

MARKET NOTICE

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Stock Exchange

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Relates to: ☐ Equity Market
☐ Equity Derivatives
☒ Commodity Derivatives
☐ Interest Rate and Currency Derivatives
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SUBJECT: FINAL WHEAT LOCATION DIFFERENTIALS AND STORAGE RATES FOR 2019/20 MARKETING SEASON

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1. Final Wheat Location Differentials for 2019/20 marketing season.

Subsequent to market notice 284A/2019 of 17 September 2019, this notice serves to release the final location differentials for wheat for the 2019/20 marketing season. As mentioned before, we have adopted a formula-based approach to determine location differentials for wheat as follows:

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

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

The provisional results published last week will mainly remain unchanged except for the following locations:

Prieska GWK:

We have aligned the differentials of Prieska GWK with Prieska OVK.

The final list of location differentials for wheat for 2019/20 marketing season is attached and below are the final RPK rates and return load factors (RLF) used in our model:

2019/20			
Distance	RPK	Distance	RLF
0-15 Km	291,73	<300 km	2.0
16-25 Km	81,04	301-325 km	1.9
26-50 Km	45,55	326-350 km	1.8
51-75 Km	29,54	351-375 km	1.7
76-100 Km	25,89	376-400 km	1.6
101-125 Km	23,94	401-425 km	1.5
126-150 Km	21,49	426-450 km	1.5
151-175 Km	19,61	451-475 km	1.5
176-200 Km	19,53	476-500 km	1.4
201-225 Km	19,44	501-550 km	1.4
226-250 Km	19,39	551-600 km	1.4
251-275 Km	18,37	>600 km	1.4
276-300 Km	18,01		
301-325 Km	17,42		
326-350 Km	16,94		
351-375 Km	16,92		
376-400 Km	16,84		
401-425 Km	16,79		
426-450 Km	16,73		
451-475 Km	16,51		
476-500 Km	16,04		
500-600 Km	16,01		
>600 Km	15,86		

2. Standard Storage Rates

The standard storage rate applied to outstanding storage in completion of a futures contract for marketing season 1 October 2019 - 30 September 2020 will be **98 cents per ton per day** based on the June PPI rate of 5.8% published at the end of July 2019.

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 September 2019.

3. Wheat Grade Discounts

As communicated in Market Notice 282/2019, the JSE has reverted back to the original methodology for determining wheat grade discounts. Details of the methodology outlined below:

- *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 for the par base grade, then grade adjustments as per table 2 above will be applied to this value to determine prices for the Super, B2 and B3 wheat grades for the next marketing season; and*
- *The final grade adjustment will be rounded off to the closest R1 interval*

Below are the new wheat grade discounts for the 2019-20 marketing season:

Grade	Minimum Protein	Grade Adjustment	Grade Discount
Super	12.5%	+2%	R 89.00
B1	11.5%	Base	PAR
B2	10.5%	-1%	R 44.00
B3	9.5%	-4%	R 178.00

4. Wheat Origin Discounts

As agreed upon with the rest of the industry, wheat for delivery from the following origins will attract a zero origin discount, effective 1 October 2019 -

- USA (Hard Red Spring, Dark Northern Spring, Northern Spring Wheat).
- USA (Hard Red Winter Wheat).
- Canada (Number 3 or better Red Western Spring Wheat).
- Australia (Hard, Prime Hard, Prime White and Standard White Wheat).

Wheat for delivery from the below origins will attract the following origin discounts, effective from 01 October 2019 -

- Argentina
- Germany (type A or B Wheat)
- Ukraine
- Russia

Grade	Origin Discount Adjustment	Origin Discount
B1	-2%	-R 89
B2	-3%	-R 133
B3	-6%	-R 267

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>