

Distillers' Dried Grain Futures (DDG) Frequently Asked Questions

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CONTRACT SPECIFICATIONS

- 1. What is the deliverable product?**
100 Short tons of corn distillers' dried grains with solubles (DDGs).
- 2. What are the trading hours?**
6:00 p.m. to 7:15 a.m. and 9:30 a.m. to 1:15 p.m. Chicago Time, Sunday night through Friday afternoon.
- 3. What trading platform will DDG futures be available for trading on?**
Exclusively on Globex, the CME Group electronic trading platform.
- 4. What is the ticker symbol?**
DDG
- 5. What are the contract specifications for quality?**
Corn DDGs with minimum 26% protein; minimum 8% fat; maximum 12% fiber; and maximum 11.5% moisture.
- 6. To what extent, is vomitoxin levels a part of the DDG futures quality specifications?**
Buyers may request DDGs containing no more than 5 parts per million vomitoxin; however, vomitoxin testing shall be at buyer's expense.
- 7. When is the last trading day?**
The business day prior to the 15th calendar day of the contract month.
- 8. When is the last delivery day?**
Two business days following the last trading day.
- 9. Will DDG options or Cleared-only DDG swaps be available when DDG futures are launched on April 26?**
No, but the CME Group will monitor the progress of this market. Depending on market demand, CMEG may eventually list DDG Options for trading and DDG OTC Cleared-only products.

MARKET PARTICIPANTS

10. Who are the potential participants in this market?

Anyone with price exposure to DDGs. Examples include ethanol producers, feed merchandisers, feed mills, marketers, feed importers, feed exporters and livestock operations. DDG futures allow these market participants to hedge their risk exposure by locking in a price for DDGs up to twelve months in advance. Spread traders may trade a variety of spreads including the corn crush which includes Ethanol, DDGs, Corn and Natural Gas products.

11. How can producers of DDGs participate in the contract?

DDGs are a by-product of ethanol production. In addition to selling ethanol, DDGs are also sold as part of an ethanol plant's business model. Prices for both ethanol and DDGs are volatile, but ethanol producers already enjoy multiple risk management tools to hedge ethanol price risk. A DDG futures contract is a tool that ethanol producers can use to manage their DDG price risk. And with the launch of DDG futures, the CME Group has the products to allow an ethanol producer to manage their entire production margin from their inputs (corn and natural gas) to their outputs (ethanol and DDGs).

DELIVERY

12. Is the contract physically delivered?

Yes. Delivery may be made from any Exchange approved production facility and may be delivered to any location specified by the buyer in the contiguous United States. Delivery is based off rail junctions with deliveries from facilities east of the Mississippi River based off Chicago, Illinois and deliveries from facilities west of the Mississippi River based off Council Bluffs, Iowa.

13. When is the delivery period?

Deliveries may occur from the first business day of the contract month until two business days following the last trading day of the contract month.

Note: The First Intention Day (a.k.a. First Position Day) is when a seller can give their intention to deliver and is matched with a buyer. First Intention Day occurs two business days prior to the first delivery day. Hedgers using the DDG futures contract solely as a price risk management tool should liquidate all positions by end of trade on first intention day to eliminate the possibility of taking delivery on the futures contract. Also note that effective with First Intention (Position) Day, the daily price limits are removed.

14. What is the delivery instrument?

The delivery instrument is a shipping certificate representing a call on DDG production at an issuing delivery facility or a call on DDG loading capacity at an issuing storage facility.

15. How does the delivery process work?

A Short (seller who is an approved "regular for delivery" facility) issues a shipping certificate during the delivery period. The oldest long (buyer) on record is assigned delivery and receives the shipping certificate.

16. What can the long (buyer) do with the shipping certificate?

The long (buyer) taking delivery of a shipping certificate may do one of four things:

1. Cancel the shipping certificate and demand load-out of physical DDGs from the issuing delivery facility;
2. Hold and carry the shipping certificate to some later date paying a storage charge of 8 cents per short ton per day;
3. Go short (sell) a DDG futures contract and then re-deliver the shipping certificate on the futures market; or
4. Trade the shipping certificate in the cash market.

17. What happens if the long (buyer) cancels the shipping certificate for load-out?

The short (seller) delivers the specified quantity and quality of DDGs to the buyer's designated location via rail. The buyer pays the seller the public rail tariff from the designated rail junction to the buyer's designated location plus any fuel surcharges. The designated rail junction for the "regular for delivery" facilities east of the Mississippi River is Chicago, Illinois and for the "regular for delivery" facilities west of the Mississippi River is Council Bluffs, Iowa.

18. Do delivered DDGs have to be U.S. origin?

The DDGs may be produced anywhere as long as they meet contract specifications.

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