

MARKET NOTICE

Johannesburg
Stock Exchange

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

Number: 117A/2019
Relates to: Equity Market
 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
Date: 12 April 2019

SUBJECT: PROPOSED MAIZE LOCATION DIFFERENTIALS AND STORAGE RATES FOR 2019/20 MARKETING SEASON

Name and Surname: Raphael Karuaihe
Designation: Head - Commodities

1. Proposed Maize Location Differentials for 2019/20 marketing season

The 2019/20 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 delivery points 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:

Distance	2019-20 RPK	2018-19 RPK	% CHANGE
0-7 Km	368.19	225.47	63.30%
8-15 Km	140.39	117.56	19.42%
16-25 Km	96.23	80.83	19.05%

26-50 Km	54.58	44.53	22.57%
51-75 Km	34.47	30.47	13.13%
76-100 Km	27.90	25.14	10.98%
101-125 Km	24.04	21.69	10.83%
126-150 Km	21.45	19.67	9.05%
151-175 Km	20.46	19.12	7.01%
176-200 Km	20.23	18.81	7.55%
201-225 Km	19.96	18.47	8.07%
226-250 Km	19.54	18.09	8.02%
251-275 Km	18.85	17.65	6.80%
276-300 Km	18.46	17.53	5.31%
301-325 Km	18.08	17.11	5.67%
326-350 Km	17.79	16.51	7.75%
351-375 Km	17.07	15.82	7.90%
376-400 Km	16.94	15.62	8.45%
>400 Km	16.56	15.55	6.50%

Compared to last year, there has been an increase in RPK rates across the board, with substantial increases in the short distance ranges. Again it is around the same distance range of 0-150 km where we have seen a high number of re-deliveries.

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:

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 219 registered maize storage locations. The proposed rates show an average increase of **7.8%** when compared with the previous season.

The Western Cape to the Reef road rate is the only measure where we don't use our methodology but instead obtain the information through a survey of the market. This year, we observed wide spreads from submissions received, ranging from R580/ton all the way to R750/ton. However, most participants were in agreement that this was a

temporary phenomenon in the market reflecting the lack of return loads from the Cape at the moment. We have settled for **R590/ton** for the new season.

Please could market participants review the proposed location differentials and highlight any gross inaccuracies immediately to commodities@jse.co.za by no later than **Tuesday 23 April 2019 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 2019 – 30 April 2020 will increase based on the PPI rate as published at the end of February 2019, namely 4.1% and so the standard storage rate applied to outstanding storage in completion of a futures contract will be **79 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 2019.

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-notices-and-circulars>