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Sent: Wednesday, December 10, 2003 1:08 PM
To: submissions@cftc.gov
Subject: CME request for expanding daily trading limits

December 10, 2003

To: Honorable CFTC Chairman, and Commissioners,

AzTx Cattle Company would like to register our opposition to the Chicago Mercantile Exchange request to increase the allowable daily trading limits in the Live Cattle and Feeder Cattle contracts to \$3.00 a day.

We are vehemently opposed to expanding the daily trading limits to \$3.00. The CME would be much better served for their own long term interest if the energy currently being spent on expanding limits were placed at making realistic adjustments to delivery weights and by allowing the delivery of heifers.

The basis crises that developed in October arguably needed intervention. However, the CME measures to remedy a short term situation have only served to escalate volatility in the market that has reached unacceptable levels. The volatility in the market since October virtually eliminates cattle feeders and producers from having a viable risk management tool in CME cattle contracts and options. Media comments regarding the proposed daily limit increase have stated that the increased volatility from expanded daily limits would place undue hardship on small, independent cattle feeders. That statement is true but incomplete. The increased volatility and associated margin requirements are crippling to the entire cattle feeding industry.

Much has been said over the past six months about the profitability of cattle feeding with record fed cattle prices. While the fed cattle market has been exceptional, the return on investment has been very disappointing because of record high replacement cattle costs and from losses on hedges required by lenders.

Increased market volatility as a reaction to the expanded daily limits and the corresponding increase in margin requirements in reaction to the volatility has AzTx Cattle Company aggressively looking for alternate hedge alternatives.

If the CME is determined to pursue the expanded daily limits, they will ultimately drive additional independent cattle feeders away from the industry, forcing additional industry consolidation that will force reduced volume and declining open interest in the cattle contracts.

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