
MARKET NOTICEJohannesburg
Stock ExchangeTel: +27 11 520 7000
www.jse.co.za**Number:** 422A/2021

Relates to:

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

Date: 16 September 2021**SUBJECT:** PROPOSED WHEAT LOCATION DIFFERENTIALS FOR 2021/22 MARKETING SEASON**Name and Surname:** Raphael Karuaihe**Designation:** Head - Commodities

Dear Stakeholder,

As we approach the 2021/22 wheat marketing season commencing 1 October 2021, we began our consultation process some time ago in order to prepare the proposed wheat location differentials.

After receiving a sound motivation and consulting various market participants, we have taken a slightly different approach to the proposed wheat location differentials. Appreciating that moving either wheat or maize from a logistics point of view is treated on the same basis, we have decided to use the maize location differentials published earlier this year as the basis for the wheat location differentials. This eliminates creating a misalignment in differentials for individual delivery points. Please take note the maize differentials we applied are those EXCLUDING any rail component that was applicable to maize out loading. Therefore, there will be a difference for a number of delivery points where we have excluded the rail component.

In considering the road rates for wheat, since we aligned to the maize location differentials effective from May this year, there was no need to update RPK rates of the previous wheat season but to adopt RPK rates of the current maize season. The average fuel price changes since the maize location differentials adjustments earlier this year have been negligible and so the JSE decided to make not further adjustments to the proposed wheat rates. Where there are storage sites that are exclusively wheat registered, we calculated the location differential using the RPK's applied earlier in the year for maize.

Further to this we have continued to recognise the rail component in the final wheat location differential; however, the reality is that only 14 delivery points from a total of 190 registered storage sites (excluding the Western Cape) actually out loaded wheat using their rail services. The rail rates received were adjusted by 4.1% as we understand would be effective from 1 October. This is a clear confirmation of the decline in use of rail.

By combining the rail and road rates, the effect was that 14 storage sites that saw rail out loading will therefore be slightly different to the maize rates. Since we have largely aligned the location differential to maize we have not published an overall percentage change from the previous wheat differentials.

That said, locations like Christiana, Bloemhof and Kingswood which experienced larger comparative percentage adjustments is a function of using the road only rates applied during the maize location process and also adjusted for the wheat rail component.

In order to determine the differential for the Western Cape registered delivery points, we were able to survey a number of participants active in this market. The end result of the survey is that the differential will increase by 2.5% or R15 to R615 per ton. Whilst some participants felt the differential could remain unchanged for a third successive year, others highlighted the year on year increase in fuel costs. The JSE believes this proposed adjustment to be fair to be applied to the new marketing season.

Please find attached the [proposed wheat location differentials](#), also take note where the JSE working with the Storage Operators have identified the rail infrastructure to the site does not allow for operational out loading, even though the storage site may be able to out load onto rail trucks we have marked the site as having no rail access.

Please could market participants review the proposed location differentials and highlight any gross inaccuracies immediately to commodities@jse.co.za by no later than **Thursday 23 September 2021 at close of business**, as the JSE aims to release the final numbers soon thereafter.

We appreciate the constructive feedback we have received to date and especially appreciate those market participants involved in moving and storing grain that cooperate and provide input. The JSE continues discussions around improving the methodology to determine the differentials across the various products and we trust the market will appreciate the initiative demonstrated with the wheat differentials. Other enhancements are envisaged for the other commodities including applying practical road distances and smaller RPK intervals however more detail will be shared in due course.

1. Standard Storage Rates

The standard storage rate for the marketing season 1 October 2021 – 30 September 2022 will increase based on the PPI rate as published at the end of July 2020, namely 7.7% and so the standard storage rate applied to outstanding storage in completion of a futures contract will be **R1.07 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 2021.

2. Wheat Grade and Origin Discounts

These discounts rely on inputs that run through and include 15 September futures prices, the JSE has included the data of today and applying the methodology determined the discounts.

GRADE DISCOUNTS

Grade	Minimum Protein	Grade Adjustment	2020-21 Grade Adjustments	2021-22 Grade Adjustments
Super	12.5%	2%	R 97	R 100
B1	11.5%	Base	PAR	PAR
B2	10.5%	-1%	-R 48	-R 50
B3	9.5%	-4%	-R 194	-R 201

ORIGIN DISCOUNTS

Grade	Origin Discount Adjustment	2020-21 Origin Discount	2021-22 Origin Discount
B1	-2%	-R 97	-R 100
B2	-3%	-R 145	-R 151
B3	-6%	-R 290	-R 301

At the same time, we have received queries regarding deliverable origins of wheat, please refer to the detailed contract specifications and note that no new origins have been added for some time. There is also an extensive process to include a new origin which requires an import track record of over two years and once approved by the market, would then typically only be introduced for the following marketing season.

Should you have any questions regarding the above, please do not hesitate to contact the Commodities Team on 011 520-7039 or e-mail commodities@jse.co.za

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