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November 12, 2002

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St., NW
Washington, DC 20581

RE: Amendment to the Spot Month Speculative Position Limits for the Live Cattle Futures Contract

Dear Ms. Webb:

The Livestock Marketing Association (LMA) wishes to express their strong opposition to the CME amendments to cattle futures contract reducing the spot month speculative position limits from 600 to 300. LMA represents 800 livestock auction markets and dealers, who provide cattle marketing services to hundreds of thousand beef producers throughout the United States.

The CME amendments should be rejected for several reasons. One, the amendments would appear to have been established without full deliberate consultation with a wide spectrum of the contract users, particularly within the cattle industry. If it were otherwise, we seriously doubt the CME would have adopted a position that is so contrary to the interests of the cattle producers for whom the contract was principally designed. We therefore recommend that the amendment be withdrawn and the CME broaden the scope of their review of the cattle futures contract beyond the packers and a single cattle industry organization.

Secondly, the speculative position limits becomes effective with the December contract. Why the hurry? If the CME makes this change at all and LMA recommends that it does not, it would seem to make more sense to give the contract users fair warning of a change by making the change active with the contract month not yet traded.

Lastly and most importantly, this change in the cattle contract is detrimental to most cattle producers. It may benefit a few large feedlots, the packing industry and particularly the retail industry but it will not help the cowman or woman out in the country who is most in need today of a competitive open market. With an increasing number of fed cattle being marketed under captive agreements and contracts, the cash cattle trade has become about as thin and nontransparent as it possibly can get. As a result, the futures market, unfortunately at the expense of competitive marketing, has become a large factor in the price discovery process. By driving the speculative long participants from the spot month, the potential to further weaken prices for non-hedged producers is very real. Something we should not allow to happen in an already depressed cattle market.

It should be noted that records show that over the past ten years the short positions have controlled the total market. Records also show that approximately four percent of the positions in the CME are on the short side and these four-percent control the other 96 percent in the pricing structure. This puts the cattle producer, the independent cattle feeder at great risk and is one of the main reasons financial losses have been so great in recent times.

Therefore, for all the reasons stated, we strongly recommend that the Commission not approve the CME amendment. Your consideration of LMA's comments in this regard is most appreciated.

Sincerely,

Billy Perrin
President

Sent Via E-mail: secretary@cftc.gov