

Dear Ms. Webb:

ContiBeef LLC is opposed to the CME request to amend the daily price limits on Live Cattle and Feeder Cattle futures contracts from \$1.50 to \$3.00.

We agree with the CME that an increase in daily price limits is justified given recent cash market levels, volatility and performance of the contract. Clearly, it is vital for all interests and the integrity of the contracts that daily price limits do not unduly restrict the ability to trade in normal times. It does not serve user interests when limit moves prohibit trading and disrupt cash related hedging and market activities.

Nonetheless, we believe that doubling the daily price limits from \$1.50 to \$3.00 is an extreme change that would be detrimental to the use and performance of the contract. We have several specific concerns with the proposed amendments, including:

- 1) The increased risk of market distortions or manipulation at daily closes and contract expiration when volume is light and major users would not have time to react to potentially large and abnormal futures market changes;
- 2) Increased daily price limits would lead to increased margin requirements, which could further limit or restrict participation and liquidity of the contracts;
- 3) Cattle typically trade on a weekly basis and a week-to-week cash market change of more than \$2.00 or \$3.00 is very rare, whereas the futures market trades every day which allows a small price limit to be more than adequate to reflect price discovery in live cattle and feeder cattle;
- 4) Participation in cattle futures, especially from small entities, could be adversely effected by larger price limits and potentially greater daily volatility.

While we disagree with expanding the daily price limits to \$3.00, we would support an increase in limits to \$2.00.

Thank you for your consideration on this important issue.

Respectfully,

Tom Brink

Tommy Beall

Luke Lind

Robert Dix

VP, Risk Management

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