ICE BARLEY FUTURES & OPTIONS

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IntercontinentalExchange
ICE Futures Canada ▪ ICE Clear Canada

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ICE Futures Canada is pleased to introduce new Barley futures and options contracts, which are expected to be listed for trade in January 2012, following enactment of Bill C-18.

The majority of Canada's wheat, durum wheat, and barley is produced in the western provinces of Manitoba, Saskatchewan, Alberta, and British Columbia. Since 1943, the Canadian Wheat Board (CWB) has held a legal monopoly to market all wheat, durum wheat, and barley grown in Western Canada and destined for human consumption or for export.

Bill C-18, introduced by the Government of Canada on October 18, 2011, will end the CWB's marketing monopoly and allow Western Canadian wheat, durum wheat, and barley to be freely traded for the first time in nearly 70 years.

Western Canadian grain producers, grain merchants, and processors have been using grain and oilseed futures to market some of their crops for generations, most notably ICE Futures Canada's flagship Canola contract. Canola is Western Canada's second-largest crop by volume, after wheat, and is the highest total value crop.

BARLEY CONTRACT HIGHLIGHTS

Contract Size	20 metric tons ("tonnes")
Price Quotation	Canadian dollars and cents per tonne
Minimum Price Fluctuation (Tick)	$0.10/tonne ($2.00 per contract)
Delivery Months	March, May, July, October, December
Par Deliverable Grade	No. 1 Canada Western barley with maximum 0.5 ppm vomitoxin and maximum 2% dockage.
Delivery Points	Regular elevators in Eastern Saskatchewan, with delivery at other points in Manitoba, Saskatchewan, Alberta, and B.C. at listed premiums or discounts.

BARLEY

The grade of barley deliverable at par against the Barley futures contract is No. 1 Canada Western barley, which is a grade generally used for livestock feed. Barley is the most important feed grain in Western Canada, Europe, and in other countries with climates not suitable for corn (maize) production. Other primary uses of barley include malting for beer and other beverages, and in the production of various food products.

Major barley producing countries include the European Union, Russia, Canada, Ukraine, Australia, Turkey, and the United States. Major exporting countries include Ukraine, Australia, the E.U., Russia, and Canada. Major importing countries include Saudi Arabia, China, Japan, and other Middle Eastern and North African countries.

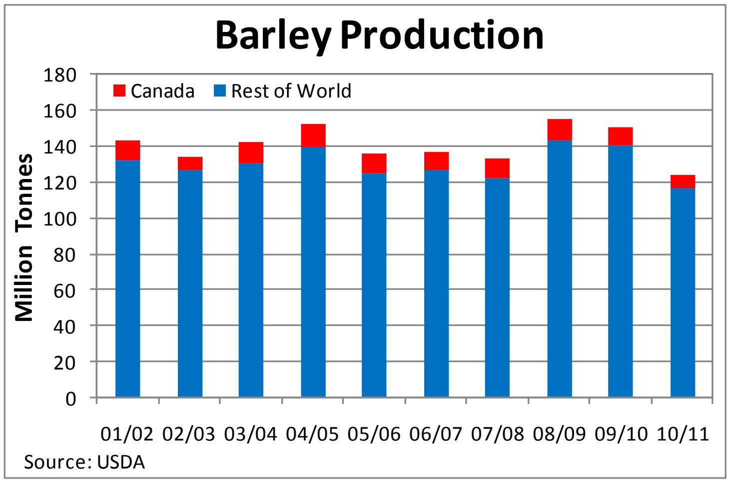
WORLD BARLEY SUPPLY & DEMAND

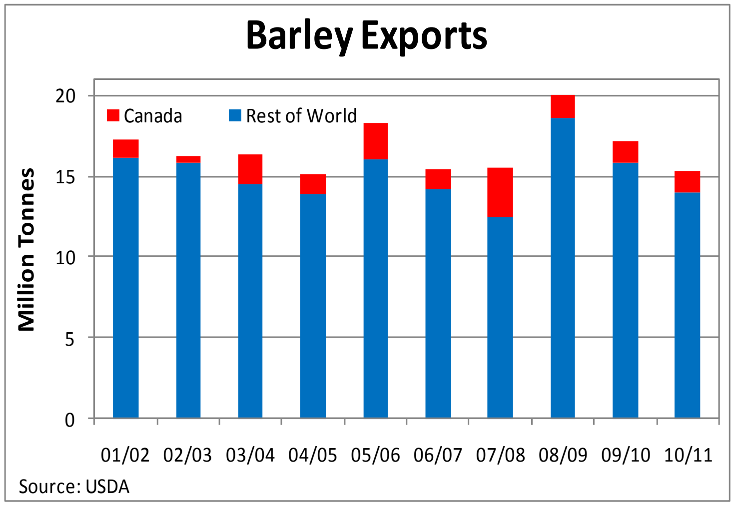
During the ten years from 2001 to 2010, world barley production averaged 141 million tonnes, ranging from a high of 155 million tonnes in 2008 to a low of 124 million tonnes in 2010. In addition to weather conditions and overall supply and demand for barley, competition from other crops such as wheat and canola/rapeseed can have a significant influence on the amount of land sown to barley each year, and as a result, on barley production.

