



Volatility in the Cotton Markets

Adam Ford

Marketing Manager – Soft Commodity Products

ICE Futures US

Forward-Looking Statement

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This presentation may contain “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements regarding our business that are not historical facts are forward-looking statements that involve risks, uncertainties and assumptions that are difficult to predict. These statements are not guarantees of future performance and actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statement. For a discussion of certain risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements see our filings with the Securities and Exchange Commission (the “SEC”), including, but not limited to, the “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the quarters ended March 31 and June 30, 2007, each as filed with the SEC on February 26, 2007, May 4, 2007, and July 27, 2007, respectively. These filings are also available in the Investor Resources section of our website. All forward-looking statements in this presentation are based on information known to us on the date hereof, and we undertake no obligation to publicly update any forward-looking statements.

Introduction & Agenda

- ICE Futures US
- Cotton #2 Futures & Options
- Volatility
- Price Discovery & Risk Management
- Conclusions and Observations

ICE Futures US

- **The Business**

ICE Futures U.S., Inc. is the original futures exchange of New York, a whole-owned subsidiary of IntercontinentalExchange® (NYSE: ICE), a leading global marketplace for price discovery, risk management and speculative trading.

- **The Soft Commodity Products**

Futures and Options contracts on a variety of soft commodities;

World Sugar	Sugar #11
-------------	-----------

Arabica Coffee	Coffee C
----------------	----------

Cocoa	Cocoa
-------	-------

Cotton	Cotton #2
---------------	------------------

Frozen Con. OJ	FCOJ
----------------	------

Quick Facts

- **History** – New York Cotton Exchange - founded in 1870
- Futures trading was conducted in open-outcry rings
- 1982 - Sugar options begin trading
- 1984 - Cotton options begin trading
- 1998 - Coffee, Sugar & Cocoa + Cotton = **NYBOT**
- 2007 - **NYBOT + ICE = ICE FUTURES US**
- **Technology** - Since February 2007 – electronic trading

