past two years.

Let me explain. Basis has to be predictable and strongly correlated to cash price changes for the fed cattle futures contract to be a viable risk management tool for us. We depend on markets in the Great Plains to impose discipline on the market since we do not have contract delivery points in our region. There appear to be several issues with respect to contract delivery which may impede orderly convergence and/or weaken the correlation between cash prices and futures prices. These include unequal delivery specifications between live cattle delivery and carcass delivery, and shortage of deliverable supplies relative to potential physical delivery demand in the spot month.

Over the last two years, we have seen several months where the basis has been unusually wide, and the futures price has been unusually high relative to the cash price.

WASHINGTON BEEF, INC.

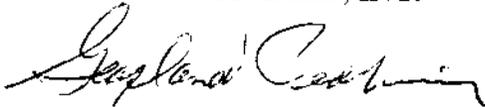
Corporate Office:
201 ELMWOOD ROAD
P.O. BOX 832
TOPPENISH, WA 98948
PHONE (509) 865-2121 • FAX (509) 865-2827

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We strongly feel that increasing speculative limits in the spot month will only serve to exacerbate the problem. We not only urge you to deny an increase in speculative limits, but to return them to those in existence prior to June of 1998. We also urge you to review the current delivery system and remedy those inequities which weaken the futures contract as a risk management tool.

Sincerely,

WASHINGTON BEEF, INC.



GAYLAND PEDHIRNEY
President



SKIP LAWRENCE
Senior Vice President

GP:SL/mb