

CALIFORNIA CATTLEMEN'S ASSOCIATION

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COMMENT

November 13, 2002

Received CFTC
 Records Section
 11/14/02

SENT VIA FACSIMILE AND E-MAIL

James E. Newsome, Chairman
 Commodity Futures Trading Commission
 Three Lafayette Centre
 1155 21st Street, NW
 Washington, DC 20581

Dear Mr. Newsome,

The California Cattlemen's Association (CCA) respectfully requests that the Commodity Futures Trading Commission (CFTC) grant the Chicago Mercantile Exchange's (CME) request to reduce speculative limits on the live cattle futures contract to 300 contracts during the delivery month. CCA is a state trade association representing nearly 3000 California ranchers and beef producers in legislative and regulatory matters. Our members depend on the live cattle futures contract as a risk management tool and to determine fair prices for their livestock, and the proposed reduction of speculative limits will serve to stabilize and improve the utility of the live cattle futures contract for beef producers.

CCA and others have previously commented on modifications to speculative limits on the live cattle contract. In 1997, the CME proposed increasing speculative limits from 300 to 600. Despite overwhelming opposition to this proposal, the request was granted and speculative limits were increased. In 2000, the CME contemplated increasing the speculative limits from 600 to 900. Again, there was tremendous opposition to this proposed increase. In fact, many argued in support of a reduction back to the pre-1997 speculative limit of 300 live cattle futures contracts. In light of this opposition, the CME withdrew its proposal and the speculative limit on live cattle futures remained at 600 contracts.

Since 1997, deliveries of live cattle have very rarely approached the speculative limit of 600 contracts. CCA has long asserted that speculative limits must be established at a level appropriate to deliverable supply. Imbalances in the relationship between live cattle futures speculative limits and the actual deliverable supply of cattle can lead to situations where the contract is not reliable as a risk management tool and may lead to price manipulation and distortions. The proposed action by the CME will serve to minimize these imbalances and make live cattle futures a more effective risk management tool for beef producers.



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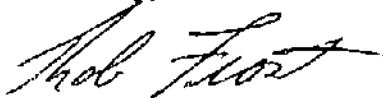
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CALIFORNIA CATTLEMEN'S ASSOCIATION

Thank you for your prompt attention to this important issue. CCA sincerely appreciates the CFTC's continued efforts to maintain the economic viability of the California beef industry. Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Rob Frost".

Rob Frost,
President

cc: Jean Webb, Secretary, CFTC
Bryan Dierlam, Director of Legislative Affairs, NCBA
Jeff Sparrowk