



July 13, 2016

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

VIA ONLINE SUBMISSION

Re: Position Limits for Derivatives, RIN 3038-AD99

Dear Secretary Kirkpatrick:

The Minneapolis Grain Exchange, Inc. ("MGEX") would like to thank the Commodity Futures Trading Commission ("CFTC") for the opportunity to respond to the CFTC's request for updated data related to deliverable supply for North American Hard Red Spring Wheat ("HRSW"). MGEX previously commented on the CFTC's Notice of Proposed Rulemaking regarding position limits for derivatives (the "Proposed Rule") by letters dated March 28, 2011, February 10, 2014, August 1, 2014, January 22, 2015, and March 30, 2015.

MGEX is both a Subpart C Derivatives Clearing Organization ("DCO") and a Designated Contract Market ("DCM"), and has been the primary marketplace for HRSW since its inception in 1881. With 135 years of experience in the agricultural markets, MGEX has developed institutional knowledge of the production and supply of HRSW specifically.

I. Historical Data of Deliverable Supply for HRSW.

Attached as Exhibit A is documentation indicating deliverable and non-deliverable supply of HRSW, on a weekly basis, for the years 2012 through June 2016. MGEX deliverable supply is based on actual data of stocks in hand that correspond to minimum HRSW contract specifications, as directly reported by MGEX regular facilities. Until February 2015, deliverable supply was calculated based on weekly reporting from MGEX regular facilities. In February 2015, MGEX switched to a daily stocks reporting format for all regular facilities. Information regarding deliverable supply of HRSW is publically available on the MGEX website. MGEX believes that data contained in Exhibit A represents a reliable portrait of the actual deliverable supply of HRSW in store at delivery terminals, as reported by MGEX regular facilities during the last four and a half years.

II. Methodology to Evaluate Future Supply of HRSW.

Future deliverable supply for HRSW is evaluated by numerous factors, including but not limited to, North American production, global supply and demand, tariffs, prices, historical averages, historical standard deviation, weather, transportation and other logistics, and crop forecasts. MGEX considers the seasonality of HRSW and its patterns of production, consumption, and any seasonal effects, subject to the various factors noted above.

Attached as Exhibit B is additional economic analysis relating to MGEX stocks of deliverable HRSW as it relates to estimated future production and deliverable supply in North America.

III. Estimates of Future Deliverable Supply Using the 25 Percent Methodology.

MGEX maintains and reaffirms its arguments made in previous comment letters that the 25% threshold used by the CFTC is more arbitrary than supported by facts. However, MGEX recognizes that the CFTC has long utilized this methodology based on using 25% of estimated spot month deliverable supply to establish spot month position limits. The CFTC has understood the term “deliverable supply” to mean “the quantity of the commodity meeting a derivative contract’s delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce.”¹

As the enclosed documentation in Exhibit A indicates, deliverable supply of HRSW has remained above 20 million bushels since January 2015 and regularly exceeded 20 million bushels over the past four years. MGEX’s HRSW futures and options contract specify a minimum quantity of 5,000 bushels. Despite the fact that the 25% standard appears to have no substantive analytical support, nor does evidence suggest that it should be applied to all agricultural contracts for physical delivery, MGEX can apply that same percentage to its actual spot month deliverable supply for the sake of argument.

Based upon the enclosed documentation of actual stocks, a reasonable spot month limit for HRSW should be no less than 1,000 contracts. This represents an extremely conservative estimate as it is based on actual stocks, and does not include the quantity of HRSW reasonably expected to be “readily available” at market value in normal cash marketing channels. MGEX anticipates such a modest increase in the HRSW spot month limit from 600 to 1,000 would have little, if any, impact on current commercial practice, trade activity, or price convergence. Therefore, MGEX requests the CFTC establish an initial spot month limit of 1,000 contracts under the proposed rulemaking.

¹ Final rule and interim final rule, RIN 3038-AD17, 76 Fed. Reg. 223, 71633 (Nov. 18, 2011).

IV. Wheat Parity.

With respect to non-spot months and all-months combined limits, it is critically important that the CFTC maintain parity among the three U.S. wheat contracts, and set equivalent position limits. MGEX's prior comment letters detail the importance of wheat parity to the U.S. agriculture industry.

Thank you again for the opportunity to comment, and please feel free to contact MGEX with any further questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Layne G. Carlson", followed by a long horizontal flourish.

Layne G. Carlson

Corporate Secretary & Treasurer

Enclosures

EXHIBIT A

MGEX**In a Deliverable Position****TOTAL Duluth, Superior, Minneapolis/St. Paul, Red Wing****(000 Bushels Omitted)**

Year	Date	Spring Wheat Deliverable	Total Non- deliverable and/or Ungraded	CCC Stocks	Total Spring Wheat Stocks
2012	Jan-06	12,439	928	0	13,367
2012	Jan-13	12,536	928	0	13,464
2012	Jan-20	12,987	928	0	13,915
2012	Jan-27	13,017	928	0	13,945
2012	Feb-03	13,071	928	0	13,999
2012	Feb-10	13,176	928	0	14,104
2012	Feb-17	13,287	928	0	14,215
2012	Feb-24	13,132	928	0	14,060
2012	Mar-02	12,903	905	0	13,808
2012	Mar-09	12,649	1,087	0	13,736
2012	Mar-16	12,642	1,171	0	13,813
2012	Mar-23	13,393	1,171	0	14,564
2012	Mar-30	13,134	1,219	0	14,353
2012	Apr-06	13,848	1,381	0	15,229
2012	Apr-13	12,921	1,565	0	14,486
2012	Apr-20	12,542	1,558	0	14,100
2012	Apr-27	11,983	1,508	0	13,491
2012	May-04	12,001	1,521	0	13,522
2012	May-11	11,254	1,426	0	12,680
2012	May-18	10,292	1,510	0	11,802
2012	May-25	10,429	1,595	0	12,024
2012	Jun-01	8,916	1,522	0	10,438
2012	Jun-08	8,677	1,522	0	10,199
2012	Jun-15	8,783	1,405	0	10,188
2012	Jun-22	7,704	1,405	0	9,109
2012	Jun-29	8,324	1,405	0	9,729
2012	Jul-06	8,408	1,405	0	9,813
2012	Jul-13	8,907	1,331	0	10,238
2012	Jul-20	9,102	1,331	0	10,433
2012	Jul-27	9,911	1,290	0	11,201
2012	Aug-03	11,586	1,272	0	12,858
2012	Aug-10	13,499	1,193	0	14,692
2012	Aug-17	14,878	1,193	0	16,071
2012	Aug-24	16,666	1,193	0	17,859
2012	Aug-31	20,039	1,206	0	21,245
2012	Sep-07	20,643	1,205	0	21,848