Quick Facts

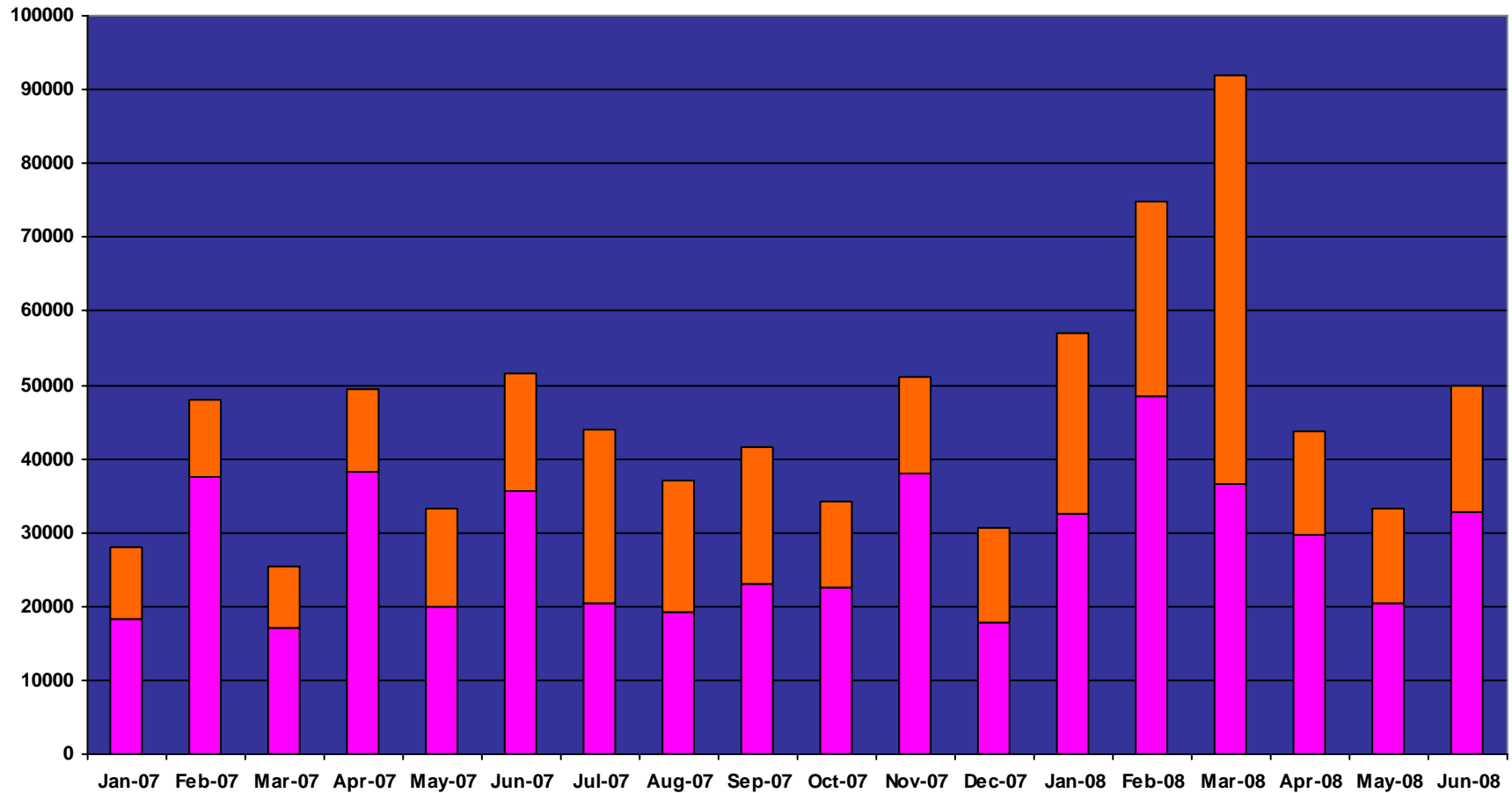
- Notional value of soft commodity contracts traded on ICE in 2007 was **\$1.039 Trillion USD**
- On ICE in 2007;
- **Cotton #2** traded the equivalent of 8 times global cotton production
- **Cocoa** traded the equivalent of 10 times global cocoa production
- **Sugar #11** traded the equivalent of 8 times global sugar production
- **Coffee C** traded the equivalent of 18 times global coffee production
- **Crude Oil** traded the equivalent of 6 times global oil production

Cotton #2 Futures & Options

- Physical delivery
 - 50,000 lbs
 - Approx notional value of \$36,500 AUD
- US grown, exchange grade (USDA)
- 300pt (3 cents) daily price limit – Futures
- Expanding daily limits following limit moves

