

MARKET NOTICE

Johannesburg
Stock Exchange

Tel: +27 11 520 7000
www.jse.co.za

Number: 211A/2016
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 19 April 2016

SUBJECT: **PROPOSED MAIZE LOCATION DIFFERENTIALS AND STORAGE RATES FOR 2016/17 MARKETING SEASON**

Name and Surname: Chris Sturgess
Designation: Director Commodities & Key Client Management

1. Proposed Maize Location Differentials for 2016/17 marketing season

The 2016/17 maize marketing season is approaching and we are pleased to submit to you provisional location differentials for the new marketing season.

As per previous years, the JSE extended an open invitation to all registered storage operators and market participants to contribute rail vs road out-loading information as well as contribute road and rail tariffs directly to the exchange.

This year we continued to use our established methodology by deriving the location differentials off actual distances of the respective silos to Randfontein.

The Rand-per-Kilometer (RPK) rate was calculated by the JSE after aggregating all the information provided by the road transporters, thus making this the closest indication of actual road costs. Based on this information the rate per km varied depending on the range of distance travelled as can be seen below:

	2015	2016	%
Distance	RPK	RPK	Change
0-15 Km	80.70	95.15	17.91%
16-25 Km	60.55	67.94	12.20%
26-50 Km	31.47	32.90	4.54%

51-75 Km	22.80	23.63	3.64%
76-100 Km	20.81	21.46	3.12%
101-125 Km	18.42	19.11	3.75%
126-150 Km	17.27	17.31	0.23%
151-175 Km	16.96	16.98	0.12%
176-200 Km	16.75	16.75	0.00%
201-225 Km	16.68	16.53	-0.90%
226-250 Km	16.43	16.27	-0.97%
251-275 Km	16.36	16.21	-0.92%
276-300 Km	16.11	15.95	-0.99%
301-325 Km	15.94	15.87	-0.44%
326-350 Km	15.84	15.69	-0.95%
351-375 Km	15.66	15.57	-0.57%
376-400 Km	15.50	15.39	-0.71%
>400 Km	15.01	14.95	-0.40%

Compared to last year, the RPK rates have marginally increased by **2.15%** on average, with shorter distance ranges having seen an increase while the long haul distance ranges have experienced a slight drop.

The above RPK values were used in the formula below to finally determine the rand-per-ton (RPT) road rates for all silo locations that are now commonly accepted among the transporters and market participants in the grain industry:

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

Where: Distance is the distance in km to Randfontein,
 RLF is the return load factor,
 RPK is in Rand per km and
 Payload is in tons with 34 tons applied.

Distances to Randfontein that were agreed upon by market participants were used in this exercise.

You will recall from previous seasons that a return load factor (RLF) of 2 implies that the return load is empty while a RLF of 1 accounts for a full return load. The RLF sliding scale used is as per the table below:

Distance	RLF
<300 km	2
301-325 km	1.9
326-350 km	1.8
351-375 km	1.7
376-400 km	1.6
401-425 km	1.5
426-450 km	1.4
451-475 km	1.4

476-500 km	1.4
501-525 km	1.4
>525 km	1.4

Combining the RPT formula above with rail-road ratios and rail rates, we were in a position to determine location differentials from Randfontein for each of the 218 registered maize storage locations. The proposed rates show an average increase of **0.31%** when compared with the previous season.

The **Western Cape-Reef** location differential due to the distance from Randfontein is not driven off the same formula and was derived based on feedback received from the market. Based on this independent survey, the official LDR from the Reef to the Western Cape is **R530/ton**, a drop of **-5.36%** from last year's rate of R560/ton.

Please could market participants review the proposed location differentials and highlight any gross inaccuracies immediately to commodities@jse.co.za **by no later than Friday 22 April 2016 at close of business**, as the JSE aims to release the final numbers soon thereafter.

Members and clients are again reminded that the published location differentials are indicative of transport costs for product from the registered storage location 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 transport components change.

Throughout each marketing season the basis value at each silo, created through supply and demand, must be considered before making physical delivery onto the exchange. Through further refinements of the basis premium functionality the exchange aims to improve transparency to the basis value at each silo per product delivered in completion of a futures contract

In proposing the maize LD, this has only been possible thanks to the commitment of a number of road transporters who supported the bigger picture and contributed individual information directly to the JSE who could then aggregate this to determine the RPK rates table. The JSE also values the accurate contributions made by the storage operators in terms of the rail vs road out loading ratio's as well as the rates provided by market participants.

2. Standard Storage Rates

The standard storage rate for the marketing season 1 May 2016 – 30 April 2017 will increase based on the PPI rate as published at the end of February 2015, namely 8.1% and so the standard storage rate applied to outstanding storage in completion of a futures contract will be **68 cents per ton per day**.

Please ensure that when making delivery of JSE silo receipts issued in the previous marketing season, all storage is paid up to and including 30 April 2016.

Should you have any questions regarding the above, please do not hesitate to contact the Commodities Team at 011 520 7039 or email commodities@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notice-and-circulars>