Year	Date	Spring Wheat Deliverable	Total Non-deliverable and/or Ungraded	CCC Stocks	Total Spring Wheat Stocks
2012	Sep-14	24,193	1,156	0	25,349
2012	Sep-21	26,045	1,193	0	27,238
2012	Sep-28	27,499	1,159	0	28,658
2012	Oct-05	27,212	1,159	0	28,371
2012	Oct-12	26,651	1,136	0	27,787
2012	Oct-19	26,519	1,147	0	27,666
2012	Oct-26	25,988	1,147	0	27,135
2012	Nov-02	25,655	1,147	0	26,802
2012	Nov-09	25,374	1,147	0	26,521
2012	Nov-16	24,175	1,156	0	25,331
2012	Nov-23	24,289	1,156	0	25,445
2012	Nov-30	24,176	1,156	0	25,332
2012	Dec-07	24,664	1,153	0	25,817
2012	Dec-14	22,824	1,153	0	23,977
2012	Dec-21	23,370	1,155	0	24,525
2012	Dec-28	23,276	1,155	0	24,431
2013	Jan-04	23,318	1,155	0	24,473
2013	Jan-11	23,387	1,159	0	24,546
2013	Jan-18	23,328	1,159	0	24,487
2013	Jan-25	23,428	1,149	0	24,577
2013	Feb-01	23,261	1,149	0	24,410
2013	Feb-08	23,361	1,149	0	24,510
2013	Feb-15	23,693	1,149	0	24,842
2013	Feb-22	23,711	1,170	0	24,881
2013	Mar-01	23,469	1,170	0	24,639
2013	Mar-08	22,604	1,084	0	23,688
2013	Mar-15	22,603	1,084	0	23,687
2013	Mar-22	22,564	1,088	0	23,652
2013	Mar-29	21,949	1,088	0	23,037
2013	Apr-05	21,099	1,054	0	22,153
2013	Apr-12	19,980	1,054	0	21,034
2013	Apr-19	19,170	1,054	0	20,224
2013	Apr-26	16,554	923	0	17,477
2013	May-03	15,149	923	0	16,072
2013	May-10	13,742	898	0	14,640
2013	May-17	13,438	890	0	14,328
2013	May-24	13,102	890	0	13,992
2013	May-31	12,365	1,390	0	13,755
2013	Jun-07	10,758	1,381	0	12,139
2013	Jun-14	10,510	1,381	0	11,891
2013	Jun-21	10,668	1,381	0	12,049
2013	Jun-28	9,802	1,358	0	11,160

Year	Date	Spring Wheat Deliverable	Total Non-deliverable and/or Ungraded	CCC Stocks	Total Spring Wheat Stocks
2013	Jul-05	9,690	1,358	0	11,048
2013	Jul-12	8,331	1,358	0	9,689
2013	Jul-19	7,626	1,358	0	8,984
2013	Jul-26	7,639	1,358	0	8,997
2013	Aug-02	7,649	1,358	0	9,007
2013	Aug-09	7,458	1,358	0	8,816
2013	Aug-16	8,592	1,358	0	9,950
2013	Aug-23	9,645	1,358	0	11,003
2013	Aug-30	11,428	1,358	0	12,786
2013	Sep-06	11,885	1,358	0	13,243
2013	Sep-13	14,519	1,358	0	15,877
2013	Sep-20	16,872	1,347	0	18,219
2013	Sep-27	20,074	1,325	0	21,399
2013	Oct-04	20,662	1,245	0	21,907
2013	Oct-11	22,669	1,237	0	23,906
2013	Oct-18	23,417	1,237	0	24,654
2013	Oct-25	23,173	1,237	0	24,410
2013	Nov-01	22,455	1,237	0	23,692
2013	Nov-08	22,407	1,237	0	23,644
2013	Nov-15	21,764	1,237	0	23,001
2013	Nov-22	21,584	1,237	0	22,821
2013	Nov-29	20,663	1,244	0	21,907
2013	Dec-06	20,381	1,244	0	21,625
2013	Dec-13	18,539	1,244	0	19,783
2013	Dec-20	18,930	1,244	0	20,174
2013	Dec-27	19,677	1,244	0	20,921
2014	Jan-03	19,828	1,244	0	21,072
2014	Jan-10	19,762	1,244	0	21,006
2014	Jan-17	19,416	1,244	0	20,660
2014	Jan-24	18,531	1,244	0	19,775
2014	Jan-31	18,271	1,244	0	19,515
2014	Feb-07	17,664	1,244	0	18,908
2014	Feb-14	17,057	1,244	0	18,301
2014	Feb-21	16,400	1,244	0	17,644
2014	Feb-28	16,415	1,244	0	17,659
2014	Mar-07	15,290	1,244	0	16,534
2014	Mar-14	14,622	1,244	0	15,866
2014	Mar-21	14,620	1,244	0	15,864
2014	Mar-28	14,821	1,244	0	16,065
2014	Apr-04	14,759	1,244	0	16,003
2014	Apr-11	14,537	1,244	0	15,781
2014	Apr-18	14,844	1,244	0	16,088