Cotton Average Daily Volume – Futures & Options

Jan 07 – June 08



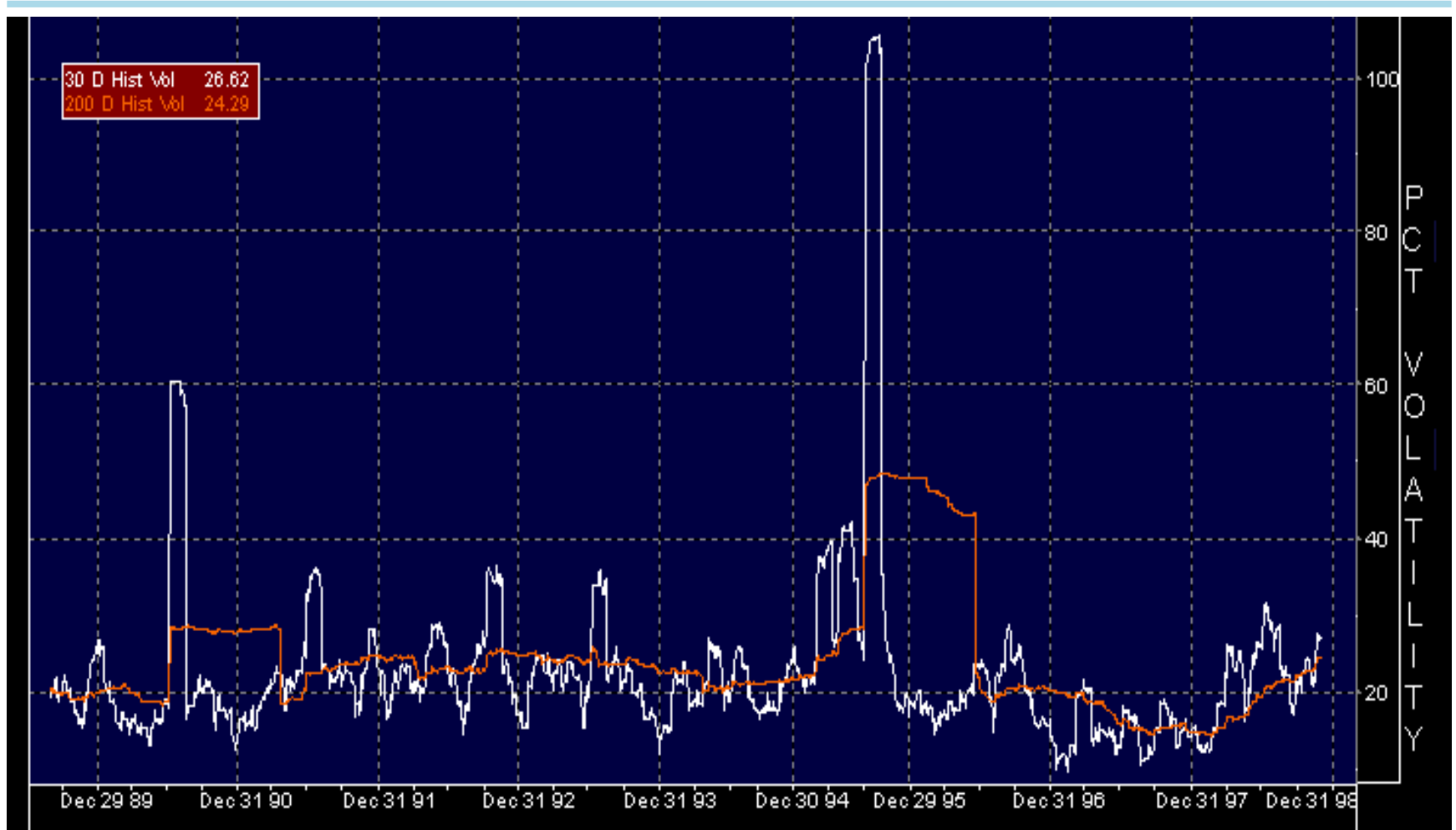
Volatility

- Definition;
 - The standard deviation of the change in the value of an instrument (in this case cotton futures) over a period of time (generally it is annualised)
- Historical Volatility – objective measure
- Implied Volatility – subjective measure
- What is extreme volatility?

