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NMA

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August 20, 2003

Jean A. Webb, Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

COMMENT

Transmitted by email: secretary@cftc.gov

Re: Chicago MERC: Proposed Amendments to the Live Cattle Futures Contract Restricting Delivery to Cattle Born and Raised in the United States *Federal Register* 7-15-03

Dear Ms. Webb:

National Meat Association represents meat packers and processors in the United States. Many of these member companies trade in futures contracts under the jurisdiction of the Chicago MERC. Further, these same meat packers and processors will be responsible for providing information to retailers who are required, by law, to comply with Country of Origin Labeling (COOL) pursuant to Section 10816 of Public Law 107-171 (the Farm Security and Rural Investment Act of 2002) to provide labels showing Country of Origin on the meat they offer for retail sale.

The CFTC is responding to a request by the Chicago Mercantile Exchange to approve amendments for the live cattle futures contract. The proposed amendments would require that all cattle delivered on the futures contract must be born and raised exclusively in the United States, and the seller must provide supporting U. S. COOL documentation at the time of delivery.

There is a long history of live animal trade among the three countries that comprise North America: Mexico, United States and Canada. Each country has a vested interest in free trade among these natural trading partners for live cattle which know no borders. The arbitrary and capricious statutory requirements to label Country of Origin for meat at retail, which is presently in rulemaking at the United States Department of Agriculture, and facing huge difficulties for effective implementation, should not be used by the Chicago MERC to promulgate highly restrictive trade barriers on the mechanics of trading futures contracts for live cattle. The proposed rule simply re-enforces that the hastily-passed statutory authority mandating COOL is impossible to implement, and flies in the face of the international treaties between the parties, including NAFTA and WTO.

NMA recognizes that the Chicago Mercantile Exchange has a timing problem and that it is appropriately moving to institute requirements that will permit it to comply with the law. Thus, it states that its rulemaking is "contingent upon the promulgation by the USDA of regulations implementing COOL requirements pusruant to (that law) which, by statute, is intended to take effect on September 30, 2004."

At this time, it would be prudent for the Chicago MERC to reserve action to restrict the contractual terms for live cattle in the futures market subject to final disposition of implementation of COOL by USDA. All statements and releases to guide traders should be accompanied by a boldly printed statement to the effect that requirements are contingent on the publication of final rule by USDA with an effective implementation date. Further, we strongly encourage the Chicago MERC to provide explicit comments to USDA in its rulemaking process elaborating on the impact that such rules will have on its operations on livestock trading terms, and may lead it to violation of fair trading laws with our natural North American trading partners. Indeed, the Chicago MERC is in a unique position to provide data that will demonstrate the economic impact of this statutory requirement that should have been considered during the legislative process.

Thank you for consideration of these views made on behalf of the meat packer and processor members of the National Meat Association.

Sincerely,

Rosemary Mucklow
Executive Director