Year	Date	Spring Wheat Deliverable	Total Non- deliverable and/or Ungraded	CCC Stocks	Total Spring Wheat Stocks
2014	Apr-25	14,937	1,244	0	16,181
2014	May-02	15,279	1,697	0	16,976
2014	May-09	15,101	1,739	0	16,840
2014	May-16	13,463	1,739	0	15,202
2014	May-23	12,075	1,739	0	13,814
2014	May-30	11,114	1,739	0	12,853
2014	Jun-06	11,004	1,739	0	12,743
2014	Jun-13	10,292	1,187	0	11,479
2014	Jun-20	10,016	1,187	0	11,203
2014	Jun-27	10,150	1,187	0	11,337
2014	Jul-04	10,119	1,187	0	11,306
2014	Jul-11	10,102	1,188	0	11,290
2014	Jul-18	9,962	1,188	0	11,150
2014	Jul-25	10,454	1,188	0	11,642
2014	Aug-01	9,783	1,188	0	10,971
2014	Aug-08	9,167	1,188	0	10,355
2014	Aug-15	8,609	1,200	0	9,809
2014	Aug-22	8,908	1,200	0	10,108
2014	Aug-29	9,861	1,200	0	11,061
2014	Sep-05	11,252	1,200	0	12,452
2014	Sep-12	14,554	1,200	0	15,754
2014	Sep-19	17,252	1,040	0	18,292
2014	Sep-26	20,189	1,040	0	21,229
2014	Oct-03	22,266	940	0	23,206
2014	Oct-10	23,813	940	0	24,753
2014	Oct-17	24,563	940	0	25,503
2014	Oct-24	22,365	928	0	23,293
2014	Oct-31	23,148	928	0	24,076
2014	Nov-07	22,893	813	0	23,706
2014	Nov-14	22,722	813	0	23,535
2014	Nov-21	22,433	813	0	23,246
2014	Nov-28	22,640	813	0	23,453
2014	Dec-05	21,236	795	0	22,031
2014	Dec-12	20,882	800	0	21,682
2014	Dec-19	19,286	1,151	0	20,437
2014	Dec-26	19,801	1,153	0	20,954
2015	Jan-02	20,432	1,153	0	21,585
2015	Jan-09	21,904	1,225	0	23,129
2015	Jan-16	23,854	1,328	0	25,182
2015	Jan-23	24,127	1,329	0	25,456
2015	Feb-01	24,604	1,331	0	25,935
2015	Feb-08	25,207	1,322	0	26,529

Year	Date	Spring Wheat Deliverable	Total Non-deliverable and/or Ungraded	CCC Stocks	Total Spring Wheat Stocks
2015	Feb-16	25,380	1,321	0	26,701
2015	Feb-22	25,098	1,321	0	26,419
2015	Mar-01	25,222	1,321	0	26,543
2015	Mar-08	25,407	1,321	0	26,728
2015	Mar-15	25,397	1,321	0	26,718
2015	Mar-22	26,342	1,321	0	27,663
2015	Mar-29	26,323	1,321	0	27,644
2015	Apr-05	26,493	1,321	0	27,814
2015	Apr-12	26,346	1,321	0	27,667
2015	Apr-19	26,123	1,321	0	27,444
2015	Apr-26	25,409	1,327	0	26,736
2015	May-03	25,687	1,324	0	27,011
2015	May-10	24,417	1,324	0	25,741
2015	May-17	23,274	1,324	0	24,598
2015	May-25	22,380	1,324	0	23,704
2015	May-31	21,427	1,324	0	22,751
2015	Jun-07	20,709	1,308	0	22,017
2015	Jun-14	21,658	1,315	0	22,973
2015	Jun-21	21,328	1,315	0	22,643
2015	Jun-28	22,171	1,315	0	23,486
2015	Jul-05	21,667	1,315	0	22,982
2015	Jul-12	20,621	1,315	0	21,936
2015	Jul-19	21,133	1,315	0	22,448
2015	Jul-26	21,023	1,315	0	22,338
2015	Aug-02	24,350	1,315	0	25,665
2015	Aug-09	23,019	1,307	0	24,326
2015	Aug-16	22,993	1,307	0	24,300
2015	Aug-23	26,441	1,302	0	27,743
2015	Aug-30	28,630	1,302	0	29,932
2015	Sep-07	28,534	1,302	0	29,836
2015	Sep-13	29,967	1,302	0	31,269
2015	Sep-20	31,726	1,302	0	33,028
2015	Sep-27	33,225	1,302	0	34,527
2015	Oct-04	32,281	1,194	0	33,475
2015	Oct-11	32,330	1,183	0	33,513
2015	Oct-18	32,815	1,183	0	33,998
2015	Oct-25	32,743	1,100	0	33,843
2015	Nov-01	33,219	1,100	0	34,319
2015	Nov-08	32,151	1,100	0	33,251
2015	Nov-15	32,231	1,100	0	33,331
2015	Nov-22	32,419	1,100	0	33,519
2015	Nov-29	30,296	1,100	0	31,396

