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02-13

(31)

**COMMENT**

November 11, 2002

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

Dear Ms. Webb,

My name is Bill Nicholson, and I am a commodities broker with McVean Trading & Investments, LLC. I am also a cattle feeder. Prior to my employment with McVean Trading, I worked for 30 years as an executive in the beef packing industry. At Excel Corporation, the second largest beef packer in the United States, I served in various positions including Vice President of Cattle Procurement, as well as President and Chief Executive Officer.

The purpose of my letter is to request that the Commodities Futures Trading Commission reject the amendment proposed by the Chicago Mercantile Exchange that would reduce the spot month speculative position limits in live cattle from 600 to 300 contracts. I believe that the amendment is a bad policy for the following reasons:

1. Forcing speculative longs to reduce their positions by an additional 300 contracts by first notice day will create downward pressure on cattle futures prices as well as on all cattle prices. This will have a negative financial impact on both speculative long traders and unhedged cattle producers. Unhedged cattle producers account for 94% of all cattle production. Regardless of what economic purpose the Chicago Mercantile Exchange intended for the live cattle futures contract, the live cattle

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contract has evolved into the primary price discovery resource which determines all cash cattle prices.

2. The application of this new amendment to the December 2002 live cattle futures contract, with over 50,000 contracts open, is potentially illegal. The increased long liquidation will lower cattle prices and cause economic hardship on both unhedged cattle producers and on long speculators. (The rules cannot be changed in the middle of the game.)

I believe that the only way to resolve any problems with the publicly traded live cattle futures contract is to hold an open meeting with equal representation from all participants within the cattle market. The meeting's purpose would be to discuss the problems with the cattle contract, and to reach a consensus on how to resolve those problems. In addition, I believe that any change made to the cattle contract must apply only to new cattle contracts that have not yet been listed for trading.

I appreciate your assistance in this matter.

Best regards,



Bill Nicholson