

11/13/02

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(43)

Re: CME Live Cattle Speculative Limit Amendment

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Dear Mrs. Webb,

I am a speculator in live cattle futures. I also feed cattle. I strongly oppose the CME's proposal to decrease spot position limits. I don't like the fact that Eurodollar traders can help decide the fate of our cattle contract without any consultation from other livestock industry groups and market participants. I know this decision has precedence, but that doesn't make it the correct decision. Furthermore, the CME's reasoning makes no sense at all. Their argument is that a growing proportion of the US fed steer population is rapidly becoming ineligible for delivery on a live graded basis because of the rising weights, which the current contract doesn't permit. The numbers don't back this up. The numbers of live graded deliveries year to date (Feb-Oct contracts) dwarf anything we've seen over the last couple years and are well above the last four years levels. I wouldn't call this a lack of deliverable supply.

Live Graded Deliveries (Feb-Oct) (Source:CME)

1998	926
1999	1200
2000	503
2001	523
2002	1579
1998-2001	788
avg	

There are no guarantees in these markets. As a speculator, if I don't analyze the fundamentals correctly, I pay the price in the marketplace. This same principle also applies to the short hedger. Changes from the norm in supply and demand factors can create basis risk. We'd all be better served if the short hedger spent less time playing the 'blame game' and more time on the fundamentals of the market. Reducing the spot position limits is not the answer.

Sincerely,

Brian L Swords