Year	Date	Spring Wheat Deliverable	Total Non- deliverable and/or Ungraded	CCC Stocks	Total Spring Wheat Stocks
2015	Dec-06	28,972	1,096	0	30,068
2015	Dec-13	28,952	1,096	0	30,048
2015	Dec-20	27,475	1,086	0	28,561
2015	Dec-27	27,628	1,086	0	28,714
2016	Jan-03	27,682	1,086	0	28,768
2016	Jan-10	27,308	1,086	0	28,394
2016	Jan-18	26,784	1,086	0	27,870
2016	Jan-24	26,632	1,086	0	27,718
2016	Jan-31	26,640	1,086	0	27,726
2016	Feb-07	27,072	1,086	0	28,158
2016	Feb-15	27,048	1,086	0	28,134
2016	Feb-21	26,640	1,086	0	27,726
2016	Feb-28	26,573	1,086	0	27,659
2016	Mar-06	26,265	886	0	27,151
2016	Mar-13	26,462	886	0	27,348
2016	Mar-20	26,622	886	0	27,508
2016	Mar-27	26,179	886	0	27,065
2016	Apr-03	25,233	889	0	26,122
2016	Apr-10	24,995	889	0	25,884
2016	Apr-17	25,474	889	0	26,363
2016	Apr-24	22,941	889	0	23,830
2016	May-01	21,189	889	0	22,078
2016	May-08	21,060	889	0	21,949
2016	May-15	21,353	889	0	22,242
2016	May-22	21,848	889	0	22,737
2016	May-30	21,659	889	0	22,548
2016	Jun-05	21,263	889	0	22,152
2016	Jun-12	21,704	889	0	22,593
2016	Jun-19	21,819	889	0	22,708
2016	Jun-26	20,412	889	0	21,301

EXHIBIT B

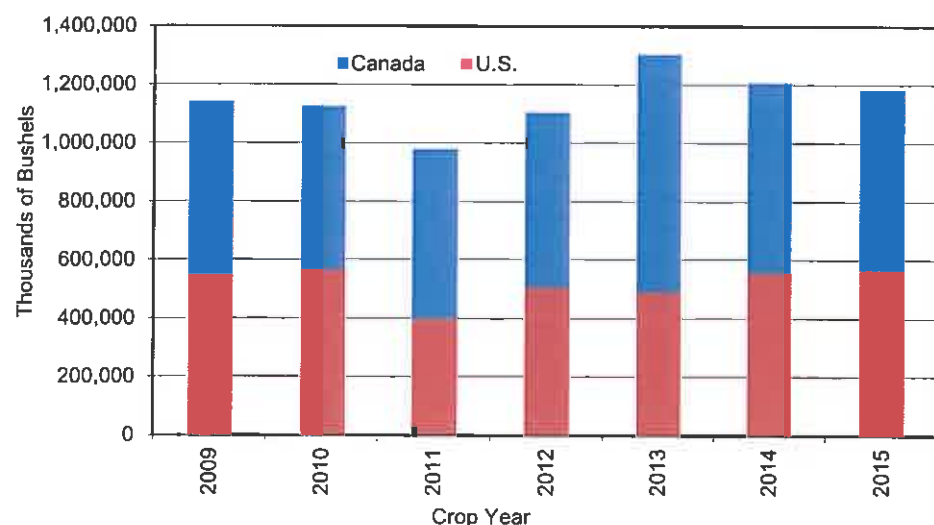
MGEX Deliverable Grain Stocks

MGEX deliverable grain stocks are stored in two locations: 1) Minneapolis, St. Paul, and Red Wing, Minnesota switching district, or 2) Duluth, Minnesota and Superior, Wisconsin switching district. Because the hard red spring wheat (HRSW) held at MGEX approved warehouses have a consistent relationship with North American production and inventories, this relationship can serve as a useful benchmark for estimating future deliverable supply.

1. MGEX Stocks and North American Production

The potential deliverable supply for the MGEX HRSW contract comes from both Canada and the United States. Canadian wheat is eligible for delivery upon proper importation and grading. Historically, Canada's western provinces (Manitoba, Alberta and Saskatchewan, and British Columbia) produce a HRSW crop equal to or larger than that of the U.S. (see Figure 1). Since 2009, U.S. production has averaged 517 million bushels and Canada's production has been 631 million bushels. Together, the combined North American production and potential deliverable supply of HRSW has averaged over 1.1 billion bushels.

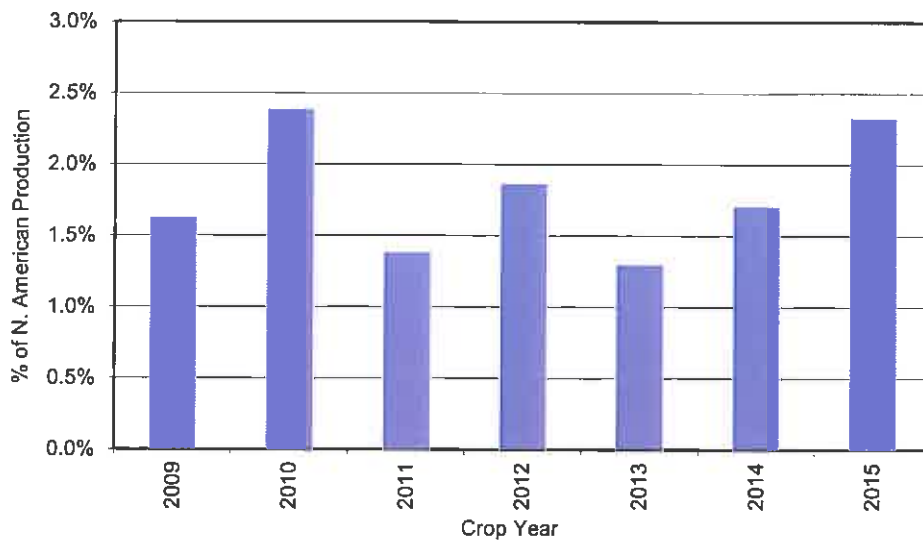
Figure 1. North American HRSW Production, 2009-2015 Crop Years



Source: USDA; Stats Canada

As shown in Figure 2, the MGEX deliverable stocks average 1.8% of combined North American production. The range is relatively small from a low of 1.3% to a high of 2.4%. Overall, MGEX deliverable stocks appear to be a very consistent subset of combined U.S. and Canadian supplies.

