

Subject: Expanded Limits on Live and Feeder Cattle

I am a Senior Vice President with U.S. Bank , specialized in financing of cattle operations in MT , WY , CO , ID, and SD . Our client base is comprised of cow/calf , backgrounders , stockers , and feeders and commercial feedlots . Risk management through use of contracts and options is the primary tool to achieve goals of profit , loss limitation , etc. , employing many different strategies . The greatest challenge to utilize the "Board" for risk containment for most producers , is their unfamiliarity with the "mechanics" of how it functions , and why it functions , the way it does . As a Banker , I spend an inordinate amount of time in counseling "1st time users " as to how it might be employed , what are parameters relative to certain strategies , on and on , trying to increase their willingness to seek more understanding of how futures and options can be effectively utilized. Part of this exchange usually evokes stories of how someone , somewhere lost a fortune , and therefore futures are inherently evil , too dangerous for anyone to use other than the big guys , the packers , the funds , etc.

My Question..... by raising limits to \$3.00 daily move , the moves certainly do become more volatile and out of sync with the "real world" , all of which just adds to confusion and uncertainty , defying "logic" . When a market isn't logical , it is subject to manipulation . The Canadian Mad Cow affair , the missing vials of plague , the KS hoof and mouth scare , are all examples of irrational reactions which quickly corrected themselves due to new "Buyers" entering the market after the storm . By increasing "margins" , by increasing risk of increased "margin calls" , by increasing risk of losses due to irrational market behavior , what "spec trader" would want to enter the market when volatility has been increased twofold ? WITHOUT THE 'SPEC TRADER' WHERE DOES LIQUIDITY COME FROM , HOPEFULLY NOT THE 'ALL OR NOTHING FUNDS' .

This is my personal opinion , and not that of the Bank . It is also my personal opinion that encouraging more producers to utilize the futures and options markets will be much more challenging with the proposed Expanded Limits . Look to history , not the past 6 months !
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