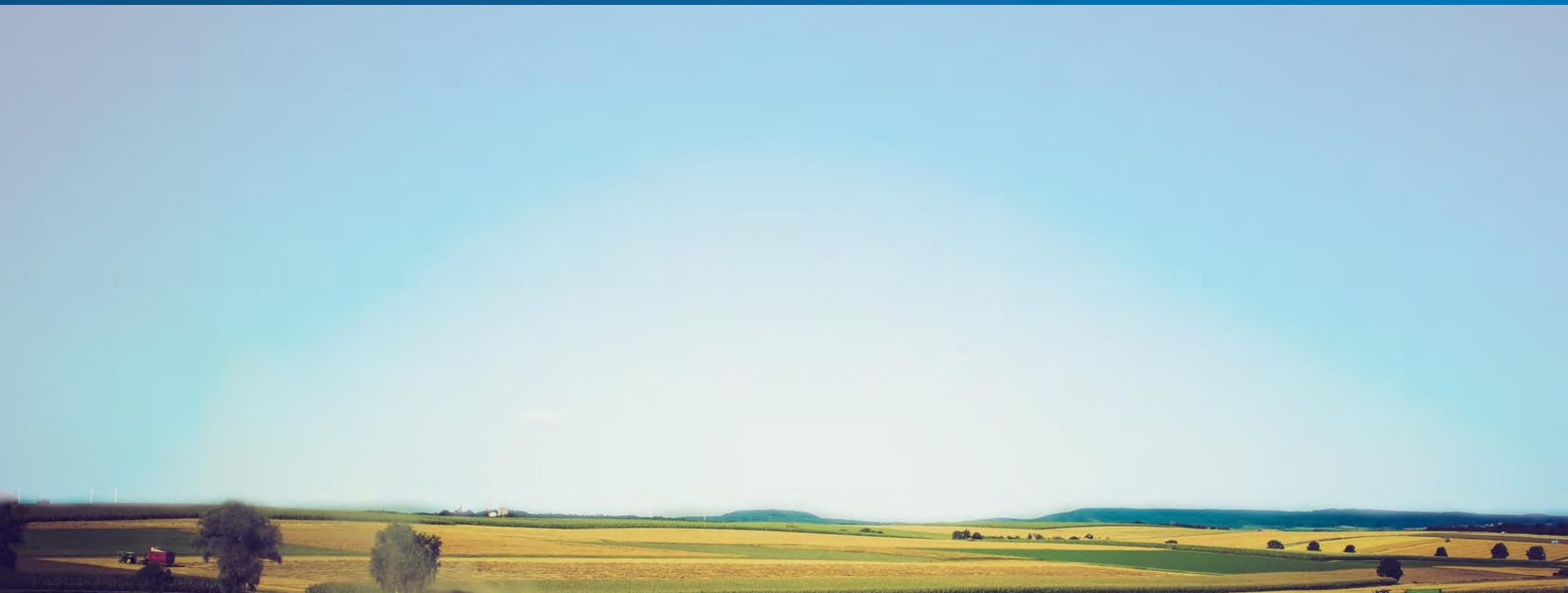




EU WHEAT CONTRACT UPDATE



Why A New EU Wheat Contract...

- Unambiguous rules, procedures & criteria
- Enhanced delivery capacity
 - Large number of warehouses
 - Greater participation possible in the delivery process
- Flexible delivery system
 - Large number of delivery points across northern France
 - Allows traders to re-delivery, carry certificates
- Supports a carry structure, payment for holding wheat
- Data on delivery and warehouses

EU wheat contract – main features

- Basis Rouen, delivered in store, with loading onto buyer's transport paid for
- Delivery regions are in the north of France
- Delivery points are approved and registered stores
- Each store has fixed location differential, based on cost of transport from the store to Rouen
- Quality criteria: protein min 10.5%; Hagberg min 170; specific weight min 74, 15/4/2/2, mycotoxin set at food levels
- Daily charge whilst certificate is held: 0.065 €/t (0.13 €/t mid-June to mid-Sep)
- Delivery months Sep, Dec, March, May
- Minimum loading out rates set for lorry, barge and train
- Delivery takes place via a CME certificate

Contract delivery main features

- Through approved stores
- Via electronic warehouse certificates
- Choice for the buyer receiving taking delivery of certificates
 - Give notification to take physical delivery
 - Re-sell the certificate on the futures market
 - Sell the certificate on the physical market
 - Hold onto the certificate and pay admin fee for future physical delivery
 - Off-market Alternative Delivery Procedure (ADP)
- Holders of the certificate pays administrative fee:
 - EUR0.065/tonne/day from mid-Sept to mid-June
 - EUR0.13/tonne/day otherwise

