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COMMENT

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**Received CFTC
Records Section**

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To Chairman James Newsome and CFTC Members:

I am writing this letter to voice my strong opposition to the recent proposal of the CME reducing spec position limits from 600 to 300 contracts, as well as increasing weight specs on deliverable cattle. The surprise announcement October 18, 2002, came at a time when open interest in the December contract exceeded 50,000 contracts, certainly without regard to due process. This lack of due process, though important, is minor compared to the unfair negative bias handed on a platter to the short hedger, forcing longs from the marketplace and putting downward pressure on the market.

I have spent a lifetime in the cattle business as an owner, and director of the largest artificial insemination beef program in the United States, and futures market participant. On a value added basis, the feedyard industry is less than 50% the size of the cow/calf and grazing industry. Futures play a strong role in pricing all classes of cattle, registered as well as commercial. Why should the short hedger have the upper hand at the expense of the entire beef industry, particularly when hedged cattle are but a small fraction of the total cattle on feed. For all the industry has been through, this is certainly no time to take half the long players off the playing field in the spot month. This is now more important than ever since many of the grids are priced off the cash price but we have a real problem of price discovery in the beef cattle industry.

In regards to increasing weights on deliverable cattle, we have spent the last 15 years genetically improving the population to rid ourselves of cattle that are too big and inefficient, animals unable to convert into portion sizes that meet consumer demands. This trend has been universally accepted and implemented in all breeds. Yes, we have added yearling growth while reducing birth weights, but 2002 is no showcase of our targets or successes. The summer of 2002 unfortunately found feedlots with an oversupply of cattle, bunched in number because of nationwide drought conditions; overweight in kind due to cheap feed and mild spring weather; and too numerous for the market to absorb in orderly fashion. To say recent month carcass weights reached these levels by genetic design, or to infer the cattle feeder, packer, or consumer prefer these weights is absurd. Why are cattle that are too big docked in the first place?

May I close by saying in my opinion, it is both a disgrace and disservice for the NCBA to applaud such action by the Chicago Mercantile Exchange. NCBA apparently does not comprehend or care their wholehearted support of the short hedger is an instrument working to devalue all remaining cattle nationwide. This battle cry for immediate action without due process, disguised as the watchdog for price manipulation by the speculator, is a farce. Enough is enough, let's not torpedo the industry with more injustice.

Sincerely,
Roy A. Wallace
Vice President, Beef Programs
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