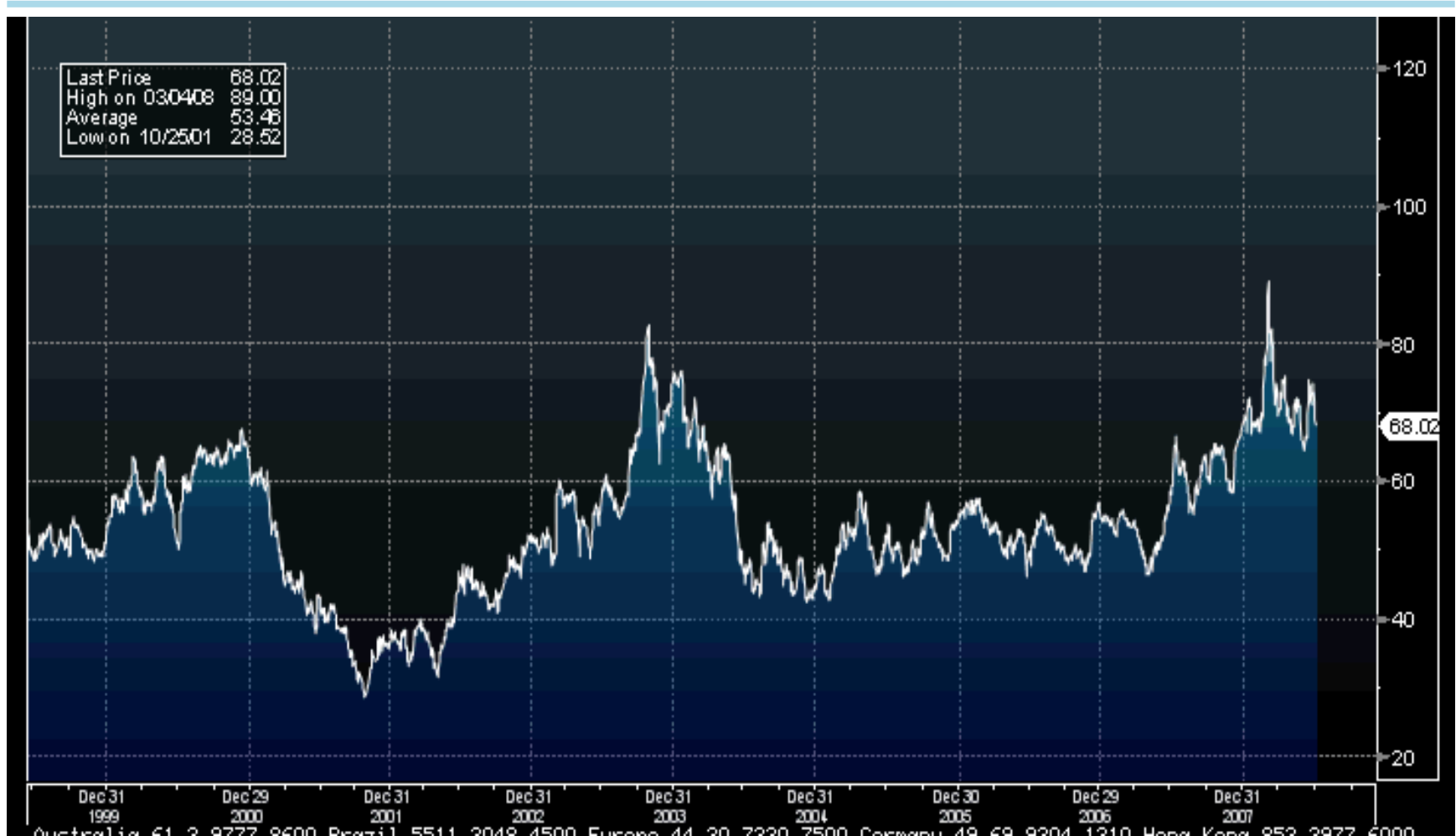
Cotton #2 Futures Historical Volatility (30/200) Dec 98 – Jul 08



