ICE FUTURES U.S.
World Financial Center
One North End Avenue
New York, New York 10282

C.F.T.C.
OFFICE OF THE SECRETARIAT

2010 DEC 15 PM 12 50

BY ELECTRONIC TRANSMISSION

Submission No. 10-61
December 15, 2010

Mr. David Stawick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Amendments to Rules 8.03, 8.04, Coffee "C" Appendices II(e), (f) and (h), IV and V -
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.6, ICE Futures U.S., Inc. ("Exchange") submits, by written certification, amendments to Rules 8.03, 8.04, Coffee "C" Appendices II(e), (f) and (h), IV and V, attached as Exhibit A.

Rule 8.03 and Appendices II(h) and IV

(1) Current Coffee "C" Contract ("KC") Terms

The KC calls for delivery of washed Arabica coffee from any of 19 origins: Burundi, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, India, Kenya, Mexico, Nicaragua, Panama, Papua New Guinea, Peru, El Salvador, Rwanda, Tanzania, Uganda and Venezuela. 12 of these origins are deliverable at par; 1 (Colombia) is deliverable at a fixed premium to par, and 6 are deliverable at fixed discounts to par.

"Arabica" refers to the type of coffee; lower quality Robusta coffees are deliverable against a futures contract traded on LIFFE. "Washed" refers to the method of processing the bean after harvest and prior to storage; the "washed" method involves the use of water, as opposed to the "unwashed" or "natural" method which does not use water.

KC terms also specify the quality standards that must be met for a lot of coffee to be deliverable: it must consist of one (1) growth, in sound condition, free from all unwashed flavors in the cup, of good roasting quality and of bean size and color in accordance with criteria established by the Exchange.

(2) Brazil Arabica Coffee Production

Brazil has for many years been the largest producer of Arabica coffee. As shown in Table A below, USDA production estimates show that over the past three seasons Brazil production of 27.6 million, 38.9 million and 31.9 million bags represented between 36.9% to 40.5% of total world production. The next largest origin – Colombia – produced 12.5, 10.5 and 12.2 million bags over the same three seasons, accounting for between 12.6% to 16.7% of total Arabica production.

The USDA does not provide statistics on Arabica production by processing method – *i.e.* washed vs. natural. Traditionally, the largest share of Brazil Arabica has been natural, but in recent years an increased volume of washed Arabica coffee has been produced and exported. Estimates of Brazil washed Arabica production over the past two seasons range from 3.5 to 4.0 million bags.

Table A - USDA Arabica Production estimates for selected origins (as of 6/09)

	(thousand 60 kg bags)			Share of Total		
Origin	**2007/08**	**2008/09**	**2009/10**	**2007/08**	**2008/09**	**2009/10**
Brazil	**27,650**	**38,850**	**31,900**	**36.9%**	**46.4%**	**40.5%**
Colombia	12,515	10,500	12,200	16.7%	12.6%	15.5%
Costa Rica	1,867	1,622	1,730	2.5%	1.9%	2.2%
Dominican Republic	465	500	500	0.6%	0.6%	0.6%
Ecuador	419	379	371	0.6%	0.5%	0.5%
El Salvador	1,515	1,380	1,520	2.0%	1.6%	1.9%
Ethiopia	4,200	4,500	4,300	5.6%	5.4%	5.5%
Guatemala	3,970	3,690	3,790	5.3%	4.4%	4.8%
Honduras	3,802	3,600	4,000	5.1%	4.3%	5.1%
India	1,583	1,325	1,500	2.1%	1.6%	1.9%
Mexico	4,250	4,200	4,250	5.7%	5.0%	5.4%
Nicaragua	1,700	1,700	1,700	2.3%	2.0%	2.2%
Papua New Guinea	970	850	800	1.3%	1.0%	1.0%
Peru	3,950	4,026	3,900	5.3%	4.8%	5.0%
Venezuela	1,000	845	910	1.3%	1.0%	1.2%
ROW	5,040	5,682	5,300	6.7%	6.8%	6.7%
Total	74,896	83,649	78,671			
Deliverable Origins	40,197	37,291	39,490	53.7%	44.6%	50.2%

(3) The Amendments

The amendments to Rule 8.03 and Appendix II(h) add Brazil as a deliverable origin under the KC contract. The amendment to Appendix IV provides for a differential of nine cents (9¢) under par when delivering Brazil washed Arabicas. In making the amendments, the following factors were considered:

- An analysis performed in 2005 showing that licensed graders were capable of distinguishing between washed and unwashed/natural coffee in the cupping process;
- The use of Brazil washed Arabicas by commercial roasters demonstrated that Brazil coffees are a widely-accepted commercial substitute for delivery-grade coffees from deliverable growths; and
- The ongoing trend on the part of Colombia and the other traditional Central and South American origins towards producing increasing amounts of high-grown, high-value Arabica coffees and decreasing amounts of low-grown prime washed Arabica coffees that have traditionally been delivered against the contract; while these high-grown, higher value coffees are deliverable against the futures contract, they are less likely to be delivered because they do not receive a delivery premium that matches the cash market premium the beans command in the commercial market.

