

December 10, 2003

Ms. Jean A. Webb
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Ms. Webb,

I am President and CEO of Friona Industries, L. P. in Amarillo, Texas, the 6th largest cattle feeding entity in the U.S. We use live cattle, feeder cattle, and corn futures extensively in our operation to help protect the price risk inherent in maintaining livestock inventory for both ourselves and our many customers.

I have served on the CME's Ad Hoc Committee for Live Cattle and Feeder Cattle and certainly applaud their efforts in attempting to put a formal plan in place to accommodate what appears to be a new level of pricing for both live cattle and feeder cattle futures and the volatility which goes with the resulting transition. However, I think that the \$3.00/cwt limit on cattle contracts is a change that is too aggressive and could cause higher operating costs for cattle industry participants through a doubling of initial and maintenance margins by commodity clearing firms (\$600 per contract to \$1200 per contract for Friona Industries since October), along with the perception and possibly the reality of much greater price volatility which might well discourage financial institutions (bank debt finances 80% of working capital used in our business) from actively participating in the industry that these contracts were designed to support.

We support a \$2.00/cwt daily limit with a programmed step up to \$3.00/cwt after 3 days of limit moves. We believe this to be appropriate in terms of the historical price limits of 2% of market price, with a pre-determined arrangement for periods of high volatility. We believe a more conservative approach to this price transition period that exists in the cattle/beef industry today would create a more constructive, predictable, and stable environment for all the operating and support businesses aligned with our industry.

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I certainly appreciate and value the opportunity to comment on this proposed change by the CME. Thank you for your consideration of my thoughts on this matter.

Sincerely,

James E. Herring
President and Chief Executive Officer