

## Market Notice

Number: A1740A  
Date: 08 January 2013

**Proposed sunflower seeds location differentials for the marketing season commencing 01 Feb 2013 including standardised storage rates.**

### Proposed location differentials:

This market notice provides the provisional location differential rates for sunflower seeds. We have adopted a similar approach to calculating location differentials for maize and wheat this per the last season relying on the same formula-based methodology for the first time to sunflower seeds as follows:

$$RPT = \frac{\text{Distance} * RLF * RPK}{\text{Payload}}$$

Where:

*Distance* is distance in km's to the reference point,

*RLF* is the return load factor,

*RPK* is Rand per km based on the contributions received, and

*Payload* is in tons and as agreed is 30 tons.

The proposed differential rates, applicable from 01 February 2013 to 31 January 2014, are presented in the attached excel spreadsheet.

**PLEASE REVIEW THE ATTACHED SPREADSHEET WITH DRAFT LOCATION DIFFERENTIALS AND REPORT ANY INACCURACIES IN WRITING BY NO LATER THAN CLOSE OF BUSINESS ON WEDNESDAY 16 JANUARY 2013 TO [commodities@jse.co.za](mailto:commodities@jse.co.za).**

As per previous years, the JSE had extended an open invitation through notice A1734 to the market to contribute road rates applicable for short, medium and long haul distances in the sunflower seeds transport industry. These road rates together with road distances from registered silos to Randfontein were used in the model to determine the location differentials for sunflower seeds. No rail rates were considered for this exercise. A number of contributions were received and these were then weighed based on the tonnages moved by the transport company for the previous year.

Because this was the first time we used the formula-based methodology, the following observations were made regarding the proposed location differentials:

1. The average increase in location differentials from the previous year is 20% (from R193/ton to R232/ton) across all 175 silo locations. Apart from fuel costs that went up over the past 12 months,



the increase is mainly attributed to the alignment of input factors being used in the formula for the first time. However, we foresee a more even increment in rates across all locations going forward.

2. The Rand Per Kilometre (RPK) rates submitted by sunflower seeds transporters were substantially higher than RPKs submitted by the maize transporters 10 months ago hence the greater increase. Also note the payload of 30 tons is used for sunseeds.
3. Because location differentials are now determined by a mathematical model, location distances to Randfontein become very important input factors in the model. Those highlighted in red have been amended/added and therefore as part of the sanity checks please consider the published distances supplied by road transporters to Randfontein and raise any issues.
4. The average rand per kilometer (RPK) rates obtained from the market and used in the calculation is presented in the sliding scale below:

<b>KM</b>	<b>RPK</b>
0-15 km	R 90.76
16-25 km	R 63.80
26-50 km	R 30.36
51-75 km	R 21.29
76-100 km	R 19.69
101-125 km	R 17.22
126-150 km	R 17.18
151-175 km	R 16.65
176-200 km	R 16.53
201-225 km	R 16.28
226-250 km	R 16.03
251-275 km	R 16.00
276-300 km	R 15.43
301-325 km	R 15.29
326-350 km	R 15.19
351-375 km	R 14.84
>375 km	R 14.84

5. The return load factors (RLF) used are presented in the sliding scale below:

<b>Distance</b>	<b>Load Factor</b>
<325 km	2
326-350 km	1.9
351-375 km	1.8
376-400 km	1.7
>400 km	1.6

Members and clients are reminded, as before that the published location differentials are indicative of the road transport cost for product from the registered silo to Randfontein, which is the basis for the standardized futures contract. It is impossible that this rate will be 100% accurate throughout the year as road rate factors vary. Throughout each marketing season the basis value at each silo, created through supply and demand, must always be considered before making physical delivery onto the exchange.

Dependent on feedback received, the final location differentials for sunflower seeds 2013/14 marketing season with Randfontein as reference point will be published no later than **Friday 25 January 2013**.

**Standardised storage rates:**

The standard storage rate for the marketing season 1 February 2013 – 31 January 2014 will increase based on the PPI rate as published at the end of November 2012, namely 5.2% and so the standard storage rate applied to outstanding storage in completion of a futures contract will increase to **R1.15 per ton per day**.

Please ensure that when making physical delivery of Safex silo receipts issued in the previous marketing season, all storage is paid up to and including 31 January 2013.

Should you have any queries regarding this communication, please contact the Commodities Team on 011 520 7535 or e-mail [commodities@jse.co.za](mailto:commodities@jse.co.za)



**Chris Sturgess**

Designation      Director  
Division          Commodity Derivatives  
Tel                +27 11 520-7299  
Fax                +27 11 520-7558  
E-mail address:   chriss@jse.co.za

**Distributed by the Company Secretariat +27 11 520 7591**