(4) Comment Letters

As part of its consideration of adding Brazil as a deliverable origin, on May 3, 2010, the Exchange published an Exchange Notice requesting the views of market participants on whether Brazil should be added as a deliverable origin.

In response to the Notice a total of 43 comments were received: 22 in favor, 16 opposed and 5 neutral. Comment letters expressing opposition to the addition of Brazil as a deliverable origin raised several issues, including:

- Brazil washed Arabicas are not an acceptable substitute for Colombian and other deliverable origins, and therefore it is not appropriate to include them as deliverable alongside these other origins;
- The addition of Brazil as a deliverable origin will depress the contract price which will negatively affect the ability of other origins to use the contract for hedging purposes;
- The seasonal variation in Brazil Arabica production is so large that it is not possible to set a single differential for Brazil coffees that would apply to all delivery months;
- There is insufficient data available to determine the commercially appropriate differential for Brazil washed Arabicas;
- Brazil washed Arabicas age differently in storage making the current aging provisions in the contract inadequate for Brazil; and
- The grading process will not be capable of ensuring that natural coffees do not pass grading.

Comment letters expressing support presented the following arguments:

◦Good quality Brazil washed Arabicas have gained widespread acceptance by roasters as acceptable substitutes for other deliverable origins over the past several years;
◦Substantial volumes of Brazil washed Arabicas are already being hedged on the "C" contract and are being used in the commercial market, therefore, it is only appropriate that these coffees be made deliverable; and
◦The addition of Brazil as a deliverable origin will enhance the price discovery function of the contract and make it a more effective hedging tool for Brazil producers and exporters.

The comment letters were given full consideration when making the final determination to add Brazil as a deliverable origin and adopt the amendments.

Rule 8.04 and Appendix II(e) and (f)

The amendments to Rule 8.04 and Appendix II(e) and (f) add an additional standard to be considered when grading coffee to be deliverable under the KC contract. The standard being added requires that the coffee be free of an aged flavor in the cup. By adding such a standard, the KC contract terms will more closely match commercial market practice and will provide useful guidance to Licensed Graders in the grading and cupping process.

Appendix V

The amendments to Appendix V accelerate the incremental age penalty that accrues after coffee has been certified for approximately twenty-four (24) months and create a new "Outbound Cost Adjustment". With respect to the age penalty, it was determined that the acceleration of the age penalty was appropriate based upon the average commercial decline in the value of stored coffee. In addition, it would provide a beneficial encouragement to owners of older certified stocks to move the coffee into the commercial market and out of certified stocks.

The creation of the new Outbound Cost Adjustment provides for an adjustment to the Exchange Invoice to compensate for the difference between posted loadout costs in the named delivery port and the port of New York. It was determined that the current disparity in loadout costs across delivery points is significant and creates uncertainty for takers of delivery in predicting the costs of taking delivery. The Outbound Cost Adjustment eliminates that uncertainty and will, therefore, improve the hedging utility of the contract.

Appendix IV

Another amendment to Appendix IV provides that the differential for delivery of coffee from Rwanda shall be minus 100 points, revised from the current differential of minus 300 points. The change to the differential for Rwandan coffee is appropriate based upon the relative commercial value of deliverable quality coffee from the origin. It should be noted that the differential for the origin of Burundi is minus 100 points, and that coffees from both Burundi and Rwanda trade at parity in the commercial market.

The Exchange certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The amendments were adopted by the Exchange's Board of Directors at its meeting on December 9, 2010. The amendments will go into effect for the March 2013 futures contract which has a First Notice Day that is at least twenty-four (24) months after the amendments have been submitted to the Commission.

With respect to the amendments adding Brazil as a deliverable origin, opposing views were expressed by submitters of the requested comment letters which are detailed above, and by two members of the Coffee Committee. These concerns have been addressed by the amendments to Rule 8.04 and Appendices II and V.

With respect to the amendments to Appendix V concerning the Outbound Cost Adjustment, one member of the Coffee Committee was opposed to the amendments as he felt the amendment effectively converted the contract from a "free in store" to a "free on truck" contract and that such a change was not necessary or appropriate.

