

January 27, 2004

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

Re: Section 5c(c)(2) and Regulation Section 40.5 Submission. Request for Commission Approval of Amendments to Prohibit the Delivery of Cattle Aged 30 Months or More. Amendments to CME Rules 10103.B. and 10103.C. CME Submission #04-11.

Dear Ms. Webb:

1. **Request for Commission Rule Approval.** The Chicago Mercantile Exchange (“CME” or “Exchange”) hereby requests Commission approval of amendments to the Live Cattle Futures contract to prohibit the delivery of cattle aged 30 months or more.
2. **Text of Proposed Amendments.** The text of the proposed amendments, which shall appear at the beginning of Chapter 101 prior to existing language regarding Country of Origin Labeling, are shown below with additions underlined:

FOR CONTRACTS ON OR AFTER FEBRUARY 2004:

All rules in this chapter shall be read to include the following:

Pursuant to the regulations issued on January 12, 2004 by the United States Department of Agriculture, Food Safety and Inspection Service (“USDA-FSIS”), in Docket No. 03-0251F, and supplemented in USDA-FSIS Notice 5-04, issued on January 12, 2004, any and all cattle aged 30 months or more are not deliverable for either live or carcass delivery pursuant to Rules 10103.B. and 10103.C. below.

3. **Effective Date and Rule Promulgating Authority.** These amendments were approved by the Executive Committee on Tuesday, January 27, 2004, under the authority granted by CME Rule 230.j. and will apply to the February 2004 and subsequent contract months. Upon

Commission approval and notification of market participants, the Exchange intends to make these amendments effective on or before February 9, 2004, which is First Notice Day and the start of the delivery process for the February 2004 Live Cattle contract.

4. **Operation, Purpose & Effect.** In response to the discovery of an incident of bovine spongiform encephalopathy (“BSE” or “mad cow disease”) in Washington State on December 23, 2003, the U.S. Department of Agriculture issued new regulations concerning the treatment of cattle intended for human consumption on January 12, 2004. Effective as of that date, carcasses of cattle 30 or more months of age must be segregated, and selected parts of those cattle must be removed from the food supply.

A panel of the CME Business Conduct Committee met on Tuesday, January 20, 2004, to consider the impact of these regulations on the Live Cattle futures contract. After staff presented background information and the results of conversations with market participants, the panel concluded that the affected cattle are being valued and treated differently in the cash market and that, absent action by the Exchange, the Live Cattle contract could become a dumping ground for cattle of discounted market value.

5. **Opposing Views.** The Exchange is not aware of any opposition to these amendments. However, given the large discounts being imposed on cattle aged 30 months or more in certain parts of the cash market, entities planning to use the futures delivery process as a way to avoid these penalties are likely to be opposed to these amendments.
6. **Necessary Amendments or Interpretations to the Act or Regulations.** The Exchange is not aware that any such amendments or interpretations are needed to accommodate these proposed amendments.

If you have any questions regarding this submission, please contact Mr. Paul Peterson at (312) 930-4587 or via e-mail at ppeterso@cme.com, or Mr. Dick McDonald at (312) 930-4575 or via e-mail at dmcdonal@cme.com. Please refer to CME Submission #04-11 in all correspondence regarding this matter.

Sincerely,



John W. Labuszewski, Director
Research & Product Development