

WESTERN *Livestock Reporter*

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ALL THE NEWS A BUSY RANCHER HAS TIME TO READ

PATRICK K. GOGGINS, Publisher

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COMMENT

November 4, 2002

Jean Webb
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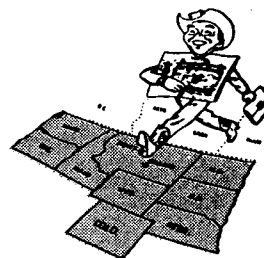
Regarding the live cattle amendment, attached is my "As I See It" column which will appear in the Western Livestock Reporter coming out on November 6th.

I've included your address in case our readers wish to comment.

Sincerely yours,

WESTERN LIVESTOCK REPORTER

Patrick K. Goggins
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Publisher



**BUSIEST SALESMAN
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SERVING THE LIVESTOCK INDUSTRY SINCE 1940

As I See It, Nov. 6

The debate on futures trading in the cattle pits is back on the front burner again!

Not too many years ago, the large chain stores hoped their meat department would break even. It was a 'leader' to get buyers and consumers into the store to purchase the meat but then of course fill their grocery carts with all the other items that were marked up much more from a profitable basis.

Not so anymore. The meat departments are one of the most profitable in the stores all across America.

How do you suppose this has come about? The ability of these major packers and retailers to sell the beef market 'short' (and do it in big volume which would drive the market down on those front months), allows the packer to buy cattle at a much cheaper price and buy enough volume to take care of the ensuing weeks ahead. This also allows the retailer to protect themselves in a profitable position.

Now, with the news out that 4% of the short sellers in the market are controlling the other 96% is raising havoc and furor all across America. The packers and especially the retailers along with the help of the NCBA, the Cattlemen's Beef Board and the US government, are pushing for a new set of rules. These rules would cut the positions to a max of 300 contracts from 600 at the deliverable month and also have delivery months every other month. The industry does not need this. We should leave the contracts alone and make it illegal for short sellers to sell the market short if they do not have deliverable cattle. This would cure up the problems immediately. All of this talk about reducing the spec trading limits is not the solution, and it's going to dig the grave deeper for the American livestock industry. It's manipulation, fired and pushed by greed.

Remember that livestock and grain producers have never given permission allowing futures trading on their products that they are growing. Not one of them. Congress did this. They did it without the affirmative action of the industries, and boy oh boy has it torn our industries apart.

I remember getting a release from the National Cattlemen's Association (NCA) back in late 1986 and the NCA had polled their membership regarding the futures market. It was a very simple poll "Should the live cattle and feeder cattle futures contracts continue to be traded?" Yes or No. The results were announced in November of that year and more than two-thirds of the cattlemen said no. Those surveyed that identified themselves as cow-calf operators, said no by a 7 to 1 margin.

So the NCA went to the Chicago Mercantile Exchange and showed them the results. They were disappointed, but didn't do anything about it. All they had to say was "the results are disappointing and indicate a need for more 'education in the country,' and that's all that ever happened. Now we have some more 'education' poured upon us and really all it's going to do is help that packer-retailer protect their market, protect their margins, and it will continue to put the hammer on to the independent cow-calf and feeder industries. This is a bad move and I'm hoping that the cattlemen and the cattle traders in the United States will 'wake up' and get in the middle of this. This situation is serious. Using the CME board on the short side by the big traders up the line, I'm guaranteeing you they are going to control this market at a position they desire. Folks, this problem didn't just start, it's been going on for years and we absolutely can't seem to get it changed.

Way back in November of 1978, Robert Martin, then commissioner of the Commodity Futures Trading Commission, presented the commission views and at that time he defended the commission's futures trading except for one area. This is what he said about that one area, "Federal law provides short sales of futures and if made quickly, this would depress the market price on grain and cattle." He stated this information is held secret except for a special United States congressional investigating committee effort. This means, he said, that a

possible price manipulation move whereby a major processor would sell large blocks of futures causing the market to drop while at the same time buying actual grain or beef back from country sources on the depressed market would be a possibility. He then said, this would be insulated from anti-trust action from farm individuals or farm groups desiring to show that this was actually happening.

As Doug Wilden from Kansas says, "The farm commodity pricing scam described by Bob Martin is the dirtiest trick one could devise to cheat producers out of a fair price for their product. It is also a pure form of insider trading which is highly illegal in the stock market, why is it not illegal on the farm commodity markets?"

He goes on to say "we don't hear one word of protest or any kind of effort to clean that highly unfair mess up from any of the organizations that are supposed to represent producers' best interests."

What this futures manipulation has taken out of the fed cattle trade, for instance, is competition. I have written it, I have written it and I have written it because it is so true. We have lost our competition at the fed market level and it's been taken over by the packer-retailer and his interests and much of it has happened because of their ability to use the commodity futures trading contracts on the short side to control the market. This should be highly illegal.

Now that they've opened up "Pandora's Box" trying to revamp the CME and its trading positions, why don't we all demand a few things. There's nothing wrong with the futures market if it is not manipulated. When it's used against the people it's supposed to protect, that is totally illegal, and it's happening to us. This is the first time in many years they've opened up the discussion and it's not going to last a week or so, yet. Make your views known to the Commodity Futures Trading Commission, the US government and your Senators.

If you think we should change the rules, write to: Jean Webb, Secretary to the CFTC Commission, 3 Lafayette Center, 1155 21st Street NW, Washington, DC 20581. Don't use the excuse that you're 'too busy', and you haven't got time to think it through because if you feel that way, I can guarantee you, you'll have time to go broke!