

## MARKET NOTICE

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**Number:** 307/2019  
**Relates to:** ☐ Equity Market  
☐ Equity Derivatives  
☒ Commodity Derivatives  
☐ Interest Rate and Currency Derivatives  
**Date:** 3 October 2019

**SUBJECT:** CLARIFYING OLD VS NEW GRADING SPECIFICATIONS FOR BREAD WHEAT AND ASSOCIATED ORIGIN DISCOUNTS

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Dear Stakeholder,

### On Grading Specifications

Following Market Notice 282/2019 dated 13 September 2019, and Market Notice 306/2019 dated 3 October 2019, the JSE adopted new grading specifications with effect from 1 October 2019.

We have received some enquiries about how the new grading standards will impact old season stock, and as such we would like to bring the following to your attention:

- *Long position holders who, towards the end of September 2019, were assigned stock for outloading at registered storage facilities are deemed to have traded old season stock, irrespective of actual date of outloading.*
- *Such position holders will be entitled to outload their wheat under the old grading specifications for a period up to and including **31 October 2019**. Thereafter, the new grading regulations will be applicable.*
- *In the event where the affected long position holder feels that the granted grace period is not adequate, or where it can be shown that there are challenges at the appointed outloading facility, the affected party may approach the JSE and inform the JSE of these and other practical difficulties that may be experienced. The JSE will, after due consideration of all the facts and information at its disposal, decide on the appropriate course of action to resolve these issues.*

## On Origin Discounts

In the latest market notice on wheat location differentials for 2019/20, we included the newly introduced origin discounts. However we omitted the origin discount on imported super grade wheat and we would like to rectify that.

Also, the origin discounts are determined off grade discounts. The domestic B1 grade is used as the reference grade, and the base rate is calculated as an arithmetic average of the near dated December expiry daily mark-to-market (mtm) for the JSE wheat (WEAT) futures contract, taken from 15 March to 15 September each year.

The origin discount is then accounted for by discounting the grade discount by a further 2% of “Base”. We present the origin discounts in a simpler way as per below:

Grade	Grade Discount (%)	Grade Discount (Absolute)	Origin Discount (%)	Origin Discount (Absolute)
Super	+2%	+R89	-2% (-R89)	Par (+R89-R89)
B1	Base	Par	-2% (-R89)	-R89 (R0-R89)
B2	-1%	-R44	-2% (-R89)	-R133 (-R44-R89)
B3	-4%	-R178	-2% (-R89)	-R267 (-R178-R89)

We trust that the above clarifies any confusion around implementation of new grading regulations as well as simplifying our determination of origin discounts.

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

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