17 Approved Warehouses

Truck stores and diferencial

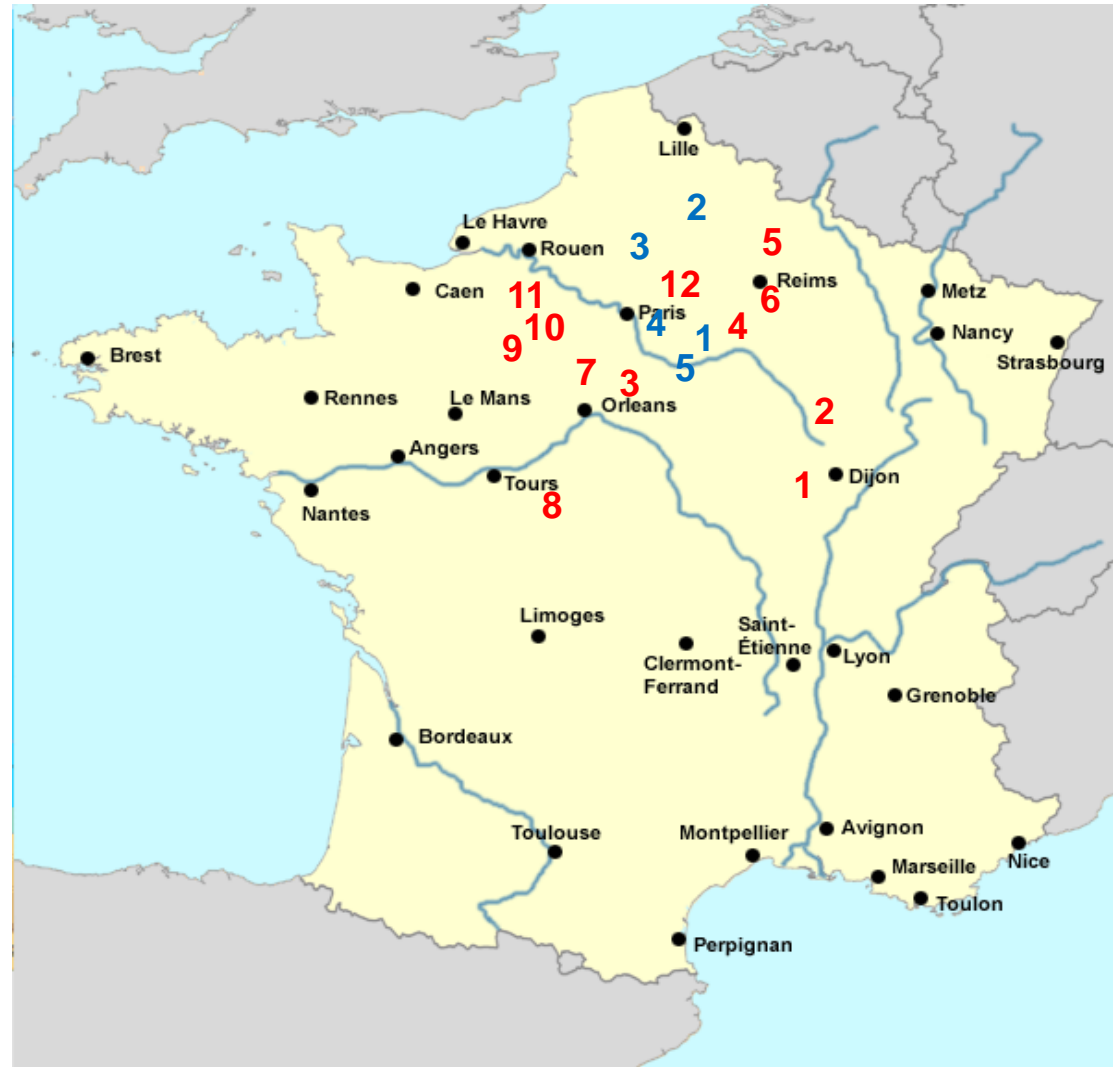
- 1) Soufflet – Arzembouy: €18.50
- 2) Soufflet - Pacy : €17.00
- 3) Soufflet – Auxe: €13.00
- 4) Vivescia – Châtres: €15.00
- 5) Vivescia - Acy Romance: €17.00
- 6) Vivescia – Coolus: €16.00
- 7) Axereal – Patay: €13.00
- 8) Axereal – La Martinerie: €20.00
- 9) Scael – Brou: €12.00
- 10) Scael - Gellainville : €10.75
- 11) Scael – Marchezais: €9.00
- 12) Valfrance – Ussy sur Marne: €12.00

Barge Stores and diferencial

- 1) Soufflet – Mouy: €6.50
- 2) Noriap – Languevoisin: €9.00
- 3) Semmap – Pte St Maxence: €4.50
- 4) Valfrance – Vaux le Penil: €6.00
- 5) Invivo – La Grande-Paroisse: €6.25

