



November 8, 2016

Mr. Christopher J. Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> 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" or "Exchange") would like to thank the Commodity Futures Trading Commission ("CFTC" or "Commission") 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 by letters dated March 28, 2011, February 10, 2014, August 1, 2014, January 22, 2015, March 30, 2015 and July 13, 2016.

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 supplies of HRSW, on a weekly basis, at both of the HRSW contract's delivery locations: (1) Duluth/Superior and (2) Minneapolis/St. Paul/Red Wing switching districts. The data begins with January 2012 through the end of October 2016. Nearly 5 years of information.

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.<sup>1</sup>

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<sup>1</sup> [http://www.mgex.com/grain\\_historical.html](http://www.mgex.com/grain_historical.html)

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 that period.

## **II. Estimates of Deliverable Supply.**

Within Appendix C to Part 38, the Commission defines 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.”<sup>2</sup>

As the enclosed documentation in Exhibit A indicates, MGEX has revised its estimate of deliverable supply of HRSW that we believe is consistent with the Commission’s guidance in Appendix C.

Based upon the above guidance and the enclosed documentation of actual stocks, MGEX reports its average weekly deliverable supply as 20,025,000 bushels, or 4,005 contract equivalents. 25% of this amount supports a requested spot month limit of 1,000 contracts. Further, this number is a reasonable and 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 reports on its website daily cash grain movement through the delivery locations. This amount would add significantly to potential deliverable supplies.

Furthermore, based on the Exchange’s familiarity and long experience with the marketing of HRSW, there is very limited use of long term contracting relative to the large production. This has not been included in the MGEX estimate of deliverable supply. Consequently, a significant amount of HRSW is available in the cash market which would also add to potential deliverable supplies.

Finally, MGEX carefully considers and monitors the appropriate position level for the HRSW spot month limit so as to meet the demands of market participants, as well as achieve the position limit objectives set forth in the Commodity Exchange Act. For example, should deliverable stocks and grain movement at delivery locations decline significantly, or are expected to decline significantly, so as to potentially inhibit the ability to source HRSW for delivery, MGEX will proactively choose to lower the Exchange maximum spot month limit if the maximum limit is higher than 600.

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<sup>2</sup> [http://www.ecfr.gov/cgi-bin/text-idx?SID=8fda6fae5f86973a48065b82114c0b92&mc=true&node=ap17.1.38\\_11201.c&rgn=div9](http://www.ecfr.gov/cgi-bin/text-idx?SID=8fda6fae5f86973a48065b82114c0b92&mc=true&node=ap17.1.38_11201.c&rgn=div9)

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 that reads "Layne G. Carlson". The signature is written in black ink and includes a long, sweeping horizontal stroke at the end.

Layne G. Carlson

Corporate Secretary & Treasurer

Enclosures

# EXHIBIT A

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

<b>Year</b>	<b>Date</b>	<b>Spring Wheat Deliverable</b>
2012	Jan-06	12,439
2012	Jan-13	12,536
2012	Jan-20	12,987
2012	Jan-27	13,017
2012	Feb-03	13,071
2012	Feb-10	13,176
2012	Feb-17	13,287
2012	Feb-24	13,132
2012	Mar-02	12,903
2012	Mar-09	12,649
2012	Mar-16	12,642
2012	Mar-23	13,393
2012	Mar-30	13,134
2012	Apr-06	13,848
2012	Apr-13	12,921
2012	Apr-20	12,542
2012	Apr-27	11,983
2012	May-04	12,001
2012	May-11	11,254
2012	May-18	10,292
2012	May-25	10,429
2012	Jun-01	8,916
2012	Jun-08	8,677
2012	Jun-15	8,783
2012	Jun-22	7,704
2012	Jun-29	8,324
2012	Jul-06	8,408
2012	Jul-13	8,907
2012	Jul-20	9,102
2012	Jul-27	9,911
2012	Aug-03	11,586
2012	Aug-10	13,499
2012	Aug-17	14,878
2012	Aug-24	16,666
2012	Aug-31	20,039
2012	Sep-07	20,643
2012	Sep-14	24,193

