

MARKET NOTICE

Johannesburg
Stock Exchange

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SUBJECT: PROPOSED MAIZE LOCATION DIFFERENTIALS AND STORAGE RATES FOR 2020/21 MARKETING SEASON

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1. Proposed Maize Location Differentials for 2020/21 Marketing Season

The 2020/21 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:

	2020/21	2019-20	%
Distance	RPK	RPK	Change
0-7 Km	405,00	368,19	10,00%
8-15 Km	152,00	140,39	8,27%
16-25 Km	102,89	96,23	6,92%
26-50 Km	57,19	54,58	4,78%
51-75 Km	35,89	34,47	4,13%

76-100 Km	29,04	27,90	4,08%
101-125 Km	24,95	24,04	3,80%
126-150 Km	22,07	21,45	2,88%
151-175 Km	21,03	20,46	2,79%
176-200 Km	20,71	20,23	2,40%
201-225 Km	20,44	19,96	2,41%
226-250 Km	19,92	19,54	1,97%
251-275 Km	19,24	18,85	2,07%
276-300 Km	18,71	18,46	1,37%
301-325 Km	18,64	18,08	3,11%
326-350 Km	18,19	17,79	2,27%
351-375 Km	17,87	17,07	4,70%
376-400 Km	17,52	16,94	3,42%
>400 Km	17,30	16,56	4,44%

Compared to last year, there has been an increase in RPK rates across the board, with above average increases in the short distance ranges.

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:

Distance	RLF
<300 km	2
301-325 km	1,9
326-350 km	1,8
351-375 km	1,7
376-400 km	1,6
401-425 km	1,5
426-450 km	1,4
451-475 km	1,4
476-500 km	1,4

501-525 km	1,4
>525 km	1,4

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 221 registered maize storage locations. The proposed rates show an average increase of **1.36%** when compared with the previous season.

We have observed substantial decreases in rail rates received from TFR this season. At the same time, a number of rail sidings where TFR used to provide services, have been closed. This means that those silo locations that had higher rail ratios have had substantial drops in location differentials while those where rail sidings were closed would reflect higher location differentials.

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. Based on this consensus, we have increased the rate **from R590/ton to R610/ton**.

We have also received applications for 10 new sites for maize that we are busy processing. These are Memel Silo (VKB), Goedgedacht Bunker (VKB), Wilgerspruit Bunker (VKB), Chelmsford Bunker (AFG), Kortlaagte Bunker (AFG), Vaaldrift Bunker (AFG), Delmas Bunker (AFG), Eenboom Bunker (AFG), Klipfontein Bunker (AFG), and Bloekomhoek Depot (BKB). Some are existing bunkers for other commodities. We will add these to the list of registered maize silos once we have received any comments from the market and/or once they have met all our requirements.

Please could market participants review the proposed location differentials and highlight any gross inaccuracies immediately to commodities@jse.co.za by no later than Friday, 24 April 2020 at close of business, as the JSE aims to release the final numbers soon thereafter.

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 2020 – 30 April 2021 will increase based on the PPI rate as published at the end of February 2020, namely 4.6% and so the standard storage rate applied to outstanding storage in completion of a futures contract will be **83 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 2020.

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>