

Congress of the United States
Washington, DC 20515

May 16, 2016

Mr. Tim Andriesen
Managing Director
Agricultural Commodities and Alternative Investments
CME Group
20 South Wacker Drive
Chicago, IL 60606

Dear Mr. Andriesen:

We write to you regarding the proposed amendment to the Live Cattle future rules which would add a seasonal discount of \$1.50/cwt on October contract month deliveries tendered to Worthing, South Dakota.

The Worthing delivery area is a viable cattle feeding region that has seen cattle on feed numbers increase steadily over the last decade, and we are firmly opposed to singling out the Worthing delivery point for discount. The Live Cattle Futures market is one of the few, but important, risk management tools available to help beef producers offset their risk; and the proposed discount is prejudicial to our region.

While history indicates local supply and demand conditions in one specific market at one specific time of year might require a higher level of deliveries to bring about price convergence, there is no indication that delivery as a means to achieve convergence isn't working.

While we acknowledge the potential logistical issues associated with the high number of deliveries, we stringently oppose the CME interfering with the price convergence in only a single market. It would interfere with the process of price discovery based on fundamental supply and demand factors, directly impacting the beef producers in our states.

We also point out that for comparison and analysis purposes that rather than using the All Grades weekly average, only deliverable-grade (Choice 2-3 steers) prices should be used to determine basis. Over the past two years due to tight fed cattle supplies and falling corn prices, fewer months with Choice 2-3 steers have been reported. Accordingly, using a general price series may not provide the same insights and results as restricting the comparison to only delivery-grade cattle.

We request that you:

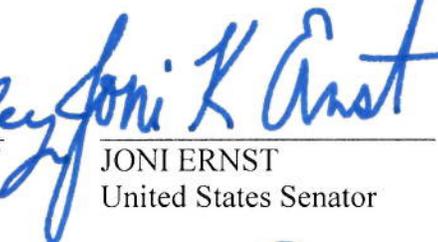
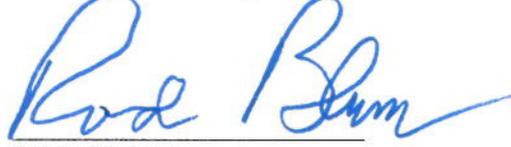
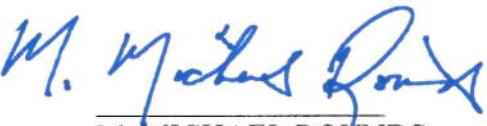
- Delay any proposed price modification action that would impact any October 2017 and later month contracts;
- Commission an independent study executed by one or more of the land grant institutions in South Dakota, Minnesota, North Dakota, and Iowa that analyzes the three-year economic impact to cattle producers in South Dakota, Minnesota, Iowa, and North

Dakota and Nebraska, due to a \$1.50/cwt discount to October contract month deliveries to Worthing, South Dakota. This study should also include a comprehensive review of all delivery points and the impact of live cattle deliveries on price convergence.

Thank you for your consideration of our input. We look forward to working with CME Group to ensure the Live Cattle Futures Contract remains a viable risk management tool for the beef producers of our region.

CC: Phupinder S. Gill, Chief Executive Officer, CME

Sincerely,

 JOHN THUNE United States Senator	 JOHN HOEVEN United States Senator	 KRISTI NOEM United States Congresswoman
 CHUCK GRASSLEY United States Senator	 JONI ERNST United States Senator	 ROD BLUM United States Congressman
 AMY KLOBUCHAR United States Senator	 AL FRANKEN United States Senator	 HEIDI HEITKAMP United States Senator
 M. MICHAEL ROUNDS United States Senator		