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February 7, 2003

COMMENT

VIA FACSIMILE

Jean A. Webb, Secretary
Commodity Futures Trading Commission

Re: FR Doc. 03-3231 – Chicago Mercantile Exchange Live Cattle Amendments

Dear Ms. Webb:

The purpose of this letter is to state the views of ContiBeef LLC, a wholly owned subsidiary of ContiGroup Companies, Inc., relative to the proposed amendments that would allow a change in the spot month speculative position limits of the CME Live Cattle futures contract.

ContiGroup Companies, Inc. (formerly Continental Grain Company) has existed as an agribusiness firm for over 189 years. ContiBeef LLC markets over 800,000 cattle annually and is the second largest cattle feeding organization in the United States. We have been clearing members of the Chicago Board of Trade since 1922. We use the futures markets extensively to reduce the commodity price risk associated with the commodities that we produce or trade.

We primarily use the agricultural futures markets as a hedging vehicle, but also use the futures in forward basis contracting of cash commodities; therefore, any position we take relative to proposed changes in these contracts is grounded in the question: *Will this proposed change increase or decrease the hedging effectiveness of the futures or option contracts, and will the proposed change lessen the basis volatility and facilitate convergence of the cash and futures prices?*

As hedgers, we **strongly oppose** increasing of the speculative limits in the CME Live Cattle contract from 300 contracts to 450 contracts in the spot month because we feel this change will increase basis volatility thereby making the futures contract a less effective hedging instrument for cattle hedgers.

We would be opposed to this increase until it can be shown that these proposed contract specifications will help to force convergence of the contract in the expiration month, and that the marketable supplies of cattle in the industry will assure a deliverable supply sufficient to minimize the risk of manipulation of the contract. Our feeling is that increasing the speculative limits will *increase* the risk of market manipulation in the spot market.

Over the years, the cattle industry has overwhelmingly opposed the repeated request of the CME's to increase speculative limits in the live cattle contract. We and others have supplied the CFTC with data and analysis – most recently in November of last year – that quantitatively demonstrate that increasing the speculative limits beyond 300 contracts in the spot month is not in the best interests of the contract or the hedging community.

Just three months ago the CME supplied their own data to the CFTC requesting an emergency decrease in the speculative limits. We applaud the CME's move to increase the maximum deliverable weights of cattle, but we do not feel this change and the other changes being proposed by the CME will materially affect the current deliverable supply situation.

For this reason, we **strongly oppose** increasing of the speculative limits in the CME Live Cattle contract from 300 contracts to 450 contracts in the spot month because we feel this change will tend to increase basis volatility thereby helping the futures contract to become a less effective hedging instrument for cattle hedgers.

We appreciate the opportunity to share our views with the Commission and are willing to answer any questions you may have relative to the position of ContiBeef LLC.

Sincerely,

John Rakestraw

John Rakestraw
Chief Executive Officer

Robert Dix

Robert Dix
Option Programs Manager

Tommy Beall

Tommy Beall
Marketing Manager