

## MARKET NOTICE

**Number:** 190A/2023

**Relates to:**

- Equity Market
- Equity Derivatives Market
- Commodity Derivatives Market
- Currency Derivatives Market
- Interest Rate Derivatives Market
- Bond Market
- Bond ETP Market

**Date:** 04 May 2023

**SUBJECT:** MULTIPLE REFERENCE POINTS FOR DELIVERABLE SOYA CONTRACT

**Name and Surname:** Anelisa Matutu

**Designation:** Head of Commodities

Dear Client

With reference to previous market notices regarding the multiple reference point model ([Market Notice 022A/2023](#) issued on 24 January 2023 and [Market Notice 105A/2023](#) issued on 13 March 2023)

The JSE recently held two workshops in April where market participants were invited to address any clarifying questions around the multiple reference point model that has been introduced for the SOYA contract starting from the March 2024 expiries. We truly appreciate the attendance and discussions during these sessions. The JSE remains available to address any concerns various stakeholders may raise and invite any comments to be emailed to [commodities@jse.co.za](mailto:commodities@jse.co.za)

At the time of preparing this market notice the Mar24 and May24 expiries had already seen trading activity and open interest was at 83 contracts, many thanks to those pioneers prepared to transact the initial contracts under the new model. As indicated in previous correspondence the concept of multiple reference points will be trialed over two years to assess its success.

As explained during the workshop, the multiple reference point model requires information around four major inputs:

- **Points of demand:** here the JSE has identified 10 points for the 2024 marketing season and published these. There was a request to include export points into the mix however the JSE has decided to keep the selected 10 reference points static and should any changes to the reference points be considered, this would only be introduced for the 2025 marketing season.
- **Points of supply:** working through the Soya stock held in JSE registered silos, the model uses the stock levels as a basis of supply in each silo and then benchmarks this across the total production of the previous season. Although a question was

raised around considering a 2 or 3 year average production, the JSE has decided for the initial trial to only consider the soya stock production of the previous year and not consider any other averages when determining the available supply.

- **A cents per km (cpk) rate** is required to determine the location differentials, the JSE has provided indicative cpk rates as an illustration in order for market participants to get a sense of the location differentials using the new model. The final cpk rates will only be decided early next year. It is however important to note that the JSE has amended the initial cpk ranges to try eliminating anomalies where we had storage sites further away from the reference point than other sites and then these would have a smaller location differential. The principle is that as the delivery points are further away from the areas of demand, so the location differentials should increase. Attached to the market notice are the most recent indicative cpk rates that were used to calculate the indicative location differentials.
- **Distances of each of the storage sites in relation to the reference points.** Attached to this market notice are the distances used to each of the reference points. Market participants are welcome to review these and provide the JSE with feedback. The intention is that the most practical transport route is selected and not necessarily the shortest distance. Please do review and provide feedback by no later than end of May to ensure we able to finalize the distances applied in the model.

Using the above, the JSE has attached updated indicative location differentials using the multiple reference point model. Please again review and let us have any feedback. We appreciate those who have already responded and pointed out anomalies which we trust with this version have been addressed.

Then in terms of further discussion points raised in the workshops, the JSE has decided as follows:

- A request was made to consider the initial differential value at R160 since this was reflective of transport costs, the JSE has decided to keep to the true intentions of the multiple reference point model that determines the area of zero differentials based on monthly supply and so will not adjust the indicative differentials. We do expect this cost to be negotiated into the overall transaction price of the traded futures contract.
- No additional reference points will be added for the 2024 marketing season to ensure market participants are provided as static as set of reference points. Any additions or exclusions will be discussed during the November review period and announced when the 2025 marketing season commences trading.
- JSE is not using a 2 or 3 year average around either demand or supply information, but focusing on the previous year's data we have access to.
- In order to determine the supply of stock held per silo, the following approach is in applied.
  - Use May stock levels as supplied by silo owners. May is used as the reference month as around two thirds of the crop is traditionally delivered during May.
  - Only soya beans delivered to JSE registered storage sites are taken into account and this is then used to determine the ratio of soya stock (through monthly JSE audits the JSE is able to get access to accurate stock levels at each silo.
  - Then total production across South Africa as published by CEC of soya from the previous year is referenced against the stock ratio to determine the final stock figure per silo
  - An example of the process is as follows:
    1. Assume 5 registered silos. May 2022 stock levels are Silo A (1000t), Silo B (2000t), Silo C (3000t), Silo D (4000t) and Silo E (5000t), for a total of 15000t. Stock figures are from JSE audits.
    2. Availability per silo has the following ratio allocated to it:

Silo A	$1000/15000 =$	6.67%
Silo B:	$2000/15000 =$	13.33%
Silo C:	$3000/15000 =$	20.00%
Silo D:	$4000/15000 =$	26.67%
Silo E:	$5000/15000 =$	33.33%
Total:	15000	100%

3. If the CEC total production for 2023 is 20000t, then stock levels for the model are:

Silo A:	$20000 \times 6.67\% =$	1334t
---------	-------------------------	-------

Silo B:	20000 X 13.33% =	2666t
Silo C:	20000 X 20.00% =	4000t
Silo D:	20000 X 26.68% =	5334t
Silo E:	20000 X 33.33% =	6666t
Total		20000t

4. In this way the total soya production from the previous year is recognised in the model and allocated across JSE registered delivery points.

The JSE through trialling this new model strives to provide all publicly available information in order for market participants to fully access this new concept. We have extended an offer to market participants that should there be a specific scenario or scenarios that would like to be modelled, the JSE within reason will assist with running the scenario through the model to understand the impact to the zero differentials and all those sites subject to a differential. In addition to this Dr Johann Strauss has also offered to assist at a nominal fee to replicate certain assumptions to the model. He can be contacted via email [js.strauss10@gmail.com](mailto:js.strauss10@gmail.com)

We look forward to working with the soya industry as we trial the multiple reference point concept.

Should you have any queries regarding this Market Notice, please e-mail: [commodities@jse.co.za](mailto:commodities@jse.co.za)

This Market Notice is available on the JSE website at: [JSE Market Notices](#)