If you have any questions or need further information, please contact me at 212-748-4084 or jill.fassler@theice.com.

Sincerely,

Jill S. Fassler
Vice President
Associate General Counsel

cc: Division of Market Oversight
New York Regional Office

EXHIBIT A

(In the text of the amendments below, additions are underlined and deletions are bracketed and lined out.)

Rule 8.03. Coffee "C" Lot

A Lot of Coffee "C" shall consist of thirty-seven thousand five hundred (37,500) pounds of washed arabica coffee of the growths of Brazil, Burundi, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, India, Kenya, Mexico, Papua New Guinea, Nicaragua, Panama, Peru, Rwanda, Salvador, Tanzania, Uganda, or Venezuela.

Rule 8.04. Standards

Coffee "C" shall consist of one (1) growth, in sound condition, free from all unwashed and aged flavors in the cup, of good roasting quality, and of bean size and color in accordance with criteria established by the Exchange. No delivery shall be permitted of coffee containing more than fifteen (15) full imperfections below the basis for the respective growth, except that in the case of Colombian coffee no delivery shall be permitted of coffee containing more than ten (10) full imperfections below the basis for the respective growth. Imperfections shall be established on the basis of a grading schedule established by the Exchange.

APPENDIX II

Procedures for Grading Coffee and Issuance of Certificates of Grade

The following procedures must be followed by Members and Licensees in connection with the grading of Coffee "C":

* * *

(e) Procedures for Grading.

Graders shall grade samples in accordance with normal commercial practice and:

* * *

⇔(3) shall test no fewer than six (6) cups of each Chop in determining whether coffee is sound and free from all unwashed and aged flavors in the cup; and

(4) shall examine the roasted coffee in determining whether coffee is of good roasting quality.

(f) Minimum Standards.

The minimum standards for delivery under the Coffee "C" Futures Contract are as follows:

⇔ (1) The coffee is sound and free from all unwashed and aged flavors in the cup;

* * *

(h) Schedule of Bases.

For purposes of these procedures, the bases of various growths of coffee are as follows:

(1) Coffee of Guatemala, Salvador, Mexico, Costa Rica, Nicaragua, Honduras, Kenya, Tanzania, Uganda, Papua New Guinea, Peru, Venezuela, Dominican Republic, Burundi, Ecuador, India, Rwanda, Brazil and Panama—eight (8) full imperfections; and

* * *

[REMAINDER OF APPENDIX UNCHANGED]

APPENDIX IV

Coffee "C" Differentials

The differentials for coffees delivered under the Coffee "C" Futures Contract are as follows:

(1) There will be a differential of ten (10) points for each full imperfection below the basis. No delivery of coffee containing more than fifteen (15) full imperfections below the basis, or twenty-three (23) full imperfections, shall be permitted; except that in the case of Colombian coffee, no delivery containing more than ten (10) full imperfections below the basis shall be permitted.

(2) The differences in value between various grades and growths shall be as follows:

Schedule C-2

Mexico, Salvador, Guatemala, Costa Rica, Nicaragua, Kenya, New Guinea, Tanzania, Uganda, Panama, Peru and Honduras .... Basis

Colombia .... Plus 200 pts.

Venezuela, Burundi, Rwanda and India .... Minus 100 pts.

[~~Rwanda .... Minus 300 pts.~~]

Dominican Republic, Ecuador .... Minus 400 pts.

Brazil .... Minus 900 pts.

[REMAINDER OF APPENDIX UNCHANGED]

APPENDIX V

Price Adjustments

Every Exchange Invoice shall include the following adjustments to the price stated on a Delivery Notice:

(1) A deduction of fifty (50) points in the case of coffee delivered between one hundred twenty-one (121) and one hundred fifty (150) days subsequent to the date of the Certificate of Grade;

(2) In the case of coffee delivered between one hundred fifty (150) and three hundred sixty (360) days subsequent to the date of the Certificate of Grade, a deduction of fifty (50) points for the first (1^{st}) one hundred fifty (150) days and a deduction of twenty-five (25) points for each additional thirty (30) day period (or fraction thereof);

(3) In the case of coffee delivered between three hundred sixty (360) and seven hundred twenty (720) days subsequent to the date of the Certificate of Grade, a deduction of two hundred twenty-five (225) points for the first (1^{st}) three hundred sixty (360) days and a deduction of fifty (50) points for each additional thirty (30) day period (or fraction thereof):

