



**TEXAS
CATTLE
FEEDERS
ASSOCIATION**

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February 4, 2000

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OFFICE OF THE SECRETARIAT
Jean A. Webb, Secretary

Commodity Futures Trading Commission
Three Lafayette Center
21st Street, NW
Washington, DC 20581

COMMENT

Dear Ms. Webb:

The Texas Cattle Feeders Association is opposed to the CME's proposed increase in the Live Cattle contract limit in the spot month from 600 contracts to 900 contracts.

TCFA represents most of the cattle feeders in the three-state area of Texas, Oklahoma and New Mexico, an area that produces over 30% of the cattle fed in the U.S. Many of our members extensively use the futures market as a risk management tool.

The most important aspect of a viable risk management tool in hedging cattle is a predictable basis and convergence between cash and the futures price. Many of our members feel that expanding the spot month limits to 900 contracts could cause the contract to be susceptible to manipulation by different traders. Any attempt at manipulation would destroy predictable and convergence of the contract.

In order to insure predictable and convergence, the spot month limits for a physical delivery contract should be set in relation to the estimated deliverable supply. TCFA feels that increasing the spot month limits to 900 contracts is excessive when compared to deliverable supply. In fact, our current policy is that the spot month limit should be at 300 contracts.

TCFA has worked with NCBA and others in the industry to try and expand the deliverable supply of cattle. For years we have asked the CME to allow heifers to be delivered. And recently we have joined others in asking that weight limits on deliverable cattle be expanded. The CME has not been responsive to the request, yet they want to expand spot month limits. Our membership feel that without an increase in the deliverable supplies of cattle, expanded limits in the spot month are totally unjustified.

The determination as to how deliveries are made, live vs carcass, is solely at the option of the long. Feeders often feel that if they could deliver their cattle on a carcass basis, their cattle would meet specifications. But they fear that they will be forced to deliver the cattle on a live basis and, because of the restrictive limits on the live delivery specifications, their cattle would be rejected. If the CME will not allow expanded weights on the live deliveries and the delivery method continues to lie with the long, then deliverable supplies are reduced and predictability and convergence continue to suffer.

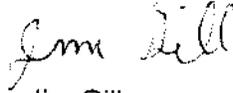
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Jean A. Webb
February 4, 2000
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In summary, the Texas Cattle Feeders Association is opposed to increasing spot month limits from 600 contracts to 900 contracts and would prefer to see the limits restored to the pre-June 1998 level of 300 contracts.

Sincerely,

A handwritten signature in cursive script that reads "Jim Gill".

Jim Gill
Market Director