Cotton #2 Futures Historical Volatility (30/200) Aug 89 – Jul 98



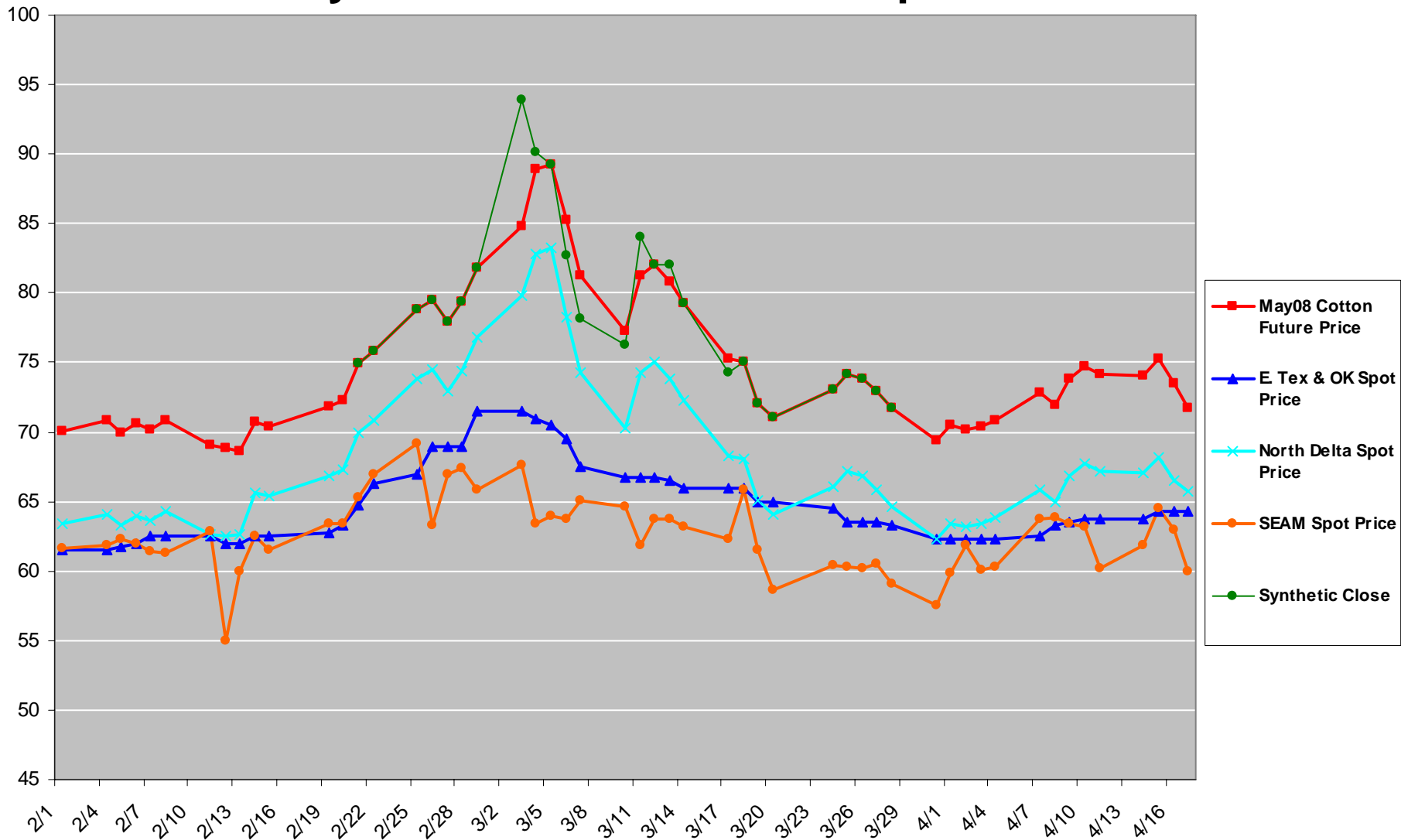
Cotton #2 Futures Price History Jul 99 – Jul 08