Figure 2. MGEX Deliverable Stocks Percent of North American HRSW Production, 2009-2015 Crop Years

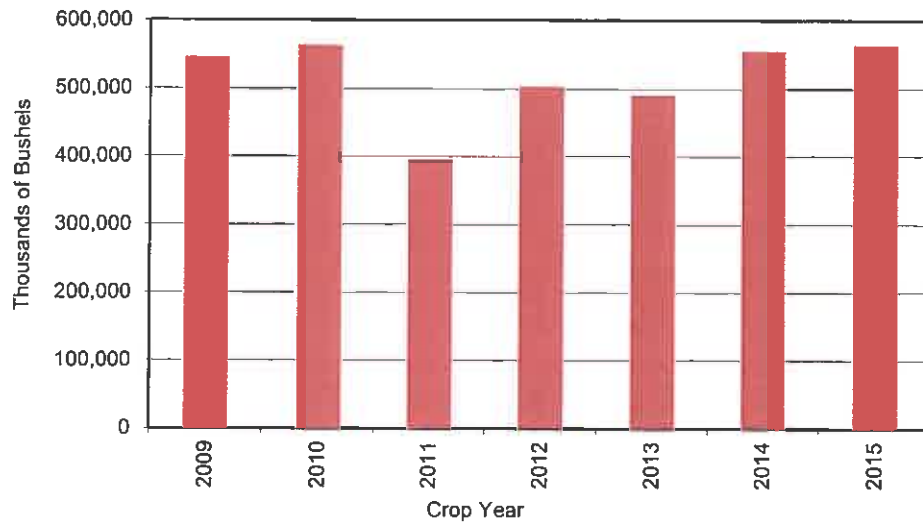


Source: USDA; Stats Canada; MGEX

1a. MGEX Stocks and U.S. Production

U.S. production of HRSW has been fairly consistent over the last seven years with an average of 517 million bushels (Figure 3). While production can vary based on weather and planted acres, U.S. HRSW production has been reasonably constant. This is partially due to the limited number of crops that can be grown in the more arid regions of the Northern Plains. As a result, the number of acres planted to spring wheat each year is fairly constant, resulting in steady production.

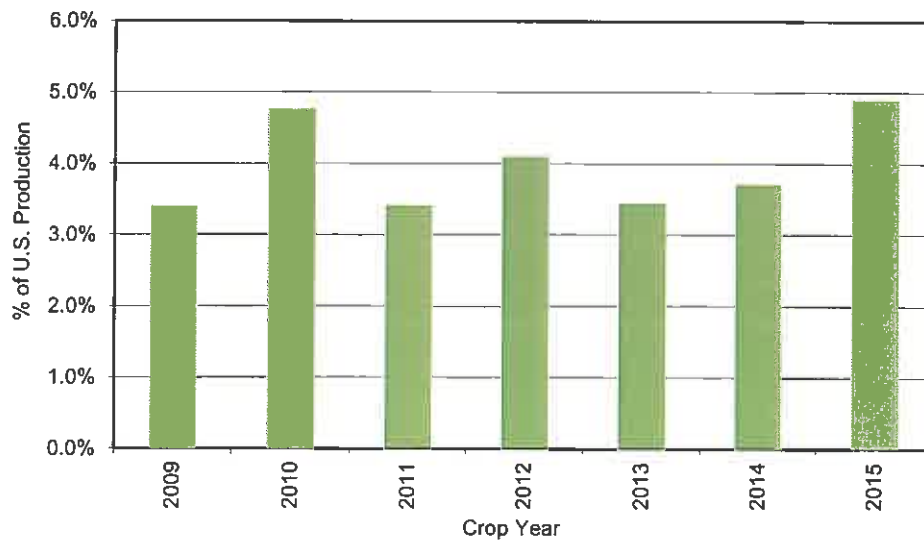
Figure 3. U.S. HRSW Production, 2009-2015 Crop Years



Source: USDA

As shown in Figure 4, MGEX deliverable stocks have averaged 4.0% of U.S. production since 2009. The range is fairly small with the lowest level at 3.4% and the highest at 4.9%. There is no reason to expect this relationship to change going forward. Thus, historical U.S. production and MGEX deliverable stocks should continue to provide meaningful guidance for future production and deliverable stocks.

Figure 4. MGEX Deliverable Stocks Percent of U.S. HRSW Production, 2009-2015 Crop Years

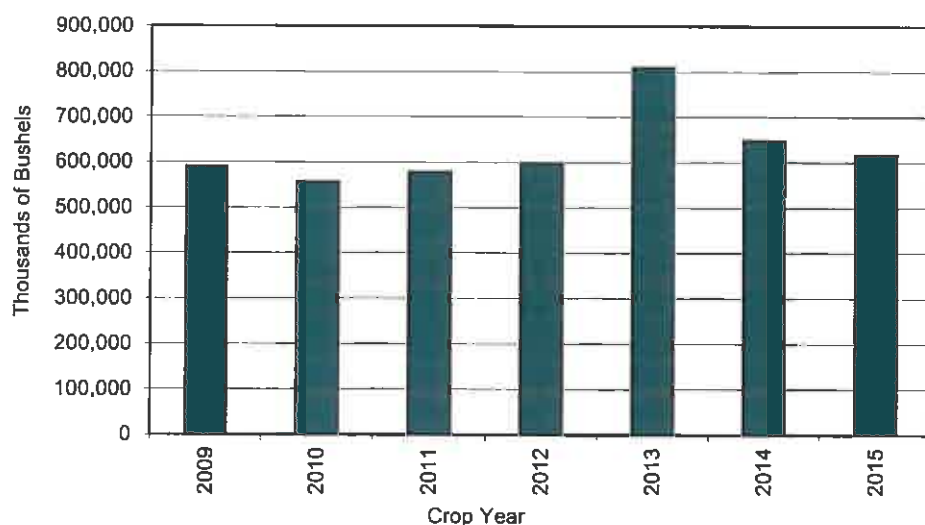


Source: USDA; MGEX

1b. MGEX Stocks and Canadian Production

Canadian production of HRSW has also been fairly stable over the 2009-2015 crop years with production averaging 631 million bushels (Figure 5). HRSW is the primary crop in Canada and dominates small grain production in the western provinces. The surge in production in 2013 was due to superb weather and record wheat yields.

