

Received CFTC  
Records Section

11/08/2002

02-03

(23)

Brian DeBrie  
3626 Spruce Drive  
Scottsbluff, NE 69361

RE: CME Live Cattle Speculative Limit Amendment

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

COMMENT

Dear Jean Webb,

I am writing in regards to the lowering of position limits from 600 to 300 contracts in the spot months of the live cattle contracts. I am amazed by the lack of responsibility of the CME has shown towards the traders in the market. I think there are four items of discussion that need to be addressed:

1. Changing the rules in the middle of the game displays a total lack of integrity for the CME. These decisions need to be made on the contracts prior to the contract being traded. Changing the rules in the middle of the game indicates that the CME is interested in the 10% of the industry that are hedgers rather the entire industry that is needed to provide a future's market. If we skew the market to the hedger we will eventually eliminate the longs and thus eliminate the cattle pit.
2. With the captive supply of the packers, they consistently are trying to trade the short side of the market to drive their cattle costs lower instead of the natural long side of the market that they should be trading to procure supply. Eliminating the long side specs of the market will further increase the negative bias of the futures markets. This is not what the market needs.
3. The CME is not a cash market and should not be a cash market. Heifers should not be deliverable (pregnancy would be a disaster for the longs) and we should not increase the weight for the steers (the longs need additional time on feed to recoup their losses associated with delivery without getting heavy weight carcasses). This would further increase the downward bias as the long would never accept delivery and thus make the basis irrelevant. The delivery process should be rather difficult for both sides and changing the rules to help one side may end up ruining the market.
4. I understand that the EuroDollar traders made this change. Do they understand the industry implications of this change?

I feel that changes like this will effectively eliminate the cattle-trading pit. The cattle trading pit can be a useful tool for both the longs and the shorts, but these rule changes skew the market to the shorts and will further provide a negative bias. These changes need to be well thought out and discussed within the industry not a knee jerk reaction because the basis gets too wide for the hedger.

If I can be of further assistance, please don't hesitate to call at 308 631-0833.

Sincerely,

Brian DeBrie