
MARKET NOTICEJohannesburg
Stock ExchangeTel: +27 11 520 7000
www.jse.co.za**Number:** 142A/2021**Relates to:**

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

Date: 16 April 2021**SUBJECT:** PROPOSED MAIZE LOCATION DIFFERENTIALS AND STORAGE RATES FOR 2021/22
MARKETING SEASON**Name and Surname:** Raphael Karuaihe**Designation:** Head - Commodities

1. Proposed Maize Location Differentials for 2021/22 marketing season

The 2021/22 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 received fewer contributions from transport companies in the prescribed format but we did reach out to other participants involved in moving physical grain to provide us with actual road rate comparisons in order to arrive at a percentage change in road rates. This process allowed us to apply an increase of 3.5% across the RPK ranges in order to calculate a Rand Per Ton (RPT) road rate.

The Rand-per-Kilometer (RPK) rate calculated by the JSE is published below however it must be noted that the delivery points within a 60km radius did experience some large percentage moves, this largely due to a change in distance and delivery points falling within a different range category:

Distance	2021/22 RPK	2020/21 RPK
0-7 Km	419,18	405,00
8-15 Km	157,32	152,00
16-25 Km	106,49	102,89
26-50 Km	59,19	57,19
51-75 Km	37,15	35,89
76-100 Km	30,05	29,04
101-125 Km	25,83	24,95
126-150 Km	22,84	22,07
151-175 Km	21,77	21,03
176-200 Km	21,44	20,71
201-225 Km	21,16	20,44
226-250 Km	20,62	19,92
251-275 Km	19,91	19,24
276-300 Km	19,37	18,71
301-325 Km	19,29	18,64
326-350 Km	18,83	18,19
351-375 Km	18,50	17,87
376-400 Km	18,13	17,52
>400 Km	17,90	17,30

As a reminder the RPT was determined based on the below formula referenced over the past few years:

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

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 were adjusted similarly as for the Sunflower Seeds market, whereby the JSE used the shortest distance as provided for using Google maps. This is the main reason we still experience variations from delivery point to delivery point. The other would be a change in rail usage also affecting the final LDF.

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. This remained unchanged with the RLF sliding scale applied 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 229 registered maize storage locations. The proposed rates show an average increase of **1.02%** when compared with the previous season. **That said the JSE encourages market participants to provide suggestions regarding the final determination of LDFs for points like Battery, Middelvlei, Syferbult and Raathsvlei considering the percentage changes. One consideration is to amend the RPK distance ranges and so we once again kindly request market participants to share actual transport rates from these points to Randfontein for the JSE to consider in making the final differential available.**

As we see a continued decline in rail activity, the JSE is of the opinion that going forward the incorporation of rail into the final location differential calculation holds less merit. The JSE will be discussing a potential way forward with industry in due course and so this may be the last year when rail rates are incorporated into the final location differential calculation.

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 adjusted the rate **from R610/ton to R600/ton.**

Please also note we have also very recently received an application from SILOSTRAT INVESTMENTS (PTY) LTD whom are interested in listing a number of their established sites as JSE Approved delivery points. The JSE is still in the process of considering their application however market participants should take note that they have up to 9 potential sites that may be added. The JSE will publish a separate formal notice with further information once the detailed review process is complete.

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, 23 April 2021 at close of business**, as the JSE aims to release the final numbers soon thereafter.

In proposing these maize LD's, this has only been possible thanks to the commitment of a select number of road transporters and trading participants who supported the bigger picture and contributed individual information directly to the JSE. 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. That said, the JSE will through various forums hold discussions with industry participants in the near future to consider implementing a methodology whereby rates are adjusted off benchmarks rather than rely on individual contributions. Should you have any suggestions in this regard please contact the JSE.

2. Standard Storage Rates

The standard storage rate for the marketing season 1 May 2021 – 30 April 2022 will increase based on the PPI rate as published at the end of February 2021, namely 3.5% and so the standard storage rate applied to outstanding storage in completion of a futures contract will be **86 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 2021.

3. Origin discount

The origin discounts have also been determined as per the agreed methodology, the discounts will be as follows for the next marketing season should foreign origin product be delivered in completion of a futures contract:

WMAZ at 7% of the average price = minus R209/t

YMAZ at 4% of the average price = minus R123/t

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

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