

MARKET NOTICE

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 Equity Derivatives
 Commodity Derivatives
 Interest Rate and Currency Derivatives
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SUBJECT: FINAL WHEAT LOCATION DIFFERENTIALS AND STORAGE RATES FOR 2017/18 MARKETING SEASON

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1. Final Wheat Location Differentials for 2017/18 marketing season

Subsequent to market notice 404A/2017 of 21 September 2017, this notice serves to release the final location differentials for wheat for the 2017/18 marketing season. As mentioned before, we have adopted a formula-based approach to determine location differentials for wheat as follows:

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

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

The provisional results published last week will mainly remain unchanged except for four (4) NWK locations where the rail-road split had to be corrected. The affected locations are, Bodenstein, Coligny, Gerdau and Oppaslaagte. We also revised the RPKs for Aureus and Battery.

We continue to encourage market participants to contribute road rates when requested in order to assist in determining accurate rates at the time of publishing. It is also important to note that the JSE does not take into account any forward looking scenarios in these calculations and therefore only considers transport rates as currently quoted. That said rail rates for the new season commencing 1 April 2017 and adjusted from time to time, were also included.

The final list of location differentials for wheat for 2017/18 marketing season is attached and below are the final RPK rates and return load factors (RLF) used in our model for the 2017/18 season:

2017/18			
Distance	RPK	Distance	RLF
0-15 Km	254.92	<300 km	2
16-25 Km	72.97	301-325 km	1.9
26-50 Km	33.77	326-350 km	1.8
51-75 Km	24.18	351-375 km	1.7
76-100 Km	21.59	376-400 km	1.6
101-125 Km	20.80	401-425 km	1.5
126-150 Km	18.71	426-450 km	1.5
151-175 Km	17.38	451-475 km	1.5
176-200 Km	17.17	476-500 km	1.4
201-225 Km	16.80	501-550 km	1.4
226-250 Km	16.55	551-600 km	1.4
251-275 Km	16.20	>600 km	1.4
276-300 Km	15.81		
301-325 Km	15.01		
326-350 Km	15.01		
351-375 Km	15.01		
376-400 Km	15.01		
401-425 Km	15.01		
426-450 Km	15.01		
451-475 Km	15.01		
476-500 Km	15.01		
500-600 Km	15.01		
>600 Km	15.01		

2. Standard Storage Rates

The standard storage rate for the marketing season 1 October 2017 – 30 September 2018 will increase based on the June PPI rate as published at the end of July 2017, namely 4.0% and so the standard storage rate applied to outstanding storage in completion of a futures contract will be **88 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 September 2017.

3. Wheat Grade Discounts

As has been communicated through Market Notice 131/2017 and subsequent notices, the JSE will adopt a new methodology for determining wheat grade discounts as follows:

The JSE for the marketing season 1 October 2017-30 September 2018 will apply a grade discount per 1% protein change of \$7.3488 per ton multiplied by the local exchange rate as determine and finalized by the latest 15 September 2017. The final discount will be rounded to the closest R1/ton value.

The JSE will consider the average exchange rate for the past 7 weeks leading up to 15 September each year (as published by SAGIS for the wheat import tariff calculations - [http://www.sagis.org.za/koringtarief\(2017-03-31\).pdf](http://www.sagis.org.za/koringtarief(2017-03-31).pdf)) in order to determine the average Dollar Rand exchange rate.

Below are the new wheat grade discounts for the 2017-18 marketing season:

Date	Exchange Rate R/\$
8/1/2017	13.1918
8/8/2017	13.2272
8/15/2017	13.3194
8/22/2017	13.1933
8/29/2017	13.0524
9/5/2017	12.9677
9/12/2017	12.9233
	91.8751
Average Exchange Rate	13.1250

Final Grade Discount			
		Grade Discount	Rounded
		7.3488	
B2	R	96.45	96
B3	R	192.91	192

4. Wheat Origin Discounts

As per Market Notice 54A/2017, the wheat origin discount of R100 on the JSE for imported wheat from certain origins will be removed effective from 1 October 2017. This is on the basis that significant quantities of imported wheat from these origins are now used in the local wheat milling sector and that the origin discount is no longer relevant for the origins the JSE accepts delivery from in completion of a future contract.

The removal of origin discounts is for a trial period of 12 months and any impact to the market will be assessed towards the end of the marketing season.

Thus, origin discounts for the new season commencing 1 October 2017 are as follows:

- **Wheat from the following origins acceptable for delivery at a ZERO origin discount:**
USA Hard Red Spring (Dark Northern Spring and Northern Spring wheat), USA Hard Red Winter wheat, No 3 or better Canadian Red Western Spring wheat, Australian Hard, Australian Prime Hard, Australian Prime White and Australian Standard White wheat, Argentina, German Type A or B wheat, Russian wheat and Ukrainian wheat.

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>