COMMENT

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NORTH AMERICA RISK MANAGEMENT SERVICES, INC.

Bob Price, President

November 5, 2002

Ms. Jean A. Webb
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Reference: 67 FR 66130 CME Proposed Amendments to Spot Month Speculative Position Limits for the Live Cattle Futures Contract

I am the President of North America Risk Management Services, Inc. (NARMS). NARMS is an introducing broker and consultant serving commercial and professional clients in the cattle and beef industry. A viable live cattle futures contract is critical for commercial firms – both longs and shorts -- to manage the price risks associated with conducting their physical businesses. I am in favor of the CME proposal to reduce speculative position limits in the spot month from 600 to 300 contracts. Further, I support the CME in applying those position limits to already listed contracts beginning with the December 2002 contract.

Although I would have preferred that the CME had consulted more fully with market participants prior to initiating this proposal, I respect that the CME has the right – and even obligation – to take appropriate actions to facilitate orderly basis convergence between cash and futures during the spot month trading of an expiring futures contract.

Changing position limits on already listed live cattle contracts has precedence. In January 2000 the CME proposed an increase in speculative position limits that would have been effective beginning with the April 2000 contract. That proposal was withdrawn after 28 letters were filed in opposition to the proposal while none were filed in support. In November 2000 the CME changed position limits in non-spot contracts and that change was effective with the December 2000 and later contracts that were already listed.

Half of the 28 letters filed in opposition to the January 2000 proposal also requested that the CME reduce speculative position limits in the spot month from 600 to 300 if changes were not made in the live cattle contract that would relax the constrictions to the potential deliverable supply of live cattle. The CME has

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not made any such move except for a 25 pound increase in maximum live weights that will be effective with the June 2003 contract. Since January 2000 the potential to deliver cattle meeting the contract specifications has declined significantly. Assuming a 63% yield and using USDA average steer carcass weights as a guide the average live steer weight has gone from 1278 pounds in January 2000 to 1337 pounds currently – nearly a 60 pound increase. Significantly more fed cattle are committed to various marketing alliances or grid programs and not available for delivery. Delivery points also have been removed for both live and carcass graded deliveries, further hindering the potential to deliver sufficient numbers of cattle to impact basis convergence.

I personally do not feel that this proposal to reduce spot month speculative position limits is the optimal long term solution for the continued viability of the live cattle futures contract as a hedging vehicle. Hopefully, the CME will be able to modify the live cattle contract specifications beginning with the December 2003 contract that will put the potential deliverable supply of cattle more in line with larger speculative position limits. However, until such modifications are in place a 300 contract limitation on spot month speculative positions, in conjunction with vigorous enforcement of account aggregation rules and aggressive market surveillance, are critical ingredients for the survival of the live cattle contract as a viable risk management tool for both short and long hedgers.

Thank you for the opportunity to comment on this proposed change.

Regards,

Bob Price, President
North America Risk Management Services, Inc.