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**MARKET NOTICE**Johannesburg  
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**Number:** 54A/2017  
**Relates to:**  Equity Market  
 Equity Derivatives  
 Commodity Derivatives  
 Interest Rate and Currency Derivatives  
**Date:** 8 February 2017

**SUBJECT:** REVIVAL OF THE SOUTH AFRICAN WHEAT INDUSTRY

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**Designation:** Director: Commodities & Key Client Management

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Dear Stakeholder

The wheat industry will be aware that a wide spectrum of industry representatives met around the same time last year to discuss various proposals that could potentially revive the wheat industry in South Africa. The wheat forum met earlier this week, the forum has representation from GSA, NCM, SACB, Agbiz, SACOTA, AFMA, ARC, SANSOR, SANCU, DAFF and JSE.

The forum members supported that we take a proposal to our respective constituents in order to really try progress some of the items discussed a year ago. The following package was suggested that we trial this for 12 months for the start of the new marketing season commencing from 1 October 2017.

The proposals supported by key stakeholders at the wheat forum meeting, namely Grain SA, National Chamber of Milling, SA Chamber of Baking, Agbiz Grain, SA Cereal & Traders Association and JSE are as follows:

- The JSE, after consultation with JSE approved Storage Operators, have agreed to support the issuing of JSE Guaranteed Grade (GG) wheat certificates. This will afford market participants the opportunity to request silo receipts and, where storage operators are in a position to guarantee a specific quality of wheat, this would be assured through the issue of a special electronic receipt clearly marked as GG B1, or GG B2 or GG B3. The guaranteed certificates will remain valid for 3 months of trading and 1 month thereafter to outload. Should the product not be out loaded after this 4 month period the silo receipt would be converted to a standard receipt where wheat can be out loaded moving within one grade as identified on the face of the silo receipt.

It remains the storage operator's prerogative to issue GG receipts however holders of wheat in storage will have an opportunity to request a GG receipt that can then be traded via the JSE's spot basis trading screen or exchanged in the spot market. This will be the first time buyers of GG JSE wheat receipts are guaranteed to

receive the quality wheat as indicated on the face of the receipt. As an example should a GGB2 receipt be issued, holders of these receipts will not receive B3 wheat and in the unlikely event they receive B1, no grade premium will be compensated to the storage operator for out loading the better grade.

The JSE proposes commencing with this sooner than the new marketing season and would aim to allow market participants to utilize the GG silo receipts as from late Feb 2017.

- The second proposal is that the wheat origin discount of R100 on the JSE for imported wheat from certain origins be removed. This was recently discussed at a JSE Agricultural Advisory Committee and although most market participants support the removal there was no consensus from key participants across both buy AND sell side. Those in favour of removing the origin discount supported this on the basis that significant quantities of imported wheat from the 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 for delivery in completion of a future contract.
- The third and final proposal in the package, this was suggested by millers and supported by producers previously as a means to encourage local wheat production, was to reduce the wheat grade discounts between grades from 4% to 2%. This therefore implies a 2% grade discount from the benchmark B1 grade should B2 Grade be traded, with a further 2% grade discount on this for B3 grade wheat.

The above three proposals are seen as a single package and wheat forum members present at the meeting earlier this week, undertook with earnest to secure the support for this amongst their constituents in order to finally progress the initiatives identified for the revival of the wheat industry. The time has come to trial this and move forward.

A wheat indaba is scheduled to take place on 17 February (in Pretoria) and 21 February (in Western Cape) as per the attached invitation. At this indaba we would like to finalise the support for the proposals in order to trial them for a 12 month period commencing from the start of the new marketing season, 1 October 2017. Please note that registration for this indaba is closed however if you have any specific message you would like to present, we suggest you approach the organization that best represents your interests. Obviously for JSE member firms you are welcome to share your comments with me.

**The JSE appreciates the urgency to resolve the way forward to ensure we can commence listing expiries for the new marketing season and so we kindly request that you urgently review this and revert to us by no later than 16 February with your support/comments sent directly to [commodities@jse.co.za](mailto:commodities@jse.co.za) . The JSE will make a final decision based on the conversations held at the two wheat indaba's in order to progress this. We do hope that industry role players can consider the 3 proposals as suggested and support the 12 month trial period.**

We appreciate the three proposals require compromise from each and every stakeholder in the wheat sector, JSE as a participant of the wheat forum, we kindly request your consideration of these as a means to move forward and test these proposals for the revival of the local wheat industry.

Should you have any queries regarding this notice, please contact [commodities@jse.co.za](mailto:commodities@jse.co.za).

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