

02-13
(8)

Webb, Jean A.

From: secretary
Sent: Monday, November 04, 2002 8:42 AM
To: Webb, Jean A.; Colbert, Edward W.
Subject: FW: CME Live Cattle Speculative Limit Amendment

Received CFTC
Records Section
11/5/02

COMMENT

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

From: MERRYMAN, JAY [mailto:jay.merryman@agedwards.com]
Sent: Sunday, November 03, 2002 10:27 PM
To: 'secretary@cftc.gov'
Cc: MERRYMAN, JAY
Subject: CME Live Cattle Speculative Limit Amendment

CFTC OFFICE SECRETARIAT

NOV 05 11 47 06 AM '02

Jean Webb
Secretary to the Commission
CFTC
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Dear Madam Secretary,

It has been brought to my attention that the CME has submitted a proposal wanting to lower the speculative limit to 300 contracts from the current 600 contracts starting with the December contract. I am writing to express my displeasure with this current proposal.

First, it always disturbs me when rules are changed in the middle of the game. If ever there was a time to change the rules it should be with the start of the new contracts as they are listed with the exchange.

Second, it is quite evident that only a small percentage of cattle are ever hedged at the Merc but the influence of the futures market is quite great with regards to what happens in the cash market. Without the speculative support and potential for taking delivery of the futures contract a strong manipulative factor for the short sellers could become a strong possibility during the delivery period. It is always concerning to me that packers could have an artificial price influence during the delivery period when the speculator's hands are tied by the lower position limits.

Third, it always bothers me when rules are being made by members of the exchange who have really no knowledge of cattle trading or the function of making or taking delivery of cattle contracts. Financial traders should be allowed to express their concerns on financial markets and leave the livestock industry to those who know it best.

Finally, it is my understanding that the specifications of the contract are wanting to be changed to allow for heavier weight cattle to be delivered against the contract. In this day of excess tonnage it truly amazes me that the Merc would propose to increase the weights of the deliverable cattle. We know the bulk of the weight increase would not be red meat but simply overeat cattle. Let's keep the industry moving toward a more modern, leaner product and not just turn the contract into a dumping ground for producers that are unwilling to stay current in their marketing plans.

I express these thoughts after watching the Merc hog contract continually being manipulated each delivery period as the packer posts continually lower prices during the delivery period and influencing the price they have to pay for formula priced hogs during the delivery period with no threat of having to make or take delivery of a physical contract. The long speculator is

still a very viable part of the futures market and rule changes should be looked at very seriously before cavalier changes are made on such a short notice and without major input from the industry it represents.

Sincerely,
Jay P. Merryman
Branch Manager
A.G. Edwards & Sons Inc.
Marshalltown, Iowa 50158

Notice: Since e-mail messages sent between you and A.G. Edwards & Sons, Inc. ("AGE") and its employees are transmitted over the Internet, AGE cannot assure that such messages are secure. You should be careful in transmitting information to AGE that you consider confidential. If you are uncomfortable with such risks, you may decide not to use e-mail to communicate with AGE. Although you may be sending an e-mail message to a specific AGE employee, other AGE employees may review such messages. Additionally, your e-mail messages to AGE may, consistent with AGE's regulatory requirements and retention policies, be retained. You should also be aware that e-mail messages may be delayed or undelivered. AGE does not accept orders to effect transactions or other similar instructions through e-mail messages.
