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November 14, 2002

OFC. OF THE SECRETARIAT

Ms. Jean A. Webb
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, D.C. 20581

COMMENT

Reference: CME Proposed Amendment to Spot Month Speculative
Limits—67FR 66130

Although the Texas Cattle Feeders Association (TCFA) current policy supports a 300 speculative limit on the spot month of the Live Cattle contract, we are opposed to making changes on existing contracts. In fairness to traders who already hold positions, we feel that the proposed changes should be delayed until a new contract is listed.

Although TCFA supports the CME's decision to reduce the spot month limits, we feel there are other areas that would make the Live Cattle contract a much more viable risk management tool for cattle feeders. Lack of convergence during the delivery period, even in face of large deliveries, had discouraged the use of the contract by cattle feeders. It is obvious that the contract is not working now. TCFA feels that the lack of convergence is caused by a restricted deliverable supply of live cattle. The problem of deliverable supplies could be addressed by increasing the present weight limitation to reflect what the industry is producing today and allowing heifers to be delivered on the contract. Also, some of our members would like to see consideration given to a live cattle contract listed for every month. Others have suggested the listing of a serial contract for live cattle.

Speculative limits must be established at an appropriate level relative to deliverable supplies of a commodity during a given delivery time period. If this is not done, the contract will likely fail as a reliable risk management tool due to lack of convergence between the commodity and its future price. This could lead to increased forward contracting or other methods of selling live cattle in a non-reportable price method which will add to the problem of an already thinly tested cash market. This would weaken an already thinly tested price discovery process and could add problems to the convergence issue now facing the industry.

The Texas Cattle Feeders Association appreciates the opportunity to comment on this important issue.

Sincerely,

Jim Gill
Market Director