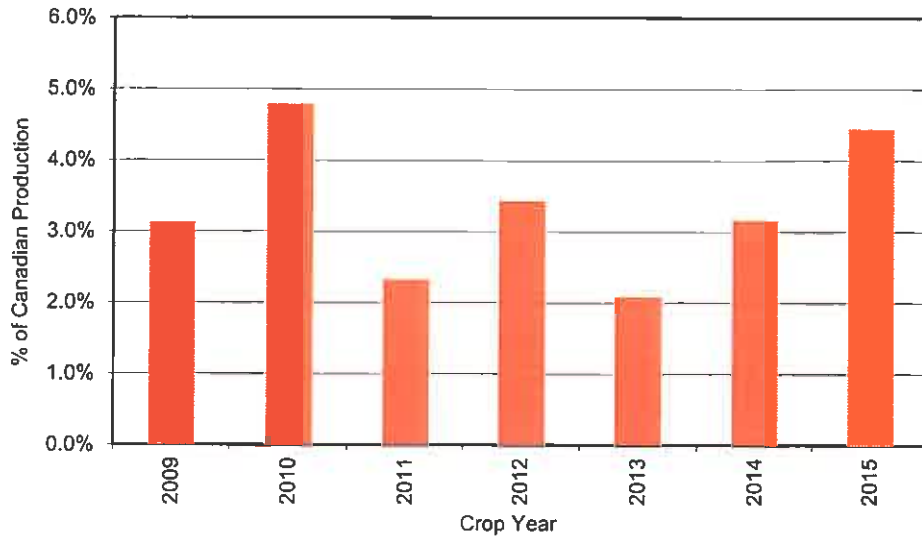
Figure 5. Canadian HRSW Production, 2009-2015 Crop Years



Source: Stats Canada

Not surprisingly, there is a stable relationship between MGEX deliverable stocks and Canadian production. As shown in Figure 6, MGEX deliverable stocks have averaged 3.3% of Canadian production over the last seven crop years with a range from 2.1% to 4.8%. Given the stability of this relationship, it should remain within these ranges going forward.

Figure 6. MGEX Deliverable Stocks Percent of Canadian HRSW Production, 2009-2015 Crop Years

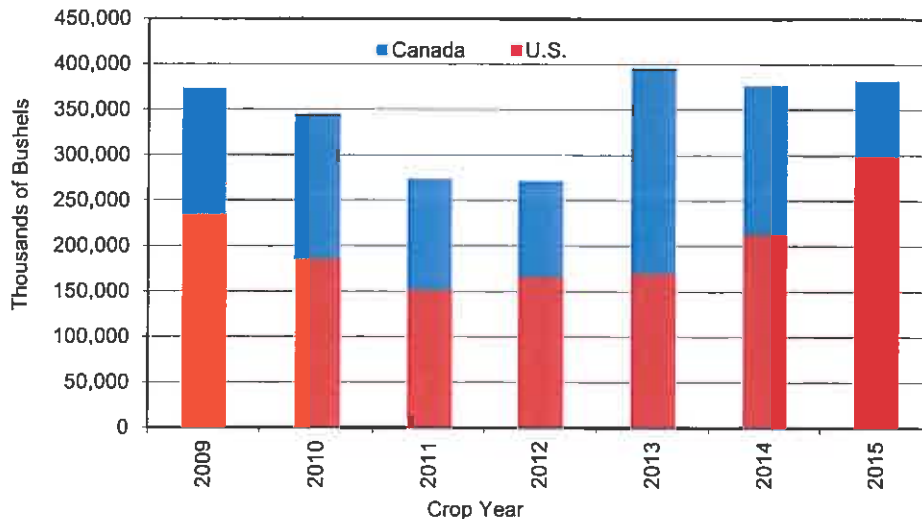


Source: Stats Canada; MGEX

2. MGEX Stocks and North American Stocks

North American HRSW ending stocks are estimated based on the June 1 stocks reported by the USDA's Economic Research Service and the July 31 wheat stocks compiled by Statistics Canada (see Canadian section below on estimation methods). Together, these two stocks estimates provide a guide as to the inventories of HRSW prior to new crop harvesting. As shown in Figure 7, the combined stocks average 345 million bushels with U.S. and Canada averaging 202 and 143 million bushels, respectively.

