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Warfield, Sauntia

From: secretary
Sent: Thursday, February 12, 2004 11:41 AM
To: Webb, Jean A.; Warfield, Sauntia
Subject: FW: CME Live Cattle and Feeder Cattle Price Limit Amendments

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

From: j-mcadams@msn.com [mailto:j-mcadams@msn.com]
Sent: Thursday, February 12, 2004 10:35 AM
To: secretary@cftc.gov
Subject: CME Live Cattle and Feeder Cattle Price Limit Amendments

COMMENT

Dear Secretary Webb,

I am a U.S. cattle producer who opposes the CME's proposal to increase the maximum daily price limit of the live cattle futures market to \$3 per hundredweight.

I instead support the recommendations of the National Cattlemen's Beef Association that would increase the daily price limit from \$1.50 per hundredweight to \$2 per hundredweight with the ability for the CME to expand the daily limit to \$3 if the market closes at the limit two consecutive days. NCBA's proposal would allow the weekly market to move \$13 which is \$2 less than the potential \$15 per week move suggested by the CME. The limit of \$2 on a daily basis should allow the market to trade more effectively than the current \$1.50 limit which has led to an increasing number of days where the market is locked at the limit.

The NCBA proposal strikes a good compromise between the existing limit and the CME proposal.

NCBA engaged thoroughly in an open fashion with CME representatives at NCBA's annual business meeting in Phoenix last month. After hearing all of CME's arguments in favor of expanding the limit to \$3 per hundredweight, NCBA members discussed the pertinent issue of having a \$3 daily move. In the end it was decided by a majority vote of NCBA members to reject CME's proposal and instead focus on the merits of implementing a \$2 daily increase with allowances for expanding to \$3 should the market close at the limit on two consecutive days.

My concern with increasing limits more than \$2 is that the increased margin costs will drive more producers out of the futures market. We need good risk management tools that give us price protection at affordable cost. As futures margin cost rise, it is the same as our insurance cost rising. Many of us are to the point of thinking the cost is too high for the protection we receive.

Warmest regards,

Jim McAdams
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Adkins TX 78101