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COMMENT

7750 Dogwood Rd.
Germantown, TN 38138
October 25, 2002

Ms. Jean Webb
Secretary to the Commission
CFTC
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RECEIVED C.F.T.C.
2002 OCT 31 AM 11:05
OFC. OF THE SECRETARIAT

Re: CME Live Cattle Speculative Limit Amendment

Dear Ms. Webb:

The purpose of this letter is to request that the CFTC reject the amendment to change the live cattle speculative limits as purposed by the Chicago Mercantile Exchange. I would hope that your decision is based more on the true affects upon the market place, both futures and cash. Some of the facts, which I believe influenced the CME, are just wrong. Attached are letters I have sent to the CME and the National Cattleman's Beef Association, which highlight some of the differences in the facts. These two associations' entire effort, in my opinion, is to make these changes to benefit the packing industry at the expense of the masses in the cattle industry.

I would hope that the CFTC would not become the third entity to cater to the packers while ignoring the benefit to the cattle feeders and the cattle producers.

Sincerely,

Kenneth M. Norwood

Kenneth M. Norwood

Enclosures

7750 Dogwood Rd.
Germantown, TN 38138
October 19, 2002

Mr. Eric Wolff
Managing Director, Regulatory Affairs
Chicago Mercantile Exchange
30 South Wacker
Chicago, IL 60606

Dear Mr. Wolff:

I am writing in protest of the lowering of the position limits from 600 to 300 contracts in the spot month of the live cattle contract. This should not be done at all, but if it is going to be carried out, it should be made effective beginning with a contract month not yet traded. To change rules in the middle of the game, especially as close as we are to December, is not fair to all participants in the marketplace. This move is primarily beneficial to the packing industry and maybe a few feedlots. It is not beneficial to the rest of the feeding industry and it is detrimental to the country cattle producers. I might add that there are many more cattlemen to be hurt by this decision than will be helped.

I know that this is what Bruce Bass of IBP and the packing industry wants. It is difficult for me to understand why the CME would bow down to the pressures of the packing industry at the expense of the cattle producer. If this is so bad for the packers then why not compare the profitability of the packing industry, the feedlot operations, and the cattle producers since the 600 contract limit has been in effect. I believe you will find that the packing industry has had profitable margins throughout much of this period, while the cattle feeding and the country producers have not. The greatest factors contributing to this situation has been the plentiful supply of cattle and the captive supply carried by the packer.

It is time someone stood up for the basic cattle producers in this country. They really have no one. Even the National Cattlemen's Beef Association take stands on issues that are more for the benefit of the packers and large feedlot operators than for the cattle producers.

Manipulation of the rules by the exchanges for active trading contracts is harmful to the speculators who provide the liquidity and assumes the risk in the markets. By changing rules in the middle of the stream, the CME many years ago destroyed the egg contract, for all practical purposes they have ruined the pork belly contract, and by the some methods the NYMEX has practically destroyed the palladium contract. Every move is always to protect the short. When the short enters the market, he has the same information to know the rules and the risk of the market. Why do exchanges always find it necessary to manipulate the rules to protect the shorts? I cannot recall a single instance where a change has been made to protect the long.

I urge you to reconsider this action, as it will have an impact on the integrity of the live cattle market and of the CME itself.

Sincerely,

Kenneth M. Norwood

Kenneth M. Norwood

7750 Dogwood Rd.
Germantown, TN 38138
October 25, 2002

Mr. Wythe Willey
President
National Cattlemen's Beef Association
101 Second Street SE
Suite 502
Cedar Rapids, IA 52401

Dear Mr. Willey:

This letter is in response to your press release dated October 18, 2002 concerning the Chicago Mercantile Exchange vote to reduce the spot month contract speculative limit on live cattle futures from 600 contracts to 300 contracts. In the last several years I have been really troubled by some of your association's stands on issues affecting the cattle industry. After reading this press release, I find the stance your association took on the above issue troubling. Surely, the cattle producers are smart enough to realize you are working more in the interest of the packers than you are in their interest.

You say in the press release that by reducing these limits, it "will reduce downward bias on the market and risk of undue influence of large traders during the delivery period". This statement is totally backwards. Deliveries put a downward bias in markets during the delivery month. These deliveries generally do not come from the speculators but from feeders with cattle in the feedlot. The speculator who takes delivery in a serious way provides an opposite affect on the market than in your description. A good example is the October, 2002 contract. Cash cattle would have been at least $2 to $3 lower during October than they would have been if there had not been a strong speculative stopper. This has meant more money for the cattle feeders as a whole because there are many more unhedged cattle than hedged. Over time this will also be a financial benefit to the country cattle producer. Therefore, how can your association as a representative of the cattle producer make the statement in good conscious "cattle producers across the country can appreciate this announcement"?

By continuing to allow unlimited hedge contracts in the expiring option while putting further restrictions on the speculative limits will only create more downward bias on prices. I know this is what the packers desire as they would like to continue to brow beat the feeders and producers of cattle.

In the past several years, the largest price depressant in the market place has been the captive supply which packers have had week after week. This has taken a large number of cattle out of open market competition and allows the packer to be able to stay out of the market until the end of each week. This causes the feedlot operators to give in to weaker packer bids for fear of carrying too many cattle over to the next week.

As I see the next couple of years, we have the best prospects in a long time for improving the health of the cattle industry for the producers and feeders. But efforts by your association and the CME will risk it ever reaching its potential. As long as your association and the CME cater to the wishes of the packer, they will continue to pad their coffers at the expense of the rest of the cattle industry.

Sincerely,

Kenneth M. Norwood

Kenneth M. Norwood

CC: Chicago Mercantile Exchange
Commodity Futures Trading Commission