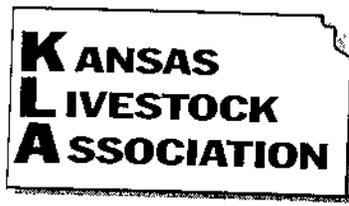


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COMMENT

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OFFICE OF THE SECRETARY

February 3, 2000

Jean A. Webb, Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre,  
21<sup>st</sup> Street, NW  
Washington, D.C. 20581

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Fax: (202) 418-5527

**Re: Proposed amendments to the speculative position limits for the CME live cattle futures and option contracts.**

Dear Ms. Webb:

The Kansas Livestock Association (KLA) appreciates the opportunity to comment on the proposed changes to the speculative position limits for the live cattle contract.

KLA is opposed to any increase in speculative position limits in the front trading month. Furthermore, the 7,500 members of KLA request that the spot month spec limits be reduced from the current level of 600 contracts to 300 contracts, as they were prior to June of 1998.

KLA and the National Cattlemen's Beef Association have long standing policy against increasing spec limits. Our concern rests with the increased potential for excessive volatility and diminished viability as risk management tool.

In our view, increasing the speculative trading limits would be detrimental to overall contract performance for the following reasons:

- Contributes to lack of convergence
- Increases basis variability
- Potential limitations on deliverable supply

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- Reduces role of legitimate hedgers and increases influence of arbitrageurs and speculators
- Exponentially increases risk of manipulation

Legitimate hedgers of fed cattle have long complained of wide basis variability and lack of convergence with the existing Live Cattle contract. We believe this proposal would only add to the frustration, leaving many cattle feeders with further limited opportunities to manage risk.

If the CME is truly interested in making improvements to the live cattle contract consideration should be given to a more representative deliverable supply of the underlying commodity. We have been long-time advocates of heifer delivery and more appropriate weight specifications.

In conclusion, we strongly urge the CFTC to reject the proposed increase of speculative trading limits.

Thank you for your consideration on this important issue.

Respectfully,



Brad Harrelson  
Director of Feedlot Services

BH:s