<b>Year</b>	<b>Date</b>	<b>Spring Wheat Deliverable</b>
2012	Sep-21	26,045
2012	Sep-28	27,499
2012	Oct-05	27,212
2012	Oct-12	26,651
2012	Oct-19	26,519
2012	Oct-26	25,988
2012	Nov-02	25,655
2012	Nov-09	25,374
2012	Nov-16	24,175
2012	Nov-23	24,289
2012	Nov-30	24,176
2012	Dec-07	24,664
2012	Dec-14	22,824
2012	Dec-21	23,370
2012	Dec-28	23,276
2013	Jan-04	23,318
2013	Jan-11	23,387
2013	Jan-18	23,328
2013	Jan-25	23,428
2013	Feb-01	23,261
2013	Feb-08	23,361
2013	Feb-15	23,693
2013	Feb-22	23,711
2013	Mar-01	23,469
2013	Mar-08	22,604
2013	Mar-15	22,603
2013	Mar-22	22,564
2013	Mar-29	21,949
2013	Apr-05	21,099
2013	Apr-12	19,980
2013	Apr-19	19,170
2013	Apr-26	16,554
2013	May-03	15,149
2013	May-10	13,742
2013	May-17	13,438
2013	May-24	13,102
2013	May-31	12,365
2013	Jun-07	10,758
2013	Jun-14	10,510
2013	Jun-21	10,668
2013	Jun-28	9,802
2013	Jul-05	9,690
2013	Jul-12	8,331

<b>Year</b>	<b>Date</b>	<b>Spring Wheat Deliverable</b>
2013	Jul-19	7,626
2013	Jul-26	7,639
2013	Aug-02	7,649
2013	Aug-09	7,458
2013	Aug-16	8,592
2013	Aug-23	9,645
2013	Aug-30	11,428
2013	Sep-06	11,885
2013	Sep-13	14,519
2013	Sep-20	16,872
2013	Sep-27	20,074
2013	Oct-04	20,662
2013	Oct-11	22,669
2013	Oct-18	23,417
2013	Oct-25	23,173
2013	Nov-01	22,455
2013	Nov-08	22,407
2013	Nov-15	21,764
2013	Nov-22	21,584
2013	Nov-29	20,663
2013	Dec-06	20,381
2013	Dec-13	18,539
2013	Dec-20	18,930
2013	Dec-27	19,677
2014	Jan-03	19,828
2014	Jan-10	19,762
2014	Jan-17	19,416
2014	Jan-24	18,531
2014	Jan-31	18,271
2014	Feb-07	17,664
2014	Feb-14	17,057
2014	Feb-21	16,400
2014	Feb-28	16,415
2014	Mar-07	15,290
2014	Mar-14	14,622
2014	Mar-21	14,620
2014	Mar-28	14,821
2014	Apr-04	14,759
2014	Apr-11	14,537
2014	Apr-18	14,844
2014	Apr-25	14,937
2014	May-02	15,279
2014	May-09	15,101

<b>Year</b>	<b>Date</b>	<b>Spring Wheat Deliverable</b>
2014	May-16	13,463
2014	May-23	12,075
2014	May-30	11,114
2014	Jun-06	11,004
2014	Jun-13	10,292
2014	Jun-20	10,016
2014	Jun-27	10,150
2014	Jul-04	10,119
2014	Jul-11	10,102
2014	Jul-18	9,962
2014	Jul-25	10,454
2014	Aug-01	9,783
2014	Aug-08	9,167
2014	Aug-15	8,609
2014	Aug-22	8,908
2014	Aug-29	9,861
2014	Sep-05	11,252
2014	Sep-12	14,554
2014	Sep-19	17,252
2014	Sep-26	20,189
2014	Oct-03	22,266
2014	Oct-10	23,813
2014	Oct-17	24,563
2014	Oct-24	22,365
2014	Oct-31	23,148
2014	Nov-07	22,893
2014	Nov-14	22,722
2014	Nov-21	22,433
2014	Nov-28	22,640
2014	Dec-05	21,236
2014	Dec-12	20,882
2014	Dec-19	19,286
2014	Dec-26	19,801
2015	Jan-02	20,432
2015	Jan-09	21,904
2015	Jan-16	23,854
2015	Jan-23	24,127
2015	Feb-01	24,604
2015	Feb-08	25,207
2015	Feb-16	25,380
2015	Feb-22	25,098
2015	Mar-01	25,222
2015	Mar-08	25,407