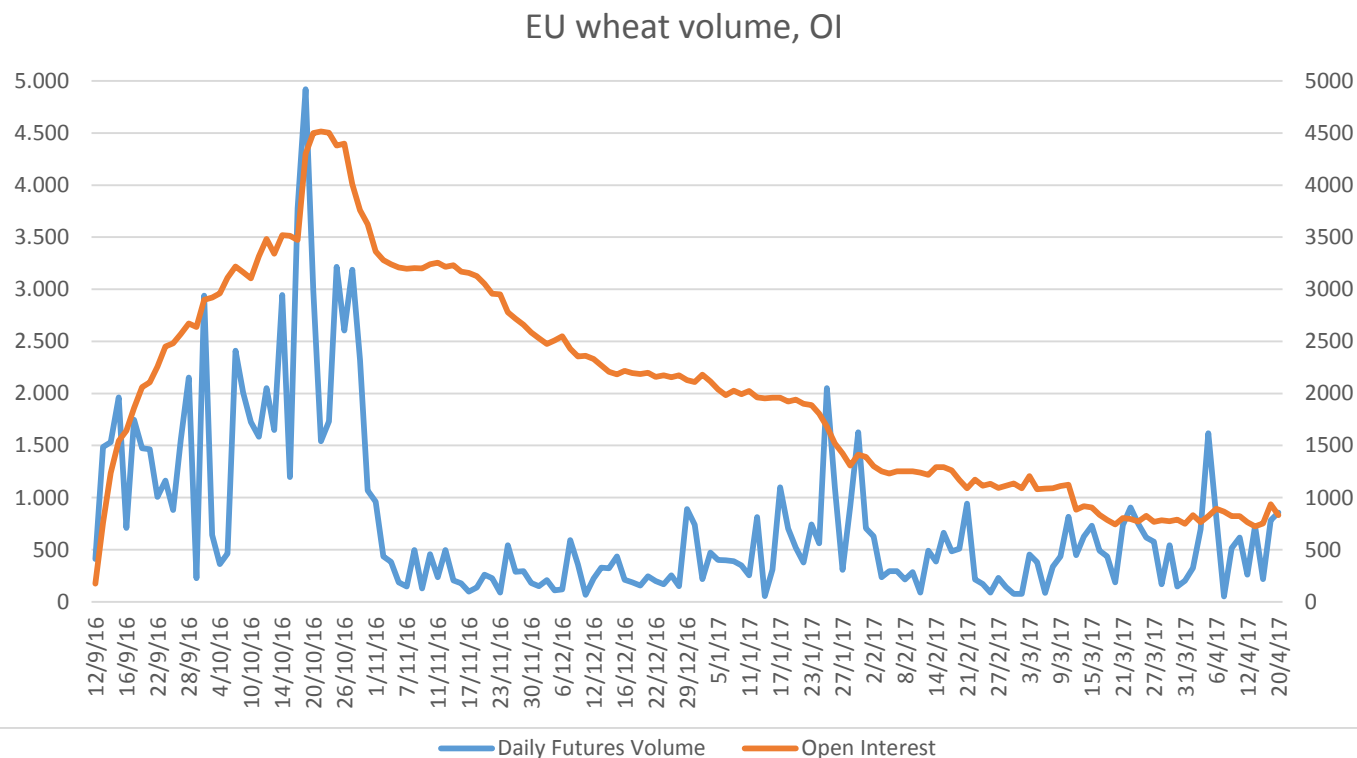
Approved Capacity

417,000 tonnes



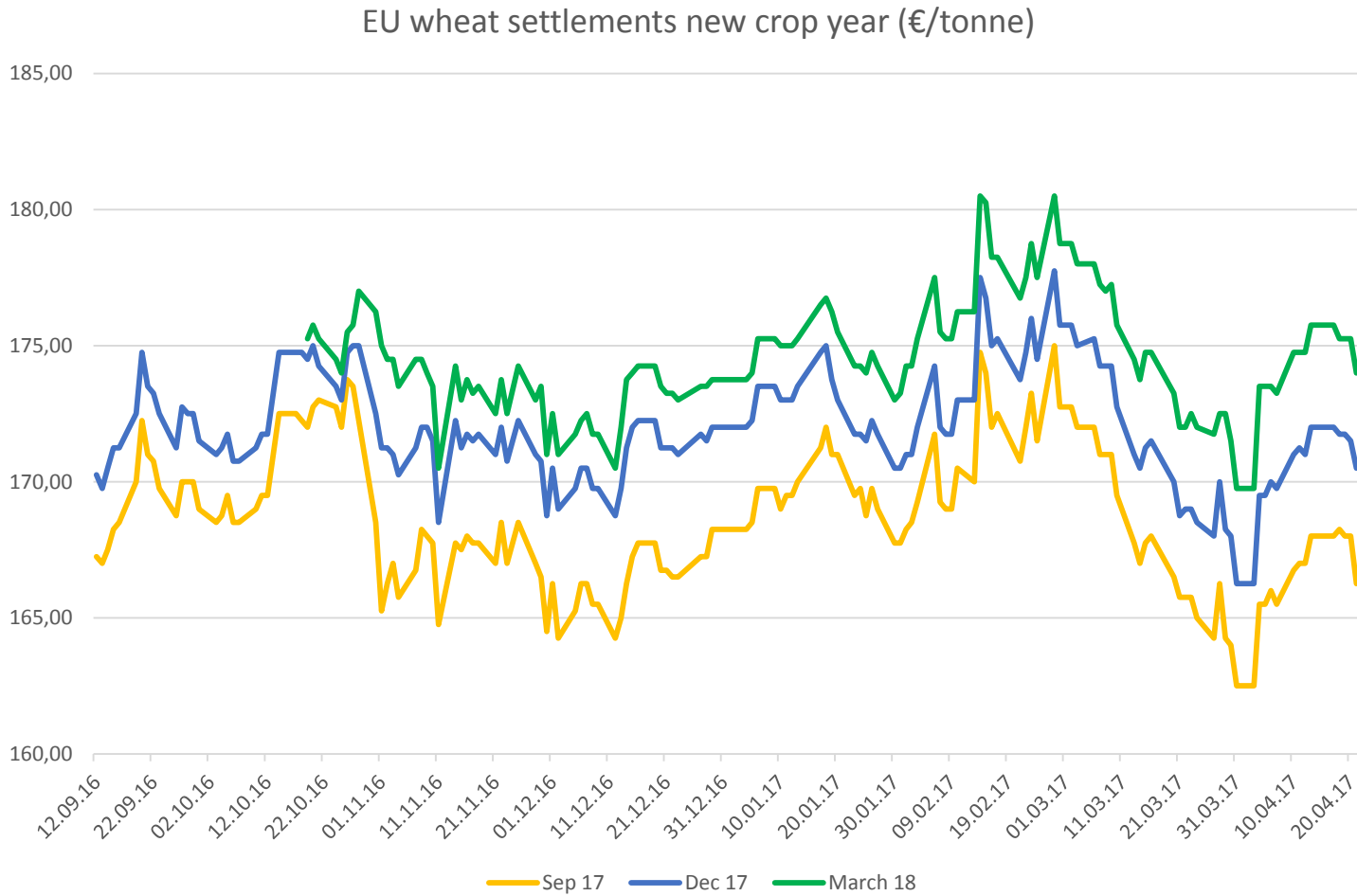
EU Wheat contract activity since launch

- Over 115,000 lots traded since launch (ADV 800 lots) > 5 million tonnes
- Over 600 lots of EFPs (AAs)
- Number of physical contracts prices against EU wheat
- Wide range of participants from numerous countries



New crop values and spreads

- New crop year contract months always in carry



Delivery activity since launch

- 65 lots delivered against Dec 16, through 3 different warehouses
- 64 lots re-tendered against March 17
- No physical load-out as yet – certificates have a validity of 3 years
- 4 certificates have been cancelled – only 61 certificates outstanding
- Certificats issuance, receipt and outstanding information:
 - http://www.cmegroup.com/delivery_reports/IssuesAndStopsYTDRReport.pdf. Details of clearing members that delivered and received certificates
 - http://www.cmegroup.com/delivery_reports/deliverable-commodities-under-registration.xls. Certificates issued and outstanding by warehouse
- Stock info. 13 April: 133k tonnes of stock across the 17 stores, of which 18k deliverable (http://www.cmegroup.com/delivery_reports/stocks-of-grain-updated-tuesday.xls)

Clearing and market access

Clearing

- Cleared by CME Clearing US, regulated by CFTC
- Clearing in Euro
- Not spot margins or delivery margins
- Margin offsets against CBOT SRW, Kansas HRW and CBOT corn

Accessing the contract to trade

- Exchange fee of \$1.03 per lot for non-members, lower for members
- Use the same brokers, clearing members and trading screens
- Number of order 'matching' tools available :
 - EFPs (AAs)
 - Blocks for orders of 50 lots or more
 - Request for quotes on options

Why participate in the contract?

- Contract has traded for 7 months, with good volumes for a new contract
- New crop is now the focus for hedging – 800 lots of OI and spread relationship established
- Open Interest out to May 2018; quotes out to Sep 18
- 1-3 tick market most of the day in Sep and Dec 17 and March 18
- Number of commercial firms looking to price new crop physical against EU wheat prices
- Ex-screen trade types such as blocks for futures and RFCs for options to enable large clips to be done
- Market maker providing bid/ask quotes in the front 5 months (out to September 2018), back by 5 lots, and are there to trade with your volume

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