

**MARKET NOTICE**

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**NOTICE NO.**            **131/2015**

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**DATE:**                    **26 February 2015**

**SUBJECT:**                **INTRODUCTION OF THE 2015/2016 EXPIRIES FOR THE DELIVERABLE WHEAT CONTRACT**

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Dear Stakeholder,

As communicated previously, the wheat industry has over the past few months committed a significant amount of effort to explore alternatives that could potentially lead to a further increase in local wheat production. I commend all the partners who have been involved in these discussions and robust debates.

The Wheat Forum, speaking on behalf of the wheat industry will publish a press release early tomorrow morning with more details around the process thus far.

The JSE, respecting all the efforts involved, did hold back on the introduction of the 2015/16 marketing season to allow for the debate to evolve should there have been an opportunity to make structural changes to the WEAT contract. We thank you for your patience during this process.

Unfortunately, we could not reach consensus on all the suggested changes and so we will introduce the Dec15 and Mar16 WEAT expiries trading the same standard B1 quality wheat as par. Please also be assured the same underlying minimum 12% protein and 77kg/hl specific weight will remain for the marketing season ending 30 September 2016.

The deliverable origins will be amended based on extensive discussions last year and where it was agreed at an Advisory Committee meeting, that Ukraine and Russian wheat will be accepted for delivery in completion of a futures



contact at a R100 discount. Therefore to confirm the origin discounts for the period 1 October 2015 to 30 September 2016 will apply as follows:

- Wheat from the following origins acceptable for delivery at a **ZERO** origin discount:
  - USA Hard Red Spring (Dark Northern Spring and Northern Spring wheat),
  - No 3 or better Canadian Red Western Spring wheat,
  - Australian Hard, Australian Prime Hard, Australian Prime White and Australian Standard White wheat
- Wheat from the following origins acceptable for delivery at a **R100 per ton** discount:
  - Argentina,
  - USA Hard Red Winter wheat
  - German Type A or B wheat
  - Ukraine
  - Russia

Participants are however advised that the grade discount percentage applied to B2 and B3 wheat **MAY CHANGE** for the marketing season 2015/2016. The JSE is researching other international markets to see if there is a basis to adjust the 4% and 8% grade discount that has applied historically. **Participants trading the Dec15 WEAT expiries onwards should therefore take note that the actual % grade discount applied to the methodology may be different from previous years**; however since the par 12% protein does not have any grade discount applicable, this will only take effect as we move into the new marketing season and process physical deliveries in completion of a futures contract. The base methodology to determine the grade discount, once the percentage adjustments are agreed, will remain the same as before, namely:

- *An arithmetic average of the near dated December expiry daily mark-to-market (mtm) for the JSE wheat (WEAT) futures contract will be referenced*
- *The rate will be finalized including mtm data on the 15th September each year (if this not a business day, the first business day prior)*
- *A six month reference period will be applied commencing from and including 15th March each year (if this is not a business day, the first business day prior)*
- *The December WEAT expiry is the only expiry month considered in the methodology*
- *Once the average futures price is calculated for the period, then 4% and 8% is applied to this value to determine the B2 and B3 wheat grade discounts for the next marketing season **[ these percentages may change depending on the JSE's investigation ]***
- *The final grade discount will be rounded off to the closest R5 interval*

In addition to the grade discounts, the standard storage rate and location differentials for the 2015/2016 wheat marketing season have not been finalized and will only be available closer to the new season.

**This notice thereby confirms the Dec15 and Mar16 WEAT expiries will be introduced for trading tomorrow 27 February 2015 taking into consideration the above.**

Further to the Wheat Forum press release, should there be support for a separate wheat contract that trades a different quality or is provided with a specific assurance of quality tolerances at the time of out loading (eg B3 quality of the face of the receipt results in B3 quality at out loading without the condition of upgrading 1 grade), the JSE may consider introducing this as a separate wheat contract later in the year.

Participants are again reminded that the JSE trades the underlying grades of product as published by the

Department of Agriculture, Forestry and Fisheries in South Africa, should any changes be made to these they will be applicable to the derivative contract(s).

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