<b>Year</b>	<b>Date</b>	<b>Spring Wheat Deliverable</b>
2015	Mar-15	25,397
2015	Mar-22	26,342
2015	Mar-29	26,323
2015	Apr-05	26,493
2015	Apr-12	26,346
2015	Apr-19	26,123
2015	Apr-26	25,409
2015	May-03	25,687
2015	May-10	24,417
2015	May-17	23,274
2015	May-25	22,380
2015	May-31	21,427
2015	Jun-07	20,709
2015	Jun-14	21,658
2015	Jun-21	21,328
2015	Jun-28	22,171
2015	Jul-05	21,667
2015	Jul-12	20,621
2015	Jul-19	21,133
2015	Jul-26	21,023
2015	Aug-02	24,350
2015	Aug-09	23,019
2015	Aug-16	22,993
2015	Aug-23	26,441
2015	Aug-30	28,630
2015	Sep-07	28,534
2015	Sep-13	29,967
2015	Sep-20	31,726
2015	Sep-27	33,225
2015	Oct-04	32,281
2015	Oct-11	32,330
2015	Oct-18	32,815
2015	Oct-25	32,743
2015	Nov-01	33,219
2015	Nov-08	32,151
2015	Nov-15	32,231
2015	Nov-22	32,419
2015	Nov-29	30,296
2015	Dec-06	28,972
2015	Dec-13	28,952
2015	Dec-20	27,475
2015	Dec-27	27,628
2016	Jan-03	27,682

<b>Year</b>	<b>Date</b>	<b>Spring Wheat Deliverable</b>
2016	Jan-10	27,308
2016	Jan-18	26,784
2016	Jan-24	26,632
2016	Jan-31	26,640
2016	Feb-07	27,072
2016	Feb-15	27,048
2016	Feb-21	26,640
2016	Feb-28	26,573
2016	Mar-06	26,265
2016	Mar-13	26,462
2016	Mar-20	26,622
2016	Mar-27	26,179
2016	Apr-03	25,233
2016	Apr-10	24,995
2016	Apr-17	25,474
2016	Apr-24	22,941
2016	May-01	21,189
2016	May-08	21,060
2016	May-15	21,353
2016	May-22	21,848
2016	May-30	21,659
2016	Jun-05	21,263
2016	Jun-12	21,704
2016	Jun-19	21,819
2016	Jun-26	20,412
2016	Jul-04	20,385
2016	Jul-10	21,414
2016	Jul-17	21,432
2016	Jul-24	22,251
2016	Jul-31	24,596
2016	Aug-07	24,921
2016	Aug-14	25,770
2016	Aug-21	25,437
2016	Aug-28	26,555
2016	Sep-05	26,898
2016	Sep-11	27,321
2016	Sep-18	28,569
2016	Sep-25	29,784
2016	Oct-02	29,595
2016	Oct-09	29,531
2016	Oct-16	28,758
2016	Oct-23	28,258
2016	Oct-30	27,467

<b>Year</b>	<b>Date</b>	<b>Spring Wheat Deliverable</b>
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Total 5,046,218

Average weekly 20,025

Equivalent  
Contracts 4,005

25% of contracts 1,001