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LAVACA
CATTLE CO. INC.

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COMMENT

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OFFICE OF THE SECRETARIAT February 8, 2000

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

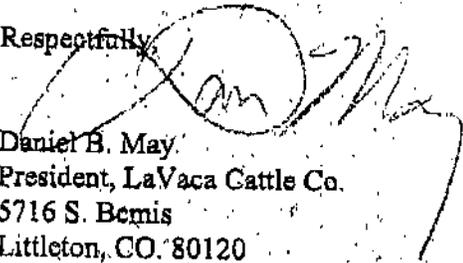
RE: CME Live Cattle Speculative Limits

Dear Ms. Webb,

I am writing in regard to the amendments proposed by the Chicago Mercantile Exchange (CME) pertaining to the expansion of speculative position limits. LaVaca Cattle Co. is a large cattle feeding entity that actively utilizes the live cattle futures market at the CME as a risk management instrument. Traditionally, I have been able to successfully implement the CME live cattle futures as a viable tool in our risk management program, including delivery on the live cattle contract. My most immediate concern relating to the proposed amendment is the potential impact on basis and convergence. Futures basis and price convergence at contract expiration is paramount to the success of the live cattle contract, both today and in the future. It is my belief that increasing the speculative position limits from 600 contracts to 900 contracts in the expiring contract month could endanger the basis performance, and subsequent price convergence.

However, I am in favor of the proposed amendment increasing the speculative position limits from 2,400 contracts to 3,200 contracts in individual non-spot months, in the interests of enhancing market liquidity.

Respectfully,


Daniel B. May
President, LaVaca Cattle Co.
5716 S. Bemis
Littleton, CO 80120

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