



Via Electronic Portal

December 10, 2014
MGEX Submission No. 14-29

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

RE: Rule Certification Submission Pursuant to Regulation 40.6(a); Updates to MGEX Rulebook

Dear Mr. Kirkpatrick:

Pursuant to Commodity Exchange Act (“CEAct”) Section 5c and Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), the Minneapolis Grain Exchange, Inc. (“MGEX” or “Exchange”) hereby certifies that amendment of the attached Regulation of the MGEX Rules and Regulations complies with the CEAct and the Commission regulations promulgated thereunder. MGEX further certifies that the submission and pending changes to the MGEX Rules and Regulations have been posted on the Exchange website at the following link: <http://www.mgex.com/regulation.html>. The attached amendments are to be effective Sunday, December 28th, 2014 for trade date Monday, December 29th, 2014. The amendments will apply to the Apple Juice Concentrate (“AJC”) March 2015 futures contract month and all subsequent contract months. Because there is currently no open interest in the AJC March 2015 contract month, no position holders will be impacted.

Background and Amendment of Regulation 5402.00.

When developing the original contract specifications for the AJC futures contract, MGEX set the malic acid¹ range at 1.0 – 2.2% because that level was generally acceptable in the industry and reflected the existing physical product within the U.S., much of which came from China and the U.S. Although Europe produces higher-acid AJC, it was not used when designing the original futures contract specification because European AJC normally only traded in Europe and sold at a higher price. Recently, however, this higher-acid European AJC has begun trading in the U.S. at a lower price, and it appears it will continue to do so for the long-term.

¹ Malic acid is a naturally occurring compound in all apple juice and contributes to the tartness of a juice.

Because European AJC is just as acceptable to the industry and has a malic acid range of around 2.8 – 3.5%, MGEX amended Regulation 5402.00. so that the current malic acid range of 1.0 – 2.2% was widened to 1.0 – 3.5% to reflect the available commercially acceptable product. The Exchange determined that this change would be in the best interest of MGEX and its market participants for a couple of reasons. First, this amendment makes the contract specification range more inclusive, rather than less, and will thereby increase the deliverable supply of AJC. By allowing European producers to access the U.S. futures market, there is a greater supply available to be traded and delivered through futures. In addition, this wider range is more representative of what is trading in the U.S. cash market at the present time and also aligns with what is commercially acceptable within the industry.

Public Feedback and Opposing Views

Industry participants have expressed their desire for a broader malic acid range and view this higher-acid AJC product as commercially acceptable. Specifically, representatives from PepsiCo, Lassonde, Coca Cola, Zhonglu Fruit Juice Co., Citrus World, and others were consulted regarding the commercial acceptability of higher-acid European AJC; none noted any significant concerns. Many in the industry have already begun buying and incorporating European AJC into their products and have not found that it creates any technical complexities.

The Exchange also requested public feedback regarding the amendments by posting notification on its website homepage on November 18, 2014. The notification and request for comments or feedback specified that the change would apply to the March 2015 futures contract month and all subsequent contract months, and it will remain on MGEX's website until the effective date of the amendments. As of the time of this submission, the Exchange has not received any comments in opposition to the proposal. Management also submitted the amendments to the MGEX Board of Directors at the October 28, 2014 Board meeting. The Board offered its unanimous support of the proposal and no Director expressed any opposition to the amendments. The Exchange is not aware of any other substantive opposing views with respect to the proposed amendments.

Core Principles

The Exchange has reviewed the core principles for designated contract markets ("DCM Core Principles") and has determined that the attached amendments comply with the requirements of the following:

- *DCM Core Principle 2, Compliance with Rules:* Trading in the AJC futures contract is subject to the MGEX Rules and Regulations, which include trade practice rules and prohibitions against fraudulent trading and abusive or manipulative practices. In addition, the MGEX Department of Audits and Investigations performs market and trade practice monitoring and surveillance for the products, and has the authority to exercise its investigatory and enforcement powers when potential rule violations are identified. The amendments certified herein do not affect the

Exchange's capacity to ensure and enforce compliance with its rules, including those regarding compliance with contract terms and conditions, and conduct market and trade practice surveillance as required under the CEAct and CFTC regulations.

- *DCM Core Principle 3, Contracts not Readily Subject to Manipulation:* MGEX continues to ensure that its contracts are not susceptible to manipulation. When preparing this amendment, the Exchange consulted with market participants and made the change in order to ensure that the contract specifications reflected the underlying cash market, as suggested by Appendix C to Part 38.
- *DCM Core Principle 4, Prevention of Market Disruption:* Core Principle 4 requires MGEX to monitor its contract terms and conditions as they relate to the underlying commodity market, as well as the supply of the commodity and its adequacy to satisfy delivery requirements. As explained in the paragraphs above, the amendments make the AJC futures contract more representative of what is trading in the U.S. cash market and will increase the deliverable supply of AJC.
- *DCM Core Principle 7, Availability of General Information:* MGEX is ensuring that information regarding AJC contract specifications, a term and condition of its contracts, is readily available to the public and is accurate and clear. All information regarding the contract specifications of the AJC futures contract is published in the MGEX Rulebook, which is available on the Exchange's website, and in other materials available on the MGEX website.

If there are any questions regarding this submission, please contact me at (612) 321-7143. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Lindsay Hopkins".

Lindsay R. Hopkins
Clearing House Counsel

EXHIBIT A

The following MGEX Regulations are to be amended. Additions are underlined while deletions are ~~marked through~~.

5402.00. APPLE JUICE CONCENTRATE FUTURES CONTRACT SPECIFICATIONS.

The AJC futures contract shall be based on product with the following specifications:

BRIX: Minimum 70.0 degrees

ACID: 1.0 to ~~2.2~~3.5% wt/wt as malic acid

COLOR: >40% transmittance @ 440nm (See below for further information on color)

TURBIDITY: </= 3 NTU

YEAST: </= 500 cfu/ml

THERMODURIC ACIDOPHILIC BACILLI (TAB): <1 cfu/10ml

PATULIN: Maximum 50 ppb @ single strength

TOTAL PLATE COUNT (TPC): <1,000 cfu/ml

FLAVOR: Characteristic of ripe, mature apples with no off flavors or aromas.

MAXIMUM STORAGE TEMPERATURE: 0° Fahrenheit after USDA sampling

COUNTRY OF ORIGIN: AJC shall have accompanying documentation, by drum and/or bin, indicating its country of origin. Only one country of origin and a single same day production lot is permitted per futures contract.

DELIVERY: Delivery shall be by 55 gallon drums or 275 to 325 gallon bins

DELIVERY LOCATIONS: The Exchange-approved cold storage warehouses with facilities located on the mainland coasts of the United States ("Regular" warehouses).