

Market Notice

Number: A1463
Date: 29 July 2011

With location differentials remaining as the preferred system, a request for information to assist with the calculation of the wheat location differentials for the 2011/12 marketing season

Following two extensive meetings with the JSE Agricultural Advisory Committee the majority of participants reconfirmed their support for the trading of a single reference point which implies the use of location differentials to each registered delivery point.

The reason the system of location differentials was again discussed was due to all the feedback received following the publishing of the recent maize location differentials. The system was part of a detailed investigation in 2009 sponsored by the NAMC where Dr Roberts confirmed the following: It is the opinion of this report that elimination of the location differential system will, at best, provide very few benefits to farmers, silos, or millers in South Africa, and may in fact cause significant harm to farmers, especially those in low differential areas, by reducing their ability to obtain input financing. Therefore, the current location differential system should be maintained for wheat and maize, and if the JSE believes it necessary, introduced for soya.

Following the initial meeting of the Advisory Committee, the JSE proposed doing away with location differentials to ensure all the advisory participants and their constituents applied their mind to the positives and negatives of trading the maize, wheat and sunflower seed contract without a single reference point which is currently Randfontein.

Many of the representatives on the Advisory Committee have been participants since the derivative market was established and with this collective knowledge the request was made to provide guidance on a system that would be the best for South African agriculture with reference to the grain products traded. No representative was able to illustrate that doing away with the location differential system would actually improve the economic wellbeing of South African agriculture and so the JSE proposal to do away with the location differential system was withdrawn.

The JSE together with the NAMC and Agricultural Advisory Committee did resolve to further investigate any improvements that can be made to the process of determining the location differentials, particularly relating to the transparency thereof, on an annual basis.

In line with the recommendations of the NAMC report, the JSE also committed to investigate the introduction of a spot basis trading system that will allow both sellers and buyers to transact physical grain held on a



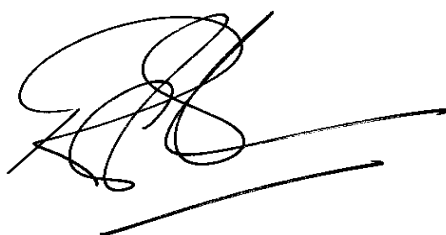
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Safex silo receipt down to individual silo level. The JSE will furnish members with more information regards the planned spot basis trading system in due course.

Further to the above feedback, the JSE extends an open invitation to interested parties to provide the JSE with information that could assist with determining the wheat location differentials for the 2011/2012 marketing season that commences 1 October 2011. Please note that Randfontein remains the single reference point, should any changes be made going forward this can and will only be applied to those expiries that have not already traded and will most likely be aligned to a new marketing season.

Any road and/or road transport rates, be it a rate per km, can be emailed to chriss@jse.co.za who will acknowledge receipt thereof. Please could the information reach the JSE no later than **Friday 12 August 2011** in order to be included in the analysis for the wheat differentials applicable from 1 October 2011 to 30 September 2012.



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