(4) In the case of coffee delivered between seven hundred twenty (720) and one thousand eighty (1080) days subsequent to the date of Certificate of Grade, a deduction of eight hundred twenty-five (825) points for the first (1^{st}) seven hundred twenty (720) days and a deduction of [~~seventy-five (75)~~] one hundred (100) points for each additional thirty (30) day period (or fraction thereof);

(5) In the case of coffee delivered [~~more than~~] between one thousand eighty (1080) days and one thousand four hundred forty (1440) days subsequent to the date of the Certificate of Grade, a deduction of [~~one thousand seven hundred twenty-five (1725)~~] two thousand twenty-five (2025) points for the first (1^{st}) one thousand eighty (1080) days and a deduction of one hundred twenty-five (125) [~~(100)~~] points for each additional thirty (30) day period (or fraction thereof) thereafter;

(6) In the case of coffee delivered between one thousand four hundred forty (1440) and one thousand eight hundred (1800) days subsequent to the date of the Certificate of Grade, a deduction of three thousand five hundred twenty-five (3525) points for the first (1st) one thousand four hundred forty days and a deduction of one hundred fifty (150) points for each additional thirty (30) day period (or fraction thereof) thereafter;

(7) in the case of coffee delivered between one thousand eight hundred (1800) and two thousand one hundred sixty (2160) days subsequent to the date of the Certificate of Grade, a deduction of five thousand three hundred twenty-five (5325) points for the first one thousand eight hundred (1800) days subsequent to the date of the Certificate of Grade and a deduction of one hundred seventy-five (175) points for each additional thirty (30) day period (or fraction thereof) thereafter;

(8) in the case of coffee delivered between two thousand one hundred sixty (2160) and two thousand five hundred twenty days (2520) subsequent to the date of the Certificate of Grade, a deduction of seven thousand four hundred twenty-five (7425) point for the first two thousand one hundred sixty (2160) days and a deduction of two hundred (200) points for each additional thirty (30) day period (or fraction thereof) thereafter;

(9) in the case of coffee delivered between two thousand five hundred twenty (2520) and two thousand eight hundred eighty (2880) days subsequent to the date of the Certificate of Grade, a deduction of nine thousand eight hundred twenty-five (9825) points for the first two thousand five hundred twenty (2520) days and a deduction of two hundred twenty-five (225) points for each additional thirty (30) day period (or fraction thereof) thereafter;

(10) in the case of coffee delivered between two thousand eight hundred eighty (2880) and three thousand two hundred forty (3240) days subsequent to the date of the Certificate of Grade, a deduction of twelve thousand five hundred twenty-five (12525) points for the first two thousand eight hundred eighty (2880) days and a deduction of two hundred fifty (250) points for each additional thirty (30) day period (or fraction thereof) thereafter;

(11) in the case of coffee delivered between three thousand two hundred forty (3240) and three thousand six hundred (3600) days subsequent to the date of the Certificate of Grade, a deduction of fifteen thousand five hundred twenty-five (15525) points for the first three thousand two hundred forty (3240) days and a deduction of two hundred seventy-five (275) points for each additional thirty (30) day period (or fraction thereof) thereafter;

(12) in the case of coffee delivered more than three thousand six hundred (3600) days subsequent to the date of the Certificate of Grade, a deduction of eighteen thousand eight hundred twenty-five (18825) points for the first three thousand six hundred (3600) days and a deduction of three hundred (300) points for each additional thirty (30) day period (or fraction thereof) thereafter;

([~~6~~]13) A deduction equal to the product of (i) the price per pound indicated in the Delivery Notice and (ii) the weight of any samples drawn by the Deliverer after the date of the Weight Note.

([~~7~~]14) A deduction equal to the product of the price per pound indicated in the Delivery Notice and an amount which has been calculated for the period from the date of weighing specified on the Weight Note to the delivery date specified in the Delivery Notice using the rates set forth below:

(a) a reduction of one-half of one percent (0.5%) of the weight shown on the Weight Note for the second calendar month (or part thereof) following the date of the weighing plus one-eighth of one percent (0.125%) of such weight for each additional calendar month (or part thereof) thereafter.

(15) In the case of coffee delivered in Miami, Houston, New Orleans, Bremen/Hamburg, Antwerp or Barcelona, an Outbound Cost Adjustment ("OCA") which is calculated by the Exchange as of the last business day of the calendar month preceding the delivery month. The OCA shall be calculated by

deducting the average of posted Load Out rates for all licensed warehouses in the port in which delivery is being made from the average of posted Load Out rates for all licensed warehouses in the Port of New York. A negative OC A shall be a reduction in the invoice price, and a positive OCA shall be an addition to the invoice price.