

MARKET NOTICE

Number: 065A/2022

Relates to:

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

Date: 16 February 2022

SUBJECT: PROPOSED LOCATION DIFFERENTIALS FOR SUNFLOWER SEEDS FOR THE 2022-23
MARKETING SEASON AND FINAL STANDARD STORAGE RATE

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Designation: Acting Head – Commodities

Dear Client,

The JSE continuously strives to improve the methodology used to determine the location differentials each season. This year is no different but gathering transportation data remains a challenge regardless of the commodity. To that end, the JSE has been working with grain logistic business participants to secure support for a more systematic increase each year that will consider changes in diesel prices and then annual inflationary increases referencing an index without the need to source data from market participants. More detail around this will be published with the annual maize location differential adjustments.

The JSE also aims to streamline the annual adjustments and for this reason has spent time to establish a base cost per kilometre (CPK) rate that is divided into 10km intervals. This was first applied last year for sunflower seeds and so a combination of the previous year's CPK's were considered in determining the final SUNS rates. The JSE has ensured that the differentials are aligned to the distance from Randfontein, as shown in the attached proposed differentials therefore, all sites which have the same distance to Randfontein, have the same differential, similarly as the distance increases so the differential is adjusted, and so care has been taken to ensure no site that may be further away than another registered site has a lower differential. We trust by aligning this base value- going forward we have removed the anomalies the market would have seen in previous years. The proposed differentials are therefore sorted in distance from Randfontein for all 200 sunflower seed delivery points.

The JSE also reviewed the distances between each registered delivery point to Randfontein and decided to move back to considering the most practical route that transporters use. Feedback was received from both transporters and storage operators, and the JSE made a final decision where there are discrepancies.

The JSE then requested actual out loading data from each of the storage operators in order to reconsider the payload applied to sunflower seeds and based on a WEIGHTED AVERAGE of actual out loading data, has decided to **move the payload to 33 tons** from the current 32 tons. According to the data analysed, it is evident that the logistics industry is increasing its payload for the sunflower seed market.

When determining the location differentials for sunflower seed, no rail rate or activity have been considered. Whilst we collect rail vs road out loading data from the storage operators for maize, any market participants who **have strong views about the continued inclusion of rail** in the maize and wheat location differential methodology are encouraged to contact me as soon as possible on 0826080241 or chriss@jse.co.za

With the above context in place, we kindly request market participants to appreciate the effort involved in this process and to provide constructive feedback to the JSE by no later than **Tuesday, 22 February 2022**.

1. Proposed Location Differentials

This notice provides the provisional location differential rates for sunflower seeds (SUNS) for the 2022/23 marketing season. adopted a formula-based approach to determine the location differentials for sunflower seeds as follows:

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

Where:

Distance is distance in km's to the reference point,

RLF is the return load factor,

RPK is Rand per kilometre based on the contributions received from the market, which we shall refer to cost per kilometre (CPK) going forward, as that is how transporters most commonly refer to it. Payload is in tons and has been adjusted to 33 tons for the coming season

The new base cost per kilometre (CPK) rates as indicated below reflect the increase in diesel prices over the past year and inflationary cost adjustments made. Whilst we appreciate not every logistics company will record these exact rates, the JSE encourages participants to review them and provide their constructive feedback to the group email commodities@jse.co.za

The RPK and RLF used in this model are as follows:

KM	CPK	KM	CPK	Distance	Load Factor
0-10 km	511,09	221-230 km	21,75	<330 km	2
11-20 km	240,74	231-240 km	21,75	331-345 km	1.95
21-30 km	124,66	241-250 km	21,35	346-360 km	1.9
31-40 km	94,45	251-260 km	21,26	361-375 km	1.85
41-50 km	70,96	261-270 km	21,08	376-390 km	1.75
51-60 km	51,26	271-280 km	20,87	391-405 km	1.7
61-70 km	44,70	281-290 km	20,69	>406 km	1.6
71-80 km	39,05	291-300 km	20,50		
81-90 km	36,18	301-310 km	20,34		
91-100 km	33,59	311-320 km	20,26		
101-110 km	31,29	321-330 km	20,08		
111-120 km	28,28	331-340 km	19,91		
121-130 km	26,09	341-350 km	19,91		
131-140 km	23,98	351-360 km	19,91		
141-150 km	23,22	361-370 km	19,91		
151-160 km	23,04	371-280 km	19,90		
161-170 km	22,52	381-390 km	19,90		
171-180 km	22,52	391-400 km	19,90		
181-190 km	22,51	401-410 km	19,90		
191-200 km	22,51	411-420 km	19,90		
201-210 km	22,27	421-430 km	19,90		
211-220	22,08	>430 km	19,90		

2. Standard Storage Rates for delivery in completion of a sunflower seed futures contract

The standard storage rate for the marketing season 1 March 2022 – 28 February 2023 will increase based on the PPI rate as published in December 2021, namely 9.6% and so the standard storage rate applied to outstanding storage in completion of a futures contract will increase to **R1.87c 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 28 February 2022.

Market participants should also be aware we have been approached to identify foreign sunflower seed that could be accepted for delivery in conclusion of a futures contract. This new addition will not be applied to any contracts where there is open interest (therefore no changes to the 2022/23 marketing season) however we support the robust conversation around this concept. Once there is more information around this process the JSE will distribute a proposal for adoption.

Should you have any queries regarding this Market Notice please e-mail commodities@jse.co.za

This Market Notice is available on the website at <https://clientportal.jse.co.za/communication/jse-market-notices>