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NATIONAL CATTLEMEN'S BEEF ASSOCIATION

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COMMODITY FUTURES
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OFFICE OF THE SECRETARIAT

Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

COMMENT

RE: Application of the CME for Designation as a Contract Market in Stocker Cattle Futures and Options, as published in September 4, 1998 Federal Register page 47271.

Dear Ms. Webb:

The National Cattlemen's Beef Association (NCBA) appreciates the opportunity to comment on the Chicago Mercantile Exchange (CME) application for designation as a contract market in stocker cattle contracts and options on stocker cattle futures as published in the September 4, 1998 *Federal Register*.

NCBA routinely encourages individual producers to study all live cattle marketing opportunities available to them and to choose those best suited to their individual needs. We support continued innovation and improvement of risk management tools, alternatives and marketing opportunities for producers. NCBA supports the competitive free market system in the beef business and efforts to increase competition in the marketplace. The CME proposal would expand risk management alternatives for buyers and sellers of stocker and feeder cattle and increase competition in the market for risk management tools consistent with NCBA policy objectives.

NCBA has distributed information about and a copy of the proposed CME stocker contract to leaders from national and state beef industry and marketing organizations. Their feedback regarding the proposed contract has generally been favorable. However, there were some concerns and suggestions expressed that NCBA feels would improve the utility of the contract to cattlemen:

- Provisions for at least one delivery point should be considered. The threat of possible delivery forces convergence to begin earlier in the expiration month.
- Assure that May, June or July contracts are traded to allow forward pricing and risk management alternatives for fall-born calves from California and other regions.
- The stocker contract may reduce volume traded in the current feeder cattle futures contract and result in neither the feeder contract nor the stocker contract having enough volume to remain viable.
- The proposed contract size of 25,000 pounds is consistent with production from many cow-calf operations. Since the contract size is smaller than the feeder cattle and the fed cattle contracts, CFTC should help assure that commission charges for the stocker contract are also reduced on a proportional basis relative to commission charges for the larger fed and feeder cattle contracts.

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Chicago

CME Stocker Contract

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- The wide geographic distribution of cow-calf production and wide range of quality differences for stocker cattle will likely contribute to difficulties in projecting basis and other basis considerations.

NCBA urges CFTC to consider these comments in addition to information collected by CFTC during meetings in Oklahoma City, Amarillo and Denver. In that context, NCBA policy supports trading of the proposed stocker contract. The contract should be allowed to trade and its merits determined by the market for risk management alternatives. If you have questions or need additional information, please contact Dr. Chuck Lambert, NCBA Chief Economist, in NCBA's Washington, D.C. office at (202) 347-0228.

Initiated in 1898, the National Cattlemen's Beef Association is the marketing organization and trade association for America's one million cattle farmers and ranchers. With offices in Denver, Chicago and Washington D.C., NCBA is a consumer-focused, producer-directed organization representing the largest segment of the nation's food and fiber industry.

Thank you for consideration of these comments.

Sincerely,

Paul Hitch, Chairman
Live Cattle Marketing Committee