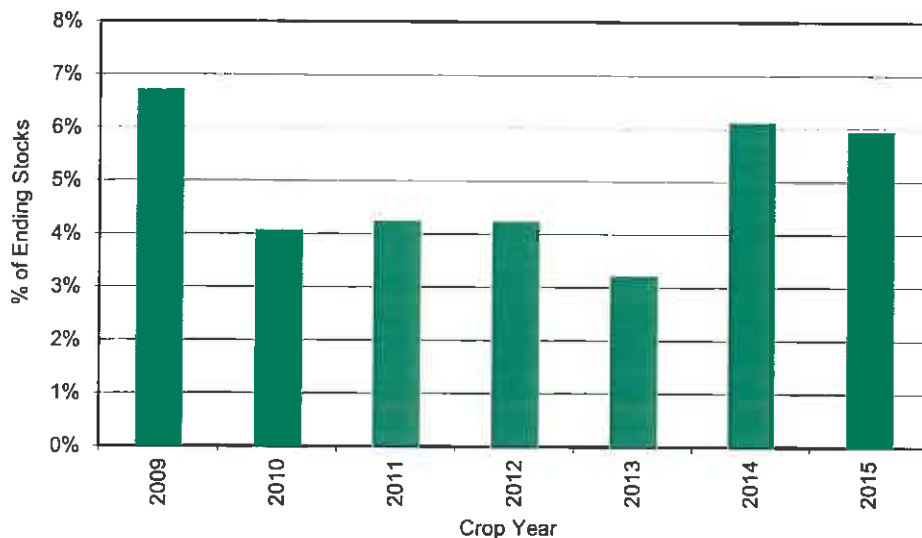
Figure 7. North American HRSW, Ending Stocks, 2009-2015 Crop Years



Source: Stats Canada, USDA, ERS; MGEX

The MGEX's percent of combined U.S. and Canadian ending stocks is shown in Figure 8. The MGEX HRSW inventories average 4.9% of North American HRSW ending stocks. Again, this illustrates a consistent relationship between MGEX deliverable supplies and total North American supplies of HRSW.

Figure 8. MGEX Deliverable Stocks Percent of North American HRSW Ending Stocks, 2009-2015 Crop Years



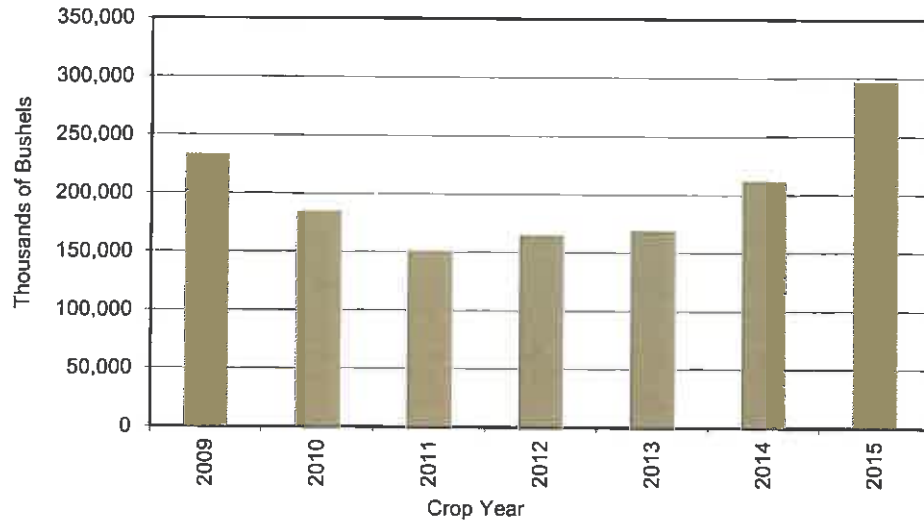
Source: Stats Canada, USDA, ERS; MGEX.

2a. MGEX Stocks and U.S. Stocks

The USDA's Economic Research Service estimates the stocks of HRSW for the purpose of compiling crop year supply and use for each class of wheat. As a cross-check, the MGEX deliverable stocks at the end of each crop year are compared to the USDA June 1 stocks estimates. While the June 1 stocks level can vary, it has been mostly between 150 and 225 million bushels from 2009-2014 (Figure 9). Inventories grew in 2015 to nearly 300 million bushels due to large world wheat crops and slow U.S. exports.

Figure 9. U.S. HRSW Stocks, June 1, 2009-2015 Crop Years

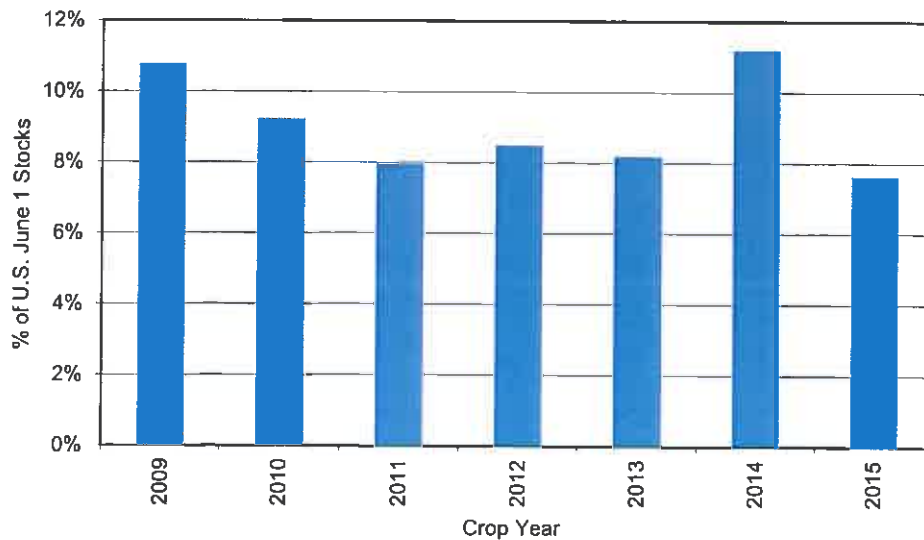
U.S. Hard Red Spring Wheat Stocks on June 1, 2009-2015



Source: USDA, ERS. 2015 is an estimate as published in *Wheat Outlook: May 2016*.

