
MARKET NOTICEJohannesburg
Stock ExchangeTel: +27 11 520 7000
www.jse.co.za

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 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
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SUBJECT: PROPOSED LOCATION DIFFERENTIALS FOR SUNFLOWER SEEDS FOR THE 2018-19
MARKETING SEASON

Name and Surname: Raphael Karuaihe
Designation: Head - Commodities

Dear Market Participant,

1. Proposed Location Differentials

This notice provides the provisional location differential rates for sunflower seeds for the 2018/19 marketing season. As was the case with the previous marketing season, we have adopted a formula-based approach to determine the location differentials for sunflower seeds as follows:

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

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 from the market, and

Payload is in tons and in this case is 30 tons

PLEASE REVIEW THE ATTACHED SPREADSHEET WITH PROVISIONAL LOCATION DIFFERENTIALS AND REPORT ANY INACCURACIES IN WRITING BY NO LATER THAN CLOSE OF BUSINESS ON FRIDAY 16 FEBRUARY 2018 TO commodities@jse.co.za

As per previous year, the JSE extended an open invitation to the market to contribute road rates applicable for short, medium and long haul distances in the sunflower seed transport industry. These road rates together with road distances from registered storage locations to Randfontein were used in the model to calculate the location differentials for sunflower seeds. **No rail rates were considered for this exercise.** A representative sample of contributions was received and then weighted based on the tonnages moved by the transport company during the current marketing season.

Based on submitted input data and our subsequent model calculation, the following observations were made regarding the proposed differentials:

- a. The average increase in location differential rates from the previous year is 5.4% (from R240.08/ton to R252.30/ton).
- b. Please note again that we have referenced actual transport costs as contributed and not made any forward looking assumptions.
- c. The actual transport rates received from each transporter also include current supply and demand factors of the various routes and so this is also translated into the published RPK rates.
- d. We once again this year observe a marked trend in rates where the rates have moved up significantly for shorter distances below 100km. However for distances longer than 100 km the rates are mostly uniform around the average increase.
- e. We have adopted the same return load factor for sunflower seeds as referenced last season. The table is shown below:

| Distance | RLF |
|------------|-----|
| <325 km | 2 |
| 326-350 km | 1.9 |
| 351-375 km | 1.8 |
| 376-400 km | 1.7 |
| >400 km | 1.6 |

We have adjusted the scales from 15-km to 10-km intervals for the aggregated Rand per Kilometer (RPK) rates determined from transporters submissions. Because of improved collection of information from industry players over the years, a narrower distance range is now possible and this will improve on the quality of the output Rand-per-ton (RPT) values. The new table of RPKs now looks as follows:

| 2018/19 | | 2018/19 | |
|-----------|--------|------------|-------|
| KM | RPK | KM | RPK |
| 0-10 km | 303.00 | 221-230 km | 16.85 |
| 11-20 km | 141.00 | 231-240 km | 16.85 |
| 21-30 km | 97.73 | 241-250 km | 16.82 |
| 31 -40 km | 61.77 | 251-260 km | 16.79 |
| 41-50 km | 49.15 | 261-270 km | 16.71 |

| | | | |
|------------|-------|------------|-------|
| 51-60 km | 43.03 | 271-280 km | 16.54 |
| 61-70 km | 34.51 | 281-290 km | 16.49 |
| 71-80 km | 30.64 | 291-300 km | 16.40 |
| 81-90 km | 26.93 | 301-310 km | 16.40 |
| 91-100 km | 25.07 | 311-320 km | 16.32 |
| 101-110 km | 23.24 | 321-330 km | 16.32 |
| 111-120 km | 21.25 | 331-340 km | 16.53 |
| 121-130 km | 19.31 | 341-350 km | 16.76 |
| 131-140 km | 18.82 | 351-360 km | 16.76 |
| 141-150 km | 18.11 | 361-370 km | 16.85 |
| 151-160 km | 17.64 | 371-280 km | 17.49 |
| 161-170 km | 17.17 | 381-390 km | 17.98 |
| 171-180 km | 17.03 | 391-400 km | 17.98 |
| 181-190 km | 16.89 | 401-410 km | 18.87 |
| 191-200 km | 16.93 | 411-420 km | 18.87 |
| 201-210 km | 17.02 | 421-430 km | 18.87 |
| 211-220 km | 16.88 | >430 km | 18.87 |

2. Standard Storage Rates for delivery in completion of a sunflower seed futures contract

The standard storage rate for the marketing season 1 March 2018 - 28 February 2019 will increase based on the PPI rate as published in December 2017, namely 5.1% and so the standard storage rate applied to outstanding storage in completion of a futures contract will increase to **R1.52 per ton per day**.

Please ensure that when making delivery of Safex silo receipts issued in the previous marketing season, all storage must be paid up to and including 28 February 2018.

Should you have any queries regarding the proposed location differentials or process to determine the standard storage rates please contact me directly or Vuyo Mpumza on 011 520 7039 or e-mail commodities@jse.co.za

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