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RECORDS SECTION

April 14, 2005

Electronic Mail

Ms. Jean A. Webb  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street NW  
Washington, D.C. 20581

COMMENT

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2005 APR 14 PM 2: 01  
OFC. OF THE SECRETARIAT

SUBJECT: Proposed Revision of Federal Speculative Position Limits

Dear Ms. Webb:

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 March 15, 2005 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 the wheat contracts at the Chicago Board of Trade and the Kansas City Board of Trade. As stated in our May 2004 petition for a change in speculative position limits, parity among the three domestic contract markets trading wheat is essential for those participants seeking arbitrage opportunities. While the MGEX prefers the speculative position limits be repealed and encourages the Commission to revisit this issue in the future, we support the Commission's proposal to increase the single month limit from 3,000 to 5,000 contracts and the all months combined position limit from 4,000 to 6,500 contracts.

The MGEX has continued to experience record volume and open interest in the Spring Wheat contract since filing our petition in May 2004. The economic reality is that more individuals and entities are participating in the Spring Wheat commodity market. Commodity funds and other sophisticated market participants, in particular, are now an essential and recognized element of the price discovery process. Consequently, the demand and need for a change in the speculative position limits has only increased over the last year.

With the increase in volume and open interest, and the participation of active speculative position holders, liquidity in the Spring Wheat contract continues to grow. Based upon past experience after the position limits were last changed, the Exchange believes the current liquidity trend will continue upward when the Commission's proposed increase in the speculative position limits is implemented. Liquidity in the Spring Wheat contract benefits both commercial and speculative participants. Consequently, the MGEX supports immediate implementation of the proposed limits.

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 can be 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.

Since the MGEX Hard Red Spring Wheat Index contract is a cash settled contract and the MGEX Spring Wheat contract has a physical delivery mechanism, the Exchange is pleased the Commission wisely chose not to implement federal speculative position limits for the Index contract. Further, the Exchange already has speculative position limits in place for the Index contract. Additionally, expanding the scope of Commission Regulation 150.2 to include the Index contract is not warranted when there is no demonstrated need for federal speculative position limits.

Finally, the MGEX supports the Commission's logical proposal to repeal the position limits for the White Wheat contract since it no longer trades.

The Exchange thanks the Commission for reviewing the speculative position limits and for considering the MGEX petition filed in May 2004 in its analysis and proposals. Again, the Exchange requests the Commission consider repealing all speculative position limits, including the spot month limit, in a future examination of CFTC Regulation 150.2. If there are any questions regarding these comments, please contact me at (612) 321-7166. Thank you for your attention to this matter.

Sincerely,



Mark G. Bagan  
Corporate Secretary

cc: Kent R. Horsager  
President, MGEX