As shown in Figure 10, the MGEX deliverable stocks are again very consistent with the USDA's numbers. That is, over the last seven years U.S. HRSW stocks held in MGEX deliverable locations compared to June 1 stocks averaged 9.1%, and ranged from a low of 7.6% to a high of 11.2%. The lower level in 2015 is mostly attributable to a larger than normal U.S. ending inventory.

Figure 10. MGEX Deliverable Stocks Percent of U.S. June 1 HRSW Stocks, 2009-2015 Crop Years

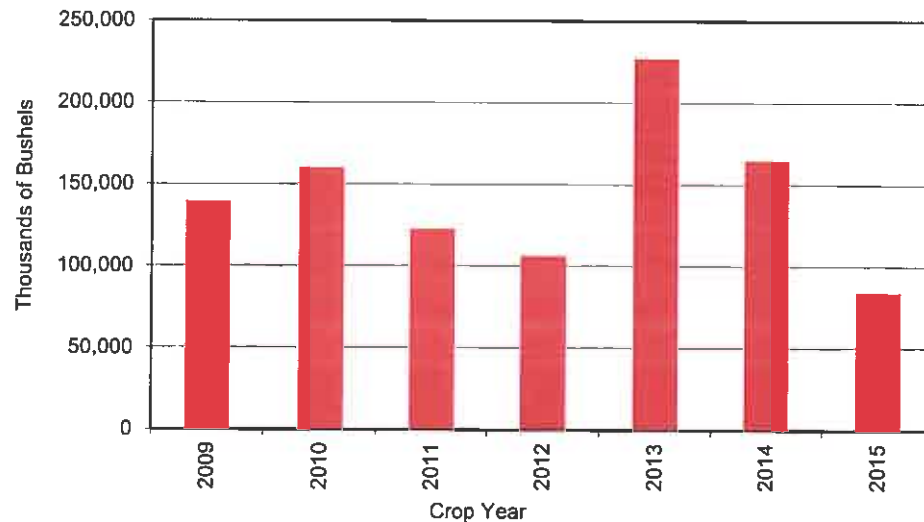


Source: USDA, ERS; MGEX. 2015 is an estimate based on the U.S. stocks as published in *Wheat Outlook: May 2016*.

2b. MGEX Stocks and Estimated Canadian Stocks

Statistics Canada does not make an estimate for HRSW inventories. However, they do make an estimate for non-durum wheat stocks as of July 31 (end of the Canadian crop year). To make a reasonable estimate of Canadian HRSW stocks, it is assumed that the proportion of the inventory that is HRSW is the same as its relative proportion of that year's production. HRSW production averaged 74% of total non-durum wheat production over the 2009-2015 crop years with a low of 71% and a high of 76%. The estimated July 31 inventories of Canadian HRSW are shown in Figure 11 where the average is 143 million bushels.

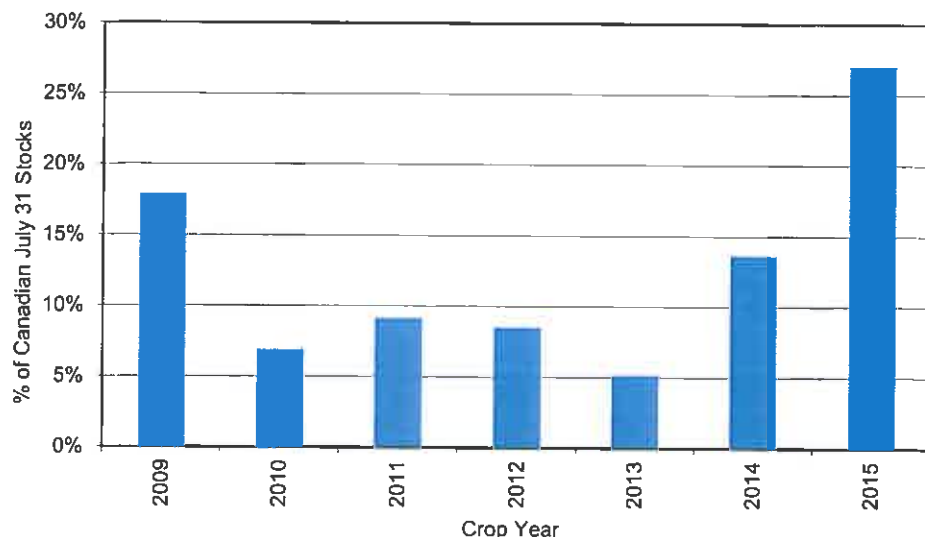
Figure 11. Estimated Canadian July 31 HRSW Stocks, 2009-2015 Crop Years



Source: Stats Canada. 2015 is an estimate based on the Canadian stocks published in the May 18, 2016 version of "Canada: Outlook for Principal Field Crops."

The MGEX deliverable HRSW stocks as a percentage of Canadian inventories on July 31 are presented in Figure 12 where the average is 12.6%. The MGEX's percent of Canadian inventories is somewhat volatile—with a range from 5.1% to 27%—as Canada generally does not hold large inventories of grain.

Figure 12. MGEX Deliverable Stocks Percent of Canadian July 31 HRSW Stocks, 2009-2015 Crop Years



Source: Stats Canada; MGEX. 2015 is an estimate based on the Canadian stocks published in the May 18, 2016 version of "Canada: Outlook for Principal Field Crops."

3. Conclusion

HRSW held in MGEX deliverable positions show consistent relationships through time. In particular, MGEX deliverable stocks average a fairly consistent 4.0% of U.S. production and 9.1% of June 1 U.S. HRSW stocks. With relatively stable U.S. production and inventories going forward, the MGEX deliverable stocks should provide a useful forward-looking guide for establishing future deliverable supply. The production of HRSW in the Canadian prairies brings North American HRSW production above 1.1 billion bushels in most years, which further adds to the potential deliverable supply for the MGEX contract.