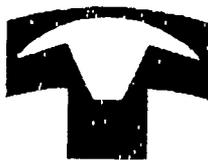


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## TEXAS CATTLE FEEDERS ASSOCIATION

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Three Lafayette Center  
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COMMENT

Re: Prohibiting delivery of cattle aged 30 months or more

Dear Ms. Webb:

The CME recently filed an amendment with the CFTC that would prohibit the delivery of cattle aged 30 months or older. The basis for this amendment was USDA's additional requirements for processing these animals as of January 12<sup>th</sup>.

The problem that we have with the CME's proposal is that they are taking the position that these cattle are unmerchantable, in other words "have no value at all". Obviously, these animals have some value.

One of the most important aspects of a futures contract for hedging purposes is that it reflects closely in what is happening in the cash market to the underlying commodity that is being hedged. The CME uses the USDA'S "Premiums and Discounts" report in settling deliveries today in relations to Prime, Choice, hardbones, etc. We feel this report should also be considered for setting the value of cattle over 30 months of age rather than setting a value of \$0 for them.

Also, in removing these cattle from delivery possibilities the CME continues to shrink an already tight supply of deliverable cattle. If the CME would allow the delivery of heifers, something the industry has asked for many times, then reducing the deliverable supply by taking the 30 months and older cattle out would not have the same impact as it does under the current proposal.

The CME proposes using dentition to evaluate whether cattle presented for live delivery are over 30 months of age. The practicality of this is highly questionable. The time constraints of performing dentition during the live delivery process may make it prohibitive and that is not even considering the additional bruises on the cattle.

In closing, we oppose the amendment as proposed by the CME. We suggest that the CME not impose restrictions of the futures market that do not exist in the live market. We further feel that USDA's "Premiums and Discounts" report be used in determining a value to these animals.

Sincerely yours,

Richard McDonald  
President and CEO