Annual world barley trade averaged 17 million tonnes in the 2005-06 to 2009-10 marketing years, including an average of 1.9 million tonnes exported from Canada.

From 2001 to 2010, an average of 10.4 million tonnes of barley was produced in Canada. During that period, an average of 9.1 million tonnes was consumed domestically, mostly for livestock feed, and the balance was exported.

Within Canada, barley faces competition in feed markets from corn and other feedstuffs, both domestically grown and imported. Restrictions on barley exports have made the domestic feed industry the primary market for Western Canadian barley, and have restricted access to potentially higher-value markets in the United States and across the World. The impending removal of restrictions on exports of Western Canadian barley has potential to both increase Canadian barley exports and increase Canadian barley production.





CONTRACT STRUCTURE

The Barley contract prices No. 1 Canada Western barley in the major producing area of Eastern Saskatchewan, with delivery at premiums or discounts at other locations across the Canadian prairies.

By pricing barley at the production source, rather than at a single destination or trans-shipment point, the contract provides flexibility for shipment in all directions, including to exporting ports on the Pacific coast, St. Lawrence River, and Churchill, and to markets across North America.

The par deliverable grade reflects the specifications of most of the domestic and export feed barley trade, and the deliverable grades allow for most barley grown in Western Canada to be deliverable against the Barley futures contract in a typical production year.

During the contract design consultation process, barley maltsters expressed their preference to use a feed barley futures contract as a reference for pricing malting barley production contracts, rather than to have a futures contract specifically for malting grades of barley.

CONTRACT CURRENCY

The Barley futures and options contracts are priced in Canadian dollars (CAD). By pricing the contract in the currency used for trade in the major production area, the contract pricing is relevant to its primary users who determine the contract value, and reduces the need for producers, domestic end-users of barley, and small hedgers to hedge currency when trading the Barley contract. The need to hedge currency thus falls to exporters and merchandisers, who trade barley in larger lots and are more accustomed to hedging currency.

DELIVERY CAPACITY

Delivery will be F.O.B. at registered grain elevators that are able to load both trucks and rail cars.

Elevators eligible for delivery against the Barley futures contract cover the entire barley growing area of Western Canada. Grain elevators in the deliverable region have a total grain storage capacity of 4.6 million tonnes. Most of this storage space is in elevators that are eligible to be registered as regular for delivery and are operated by companies eligible to issue warrants for delivery against the Barley futures contract.

DELIVERY PROCESS

Futures delivery is managed using a Warrant and Delivery Certificate system. Warrants may be issued by Participants registered in the category of Merchant – Multi-Commodity.

Futures delivery is initiated by the short futures position holder (seller) submitting a tender notice during the notice period of the contract month in which the short position is held. The tender notice is accompanied by a new Warrant in the case of a new delivery, or accompanied by a Delivery Certificate in the case of a re-delivery of certificates. On the following trading day, the delivery is matched to one or more long position holders (buyers) in the same contract month, beginning with the oldest long position. The buyer(s) receive a Delivery Certificate from the Exchange, and the futures positions of the seller and buyer are closed (offset). Payment is transferred from buyer to seller through the Exchange.

Delivery Certificates are generic as to location and grade. A Delivery Certificate holder may call for shipment of barley on any Trading Day. The shipment process is described in the next section. A Delivery Certificate holder (buyer) who does not wish to call for shipment may re-deliver the Delivery Certificate against a short futures position during the applicable notice period, or may sell their Delivery Certificate to another party at any time.

Delivery Certificate holders pay Transaction Facilitation Fees of $0.12 per tonne per day to cover storage and other services from the day they obtain the Delivery Certificate until the day they transfer the Delivery Certificate to another party or the day shipment of barley is made. Warrant issuers receive Transaction Facilitation Fee payments for these services until they ship barley or offset their warrants.

Warrant issuers may fulfill their obligation by shipping barley when called for by a Delivery Certificate holder, or may offset and cancel their warrant by taking delivery of Delivery Certificates through a long futures position or buying an outstanding Delivery Certificate from another party.