Cotton #2 Futures Price History Mar 90 – Jul 99

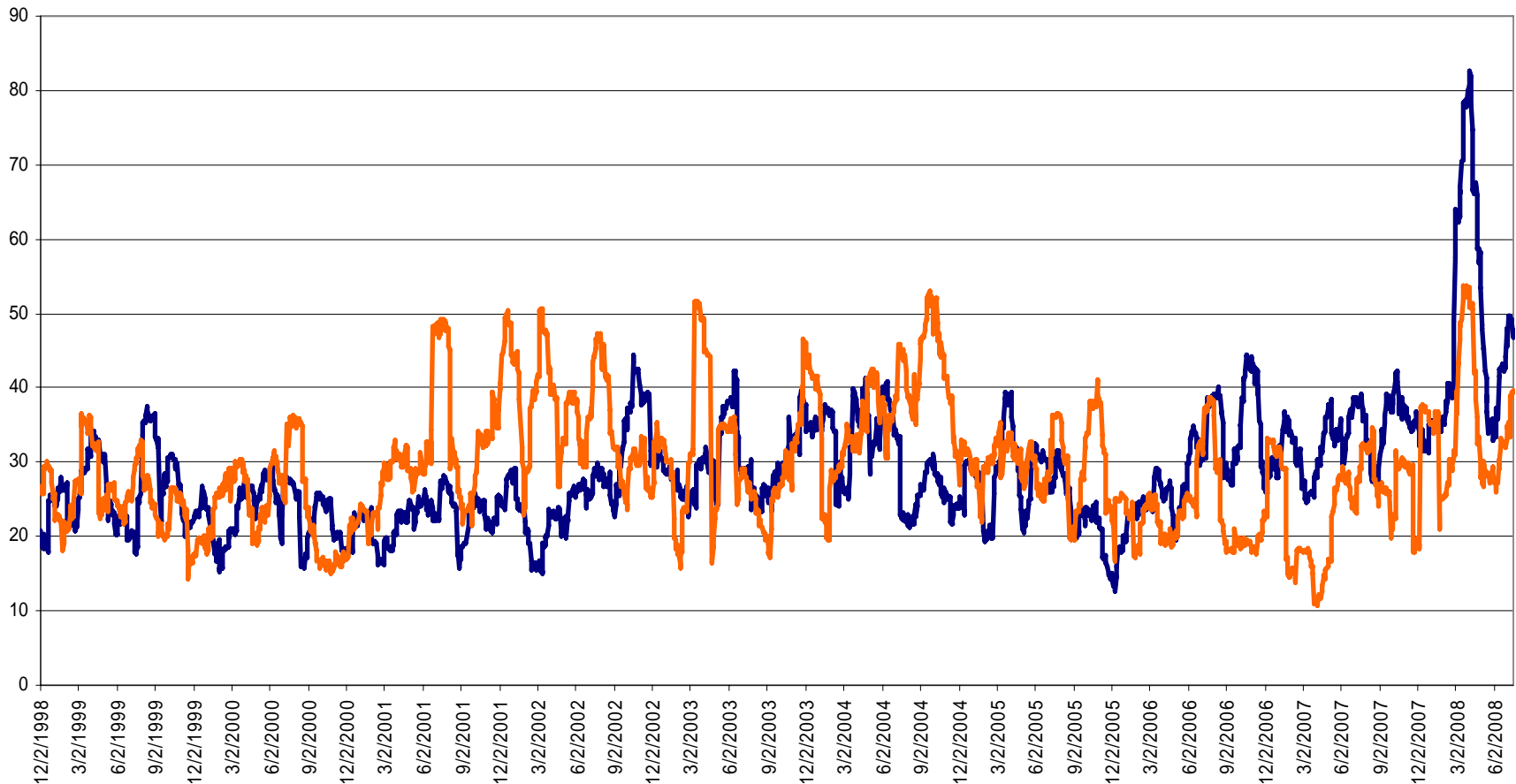


May 08 Cotton Futures and Spot Prices



Volatility Comparison – Wheat vs Cotton

Wheat vs Cotton 30 Day Historical Volatility Dec 98 - July 08



Price Discovery & Risk Management

- Core function of the commodity futures market
- Primary pricing mechanism for physical business into the future
- Allows participants to manage price risk
- Options provide tools to manage volatility

Conclusions and Observations

- Extreme volatility on a macro level
- Cotton was caught up in a perfect storm
- Volatility can be friend or foe
- Learn from the past
- ICE engaging in dialogue with global cotton community

