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# Robusta Futures

## FAQ

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## **1. What is the new ICE Futures U.S.<sup>SM</sup> Robusta futures contract?**

There are two primary varieties of coffee that are used in its production. One of these is Arabica, a more expensive, higher quality variety, and the other is Robusta, a variety popular with growers because it can be grown in under a wider variety of conditions than Arabica. A futures contract for Arabica coffee has been offered by the Exchange since 1955, known as Coffee “C” – the leading coffee futures contract in the world. Beginning in September 2007, the Exchange will begin offering a futures contract for Robusta coffee.

Robusta coffee production has grown in the past decade to the point where Robusta regularly accounts for more than 40% of total world coffee production. While certain producers and end users use Robusta exclusively, many origins produce both and many end users utilize a variable blend of Robusta and Arabica in their commercial product. The new Robusta futures contract will offer the coffee trade an improved tool to manage their overall coffee price risk.

Complementing the existing Coffee “C” contract, the new ICE Futures Robusta contracts offer enhanced trading opportunities to the investment community that is already active in other agricultural futures and options markets offered on ICE.

## **2. What are the key contract terms?**

The new Robusta futures contract terms are similar in many ways to the existing Coffee “C” contract for Arabica coffee:

- Size – 37,500 pounds
- Pricing – U. S. cents per pound, to two decimal places
- Minimum Tick – 5 points, \$18.75 per contract
- Contract Months – March, May, July, September and December

First/last trading day, first/last notice day and first/last delivery day will be the same as the Coffee “C” futures contract.

## **3. How and when will the new contract trade?**

The new Robusta futures contract will trade exclusively the ICE electronic trading platform, starting on Friday, September 28, 2007. Options on the Robusta futures contract will begin trading on the New York trading floor on Monday, October 1; electronic trading of the options will be added at a later date.

Trading hours, each trading day:

- Futures: 1:30 a.m. ET to 3:15 p.m. ET
- Options: 8:30 a.m. ET to 12:30 p.m. ET

## **4. When will Settlement Prices for the new contract be determined?**

Daily Settlement Prices for the futures and options will be determined based upon trades and bid/ask information during the two-minute closing period, which is from 12:28 to 12:30 p.m. each day. This is the same time at which settlements are determined for the Coffee “C” contract.

## **5. What will be the first delivery month?**

The first listed contract month will be the December 2007 expiry.

## **6. What are the Exchange and Clearing fees for the new Robusta contract?**

Exchange and clearing fees for the new Robusta futures and options contracts are the same as fees for the Coffee “C” futures and options contracts respectively. Current exchange and clearing fees can be found at:

[https://www.theice.com/publicdocs/futures\\_us/NYBOT\\_Exchange\\_and\\_Clearing\\_Fees.pdf](https://www.theice.com/publicdocs/futures_us/NYBOT_Exchange_and_Clearing_Fees.pdf)

## **7. What are the delivery terms of the new Robusta contract?**

The contract prices delivery of sound Robusta coffee, of one growth, with defects of from 3.5% to 5.0% by weight, and with no more than 1% foreign matter by weight (per 300 gram sample). Grading will be performed by Exchange-licensed graders at the Exchange grading facility in New York.

Product delivered with defects of less than 3.5% by weight will receive a premium of 100 points; product delivered with defects from 5.1 up to 7.0% by weight will receive a discount of 200 points. Product with defects above 7.0% by weight or with foreign matter of more than 1% by weight is not deliverable on the contract.

To be deliverable, coffee must be free of foreign odor, and must be of bean size such that not more than 10% passes through screen 13 round and nor more than 4% passes through screen 12 round.

## **8. Will grading include a cupping component?**

Yes, Exchange grading will include a cupping component, although the contract standards are different between Robusta and the “C” contract. The cupping standard for Robusta is “sound condition”, as distinct from the Arabica “C” standard of “sound condition, free from all unwashed flavors in the cup”.

While the cupping component of Arabica “C” grading is intended to help ensure that the beans being graded produce a result that meets a particular and “positive” profile, the Robusta cupping component is intended to assist in excluding beans that present “off” or “negative” characteristics when cupped.

## **9. What are the grading fees?**

The grading fees are 60 cents per bag for initial grading and 80 cents per bag for an appeal. However, for the launch of the contract, grading fees will be waived until December 31, 2007 or until the number of bags submitted reaches 200,000 bags, whichever comes first.

## **10. What are the delivery points on the new contract?**

Delivery points for the Robusta futures contract are New York, Houston, Miami and New Orleans (all at par) and Antwerp, Barcelona, Bremen, Hamburg and Trieste (all at 200 points discount).

#### **11. How will the delivery process be administered?**

All grading requests and deliveries will be processed using the Exchange's eCOPS<sup>®</sup> system, which will provide Delivery Worksheets, Invoices, and the customer documents and functionality currently in place for the Coffee "C" contract. The delivery settlements will be processed by our clearing house, ICE Clear U.S., via clearing house funds. eCOPS and an array of reports will be available for the startup of trading. To apply to become an eCOPS participant, please email [Valerie.Colaizzo@theice.com](mailto:Valerie.Colaizzo@theice.com) for an application.

#### **12. Will traders be able to execute spread transactions between the Robusta and "C" Arabica spread transactions directly on the ICE trading platform?**

Yes, the platform will eventually allow traders to execute transactions in which one party is buying a Robusta futures contract month and selling the same contract month of the Coffee "C" contract, and the other is doing the opposite. This automated feature will be activated in early 2008. However, traders are also be able to trade into a spread position between the two contracts by executing separate transactions in the respective contracts.

#### **13. What are speculative position limits for the new contract?**

At launch the speculative limits will be:

- Spot Month: 300 futures contracts
- Any One Month: 1,000 futures equivalent contracts.
- All Months Combined: 1,000 futures equivalent contracts.

Hedgers will be able to apply for exemptions to these limits.

The reportable level for the new contract is 20 lots.

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