MGEX

MINNEAPOLIS GRAIN EXCHANGE

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COMMENT

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January 21, 2008

Mr. David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

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SUBJECT: Proposed Revision of Federal Speculative Position Limits

Dear Mr. Stawick:

The Minneapolis Grain Exchange ("MGEX" or "Exchange") would like to take this opportunity to respond to the Commodity Futures Trading Commission's ("CFTC" or "Commission") proposed rules on the above referenced matter published in the November 21, 2007 Federal Register.

The Exchange strongly supports the Commission's proposal to increase the federal speculative position limits for Hard Red Spring Wheat ("Spring Wheat") to the same level as that proposed for the wheat contracts at the Chicago Board of Trade and the Kansas City Board of Trade. The MGEX is extremely pleased the Commission continues to follow the parity approach previously adopted. Parity among the three domestic contract markets trading wheat is essential for those participants seeking arbitrage opportunities. Therefore, the MGEX supports the Commission's proposal to increase the single month limit from 5,000 to 11,100 contracts and the all months combined position limit from 6,500 to 14,500 contracts.

The MGEX has continued to experience record volume and open interest in the Spring Wheat contract since the Commission last increased the limits in 2005. The economic reality is that additional individuals and entities are participating in the Spring Wheat commodity market. Commodity funds and other sophisticated market participants, in particular, are an essential and recognized element of the price discovery process. With the growth in volume and open interest combined with the increasing recognition that the Spring Wheat contract is a premium and reliable wheat futures contract, added to the fact that the underlying Spring Wheat cash market retains its breadth and liquidity, it is only natural and logical that the speculative position limits be increased.

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The Commission's proposed changes do not alter the spot month position limits; consequently, Spring Wheat deliverable supplies and the delivery process are not affected. However, the disparity between the spot month limits and single month limits increases with the proposed changes. Consequently, the MGEX, clearing members, futures commission merchants, and speculative position holders all will need to review procedures to monitor speculative positions as the spot month approaches to ensure adequate liquidation of positions prior to application of the spot month limit. Since Spring Wheat deliverable supplies are monitored by the MGEX, the Commission should revisit the spot month limit in the future. Further, since contract markets may set limits that are lower than the federal speculative limits, raising the spot month limit provides contract markets a wider option to set the spot month limit as needed.

However, Exchange preference would be for the CFTC to delegate responsibility for all speculative position limits to contract markets and to treat all agricultural commodities equally by removing the discriminatory regulatory limits placed on a small select group of agricultural commodities which includes the delivery settled Spring Wheat contract. The Exchange believes each contract market is best qualified to establish the appropriate speculative position limits and must be able to modify those limits as needed without being subject to a potentially lengthy application and Commission review process. Each contract market and each commodity contract is unique and has variable economics. Therefore, as a general policy, the Exchange believes all speculative position limits need to be flexible and should be delegated to and controlled by contract markets.

The Exchange is also pleased the Commission wisely recognized the distinction between those cash settled enumerated contracts whose settlement prices rely upon another enumerated contract and those cash settled contracts such as the MGEX Hard Red Spring Wheat Index contract that is independent of other futures contracts for its settlement price. Consequently, there is clearly no need to propose aggregating Spring Wheat Index traders' positions for the purpose of ascertaining compliance with the federal speculative position limits for Spring Wheat.

However, the Exchange believes the better policy is not to attempt to aggregate positions across commodity contracts or across contract markets. Aggregating positions across separate contract markets appears to require additional CFTC monitoring and probable regulatory reporting burdens upon contract markets and position holders. Such a result would run counter to the move toward market oversight based on core principles.

The Exchange thanks the Commission for reviewing the speculative position limits; the MGEX supports the proposed parity position limit changes. If there are any questions regarding these comments, please contact me at (612) 321-7169. Thank you for your attention to this matter.

Sincerely,

Layne G. Carlson
Corporate Secretary

cc: Mark G. Bagan
President, MGEX