

# CATrLCO

P.O. Box 488 v Fort Morgan, CO 80701 v Phone: 970-867-5692 v FAX: 970-867-4904

December 12, 2003

Ms. Jean A. Webb Office of Secretariat Commodity Futures Trading Commission Three  
Lafayette Centre

1155 21" Street, ITV

C Washington DC 20581

Dear Ms. Webb:

Re: Chicago Mercantile Exchange (CME) Submission #03-101, CME request for Commission Rule Approval of Revisions to Daily Price Limits for Live Cattle Futures and Feeder Cattle Futures.

The following are my thoughts on the CME's proposal:

**Increase in Margins.** The futures exchanges and clearing houses increase margin requirements according to increases in price volatility. In the last three months, we have seen the largest price volatility in live cattle and feeder cattle futures in many years. As a result, the CME's exchange minimum margin requirements for an outright futures position in live cattle futures for both speculative and hedge accounts dramatically increased. Margin requirements are now four times larger than what they were a year ago. That huge increase in margin requirements for futures positions limits the usage of the futures contracts by the smaller speculators and hedgers. Increasing the daily price limits from 1.50 to 3.00 cents/day will likely result in margin requirements permanently set at much higher levels than those of the past. The live cattle and feeder cattle futures markets are relatively thinly traded markets to begin with and we cannot afford to lose liquidity.

**CME has existing rules for expanding price limits.** On October 14, 2003, the CITE issued a new rule establishing certain occurrences that would create expanded price limits. (-A copy of this rule is enclosed.) The CME enacted this new rule due to an unprecedented price increase in the live cattle cash market. The very rapid price changes in the cash cattle market and also in the live cattle and feeder cattle futures markets were the result of a shortage of slaughter-ready cattle and feeder cattle. Shortages of this nature have seldom, if ever, been seen before. The CME was proactive and established rules for expanding daily price limits during extreme circumstances. The expanded limits have been enacted several times since October 14 and, in our opinion, the expanded limits worked well. In each situation, the expanded limits

FEEDYARDS, Fort Morgan, CO 970-867-4977 Sterling, CO 970-522-8260 Happy, TX 806-558-5411 Liberal, KS  
(Liberal Feeders, LP) 620-624-1803 MEMPHIS OFFICE 775 Ridge Lake Blvd., Sure 400, MEMPHIS TN 38120 Tel: 901-766-4486 FAX  
901-766-8157

l .a - . \_! ~UFU.7 17.7G 1 3U1 f 7b4'.74'4

M. Cr t-U

PAGE rJ\_3i rU'4

Ms. Jean A. Webb Page 2

December 12, 2003

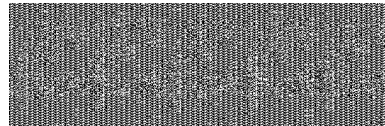
allowed market participants an adequate and equitable setting in which to conduct business.

Therefore the question arises: If the CME has a provision for expanding limits due to unusually

market circumstances, why should the CME move to permanently widen daily price limits based on the VERY UNUSUAL circumstances of the last several months?

Ms. Webb, in closing I thank the Commission for the opportunity to express our views on this proposed rule change. Given the reasons stated above, we are against permanently increasing the daily price limits of the live cattle and feeder cattle futures contracts to 3.00 cents.

Sincerely,  
CATTLCO, INC.



15:30 19017554544 OCT-14-2203 22:57

CME INC  
PEFCO

PAGE 04/04 312 930 3439

P.02



## Chicago Mercantile Exchange

30 S. Wacker Drive Chicago, IL 60606 [www.cme.com](http://www.cme.com)

## News Release

Media Contacts

Anita S. Liskey, 312/466-4613 Maryellen T. Thielen,  
312/930-3467 [news@cme.com](mailto:news@cme.com)

### FOR IMMEDIATE RELEASE

Investor Contact  
John Peschier, 312/930-8491

## Chicago Mercantile Exchange Raises Daily Price Limits for Live Cattle Futures Contract

CHICAGO, Oct. 14, 2003 - Chicago Mercantile Exchange Inc. (CME) today announced that effective Wednesday, Oct. 15, it will raise the daily price limits for its live cattle futures contract in response to the unprecedented price increase in the cash market for live cattle

Currently, the daily price limit is \$0.015 per pound above or below the previous day's settlement price. Under the new rules, this price limit stays in effect unless the following events occur:

- If either of the two contracts in the even month cycle nearest to expiration settles on the limit bid for two successive days or on the limit offer for two successive days, the price limit shall be raised to \$0.030 per pound for all contract months.
- If the daily price limit is \$0.030 and either of the two contracts in the even month cycle nearest to expiration settles on the limit bid for two successive days or on the limit offer for two successive days, then the price limit shall be raised to \$0.050 per pound for all contract months.
- If the daily price limit is \$0.050 and neither of the two contracts in the even month cycle nearest to expiration settles on the limit bid or limit offer, without regard to market direction, then the daily price limit for all contract months shall revert to \$0.030 on the next business day.
- If the daily price limit is \$0.030 and neither of the two contracts in the even month cycle nearest to expiration settles on the limit bid or limit offer, without regard to market

direction, then the daily price limit for all contract months shall revert to \$0,015 on the next business day.

When the policy goes into **effect tomorrow, the \$0.050 limit will apply to trading**

**based on settlement prices for the previous six days.**

Chicago Mercantile Exchange Inc. (www.cme.com) is the largest futures exchange in the United States. As an international marketplace, CME brings together buyers and sellers on its trading floors and GLOBE<sup>CA</sup> electronic trading platform. CME offers futures and options on futures primarily in four product areas: interest rates, stock indexes, foreign exchange and commodities. The exchange moved about \$1.5 billion per day in settlement payments in the first half of 2003 and managed \$29.1 billion in collateral deposits. At June 30, 2003, CME is a wholly owned subsidiary of Chicago Mercantile Exchange Holdings Inc. (NYSE: CME), which is part of the Russell 1,000 Index. Chicago Mercantile Exchange, CME and GLOBE<sup>CA</sup> are registered trademarks of Chicago Mercantile Exchange Inc. Further information about CME and its products is available on the CME Web site of www.cme.com. 03-149

TCT.AL P.02