

December 10, 2003

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

***** VIA E-Mail *****

Re: CME Submission #03-101

Dear Ms. Webb:

I am President of North America Risk Management Services, Inc. (NARMS). NARMS provides risk management consulting and brokerage services to commercial firms, individual investors and producers, and commodity funds. I personally have been actively involved with cattle futures for 30 years, both as an advisor and trader.

I appreciate the opportunity to comment on CME submission #03-101 regarding the expansion of daily price limits for live and feeder cattle futures from \$0.015 to \$0.03 per pound. I am NOT in favor of this move at this time. Furthermore, I am somewhat dismayed at the approach followed by the CME in proposing this action.

Through a very unique combination of events, the cattle market during the last six months has been forced to make rapid and significant changes while seeking the appropriate price level to provide the equilibrium balance between available supply and demand. The result has been historically high prices. During this price discovery period there have been times where cash prices were moving higher faster than a discounted futures market could follow, and the result has been an abnormally large number of occurrence of daily limit price moves.

The situation reached crisis proportions in early October, as the expiration of the October options left the holders of short futures positions no alternative to liquidate those positions as the market was limit bid on each opening while the futures raced to try to catch up with the rally in cash prices. The CME at that time took emergency actions to deal with an abnormal situation by adopting expandable price limits in live cattle futures. I commended the CME at the time on taking that action, and continue to feel it was an excellent move that was made in a timely fashion. I also urged the CME to adopt a similar procedure in feeder cattle futures, which they subsequently did.

Again, this situation was very abnormal. The CME must be very careful not to take reactionary actions to an abnormal situation that could have significant ramifications to market efficiencies when the market returns to a more normal situation. I am concerned that is what is happening with Submission #03-101. The CME has not seemed to truly

solicit much input from a broad spectrum of market participants, including commercial users of the contract or their representatives. Furthermore, the CME appears to have not put much importance on considering the input that it has received, including a meeting in November with the trading floor community. Consequently, the actions of the CME on this matter take on the public perception of "smoke-filled room" decision making without regard to the concerns of a wide spectrum of market participants and users. While this perception may be ungrounded in fact, it still appears to be a widely held perception. This is unfortunate, as I have personally known and worked with CME staff members involved with developing this type of policy and have always felt them to be very competent and diligent.

The vast majority of the clients I serve are opposed to making this large of a change in daily price limits. It is important that the market have the opportunity to take a "time out" when a swelling of emotion results in a large price swing, either up or down. The expandable provisions adopted by the CME in October provide necessary "circuit breaker" opportunities appear to be sufficient to help alleviate a liquidity crisis similar to what happened in October 2003.

I recognize that with the higher price level of cattle it may be necessary to explore the need for a daily limit something great than the current \$0.015. However, those explorations should be conducted in an open environment where all market participants are given the opportunity to provide input and trust that such input will be duly considered.

Thank you for allowing me the opportunity to comment on this submission.

Sincerely,

Bob Price
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