Warrant issuers must post letters of credit or cash with the Exchange for indemnification of all outstanding warrants in an amount specified in the Rules.

SHIPMENT PROCESS

The physical movement of the barley represented by a Delivery Certificate is initiated by the holder of the Delivery Certificate (the buyer) submitting a Call for Shipment to the Exchange on any Trading Day.

A buyer may call for shipment against part or all of the Delivery Certificate(s) it holds, in multiples of 20 tonnes.

Delivery Certificates are generic. When called for, the Exchange will match the shipment to the oldest outstanding Warrant(s) (sellers). The seller(s) will be notified that shipment has been called for, and will provide, within two business days, a list of one or more regular elevators (nominated locations) where the barley may be shipped from, and the quantity available at each nominated location. When nominating more than one location, sellers must nominate a minimum of 500 tonnes at each location. If the quantity called for shipment is less than 500 tonnes, the entire quantity must be nominated at one location.

Within two business days after receiving the list of nominated locations, the buyer must either accept or reject shipment of part or all of the nominated quantity at each nominated location, in multiples of 20 tonnes.

When part or all of the nominated quantity is rejected by the buyer, that portion of the seller's warrant(s) are re-dated to the rejection date, and this rejection date is then used to determine the oldest outstanding warrants when future requests for shipment are made.

When part or all of the nominated barley is accepted, the buyer and seller arrange to make shipment of the accepted quantities, and the shipment must be complete within 32 business days from the date the buyer accepted the shipment.

The buyer may arrange for shipment to be made by truck or by rail. It is the buyer's responsibility to arrange for shipment by truck. When shipment is by rail, the buyer provides shipping instructions to the seller, and the seller places orders with the railway for empty rail cars to be placed at the shipping facility. It is the seller's responsibility to load and release the rail cars as required under the Rules, and it is the buyer's responsibility to pay the freight charges.

ICE BARLEY FUTURES AND OPTIONS CONTRACT SPECIFICATIONS

FUTURES	
Trading Symbol	BW
Contract Size	20 metric tons ("tonnes")
Price Quotation	Canadian dollars and cents per tonne
Minimum Price Fluctuation (Tick)	$0.10/tonne ($2.00 per contract)
Pricing Basis	Free on Board regular elevators in the Par Region
Delivery Months	March, May, July, October, December
Trading Hours	Pre-open 6:30 pm CT, Open 7:00 pm to 1:15 pm CT
Settlement Period	1:14 to 1:15 pm CT
Daily Price Limit	$10 per tonne, expandable to $15 and then to $20.
Deliverable Specifications	No. 1 Canada Western barley with maximum 0.5 ppm vomitoxin and maximum 2% dockage at contract price, or No. 2 Canada Western barley with minimum test weight of 288 g per 0.5 Litre (60 kg/hL), maximum 0.5 ppm vomitoxin, maximum 2% dockage, maximum 2.5% other cereal grains, and maximum 1.0% wild oats, at a discount of $7.00 per net tonne.
Delivery Regions	**Par -** Locations in Eastern Saskatchewan, East of Saskatoon, at contract price.
	Southern Manitoba - Locations in Manitoba, south of Dauphin, at a $4.00/tonne discount.
	Northwestern Manitoba – Locations in the Dauphin-Roblin-Swan River area of Manitoba at a $6.00/tonne discount.
	Western Saskatchewan – Locations in Western Saskatchewan and Eastern Alberta at a $4.00/tonne premium**.**
	Central Alberta – Locations in Central Alberta, North of Red Deer, at an $8.00/tonne premium.
	Southern Alberta – Locations in Southern Alberta, South of Red Deer, at a $10.00/tonne premium.
	Peace River – Locations in the Peace River region of Alberta and B.C. at a $12.00/tonne discount.
First Notice Day	One Trading Day prior to the first delivery day.
First Delivery Day	First Trading Day of the delivery month.
Last Trading Day	Trading Day preceding the fifteenth calendar day of the delivery month.
Final Notice Day	First Trading Day after the last Trading Day of the delivery contract.
Speculative Position Limit	1000 contracts in spot month. Speculative Position Limits apply during spot month only.
OPTIONS	
Underlying Contract	One Barley futures contract
Price Quotation	Canadian dollars and cents per tonne
Minimum Price Fluctuation (Tick)	$0.10/tonne ($2.00 per contract)
Contract Months	Regular options: March, May, July, October, December Serial options: January, February, April, June, August, September, November
Last Trading Day (Expiry Day)	The last Friday which precedes by at least two Trading Days the last Trading Day immediately preceding the options month, except January options expire on the third Friday of December.