

## Market Notice

**Number:** A1526  
**Date:** 22 November 2011

### Questionnaire regarding the Safex standardised storage rate applied to product delivered in completion of a futures contract

Since inception of the agricultural derivatives market and similar to other international derivative markets, a standardised storage rate is referenced in order to assist with the standardisation of the futures contract particularly where there is outstanding storage due and product is delivered in completion of a futures contract. The standardized storage rate as published by Safex has been determined through a number of different processes in the past and more recently the annual adjustments have tracked the Producer Price Index (PPI) as published by Stats SA.

The Competition Commission has requested the exchange to again validate that the existing base rates to ensure they reflect reality and to afford a wider market audience the opportunity to comment. The JSE agreed to this by approaching an independent professional services firm, PwC to conduct the survey and provide the necessary feedback in order for the JSE to finalize the standard storage for the next marketing season.

Feedback to this questionnaire is open to all interested parties, however that said there will be a selected group of participants ranging from those providing actual storage services, financial institutions, trade organizations and end users that will also be approached directly in order to provide their contributions. All feedback will then be collated by PwC and provided to the JSE who will make the final decision in terms of the standard storage rate to be applied to outstanding storage for product delivered in completion of a futures contract.

Market participants are reminded by the JSE and PwC that responses should be independently provided and that members/ stakeholders should in no manner whatsoever cooperate or agree to submit responses to this survey in order for the results to be credible and representative of market views.

The standard storage rate applicable to each product per marketing season is as follows:

Registered Product	Standard storage rate in cents per ton per day
Maize (white and yellow)	50 cents/t/day
Wheat	63 cents/t/day
Soya beans	51 cents/t/day
Sunflower Seeds	99 cents/t/day



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**Alternate Directors:** JH Burke, LV Parsons

Sorghum	50 cents/t/day
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The following six questions require your feedback:

1. Please confirm your core business in terms of the agricultural market i.e. grain trader, producer, miller, grain storer/ silo owner;
2. In terms of the existing daily standard storage rates as published by Safex, please indicate your suggested daily storage rate in cents per ton applicable today (in other words for the current marketing season) for each of the Safex products:

3.

Registered Product	<u>Suggested standard storage rate in cents per ton per day</u>
Maize (white and yellow)	
Wheat	
Soya beans	
Sunflower Seed	
Sorghum	

4. Where the suggested storage rate differs substantially (more than 5%) from the existing published Safex rate, please provide further motivation for such;

Registered Product	<u>Motivation of proposed storage rate variance</u>
Maize (white and yellow)	
Wheat	
Soya beans	
Sunflower Seed	
Sorghum	

5. In terms of annual adjustments to the standard daily storage rate, please confirm your preference based on the below:
  - a. Continue to reference PPI on the current basis of the PPI rate as published 2 months prior to going into the next marketing season, or
  - b. Still use the published PPI rate however rely on a average of the last 6 months PPI rate finalizing this 2 months prior to going into the next marketing season, in this way the potential adjustments are less dependent on a single month (eg for maize calculate an average of the PPI rate as published at the end of February and then going back an additional 5 months), or
  - c. Suggest some other independent benchmark index that should be considered;

Suggest an alternative benchmark	
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6. If there are any other comments or suggestions regards the existing standard storage rates or process in terms of calculating the annual adjustments, please include this.

Other comments or suggestions	
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Feedback regards the above questions can be directed to the following contact person at PwC:

**Name: Ulrich Janse van Rensburg/ Albre Badenhorst**

**Tel: 011 797-5462 / 011 797 5277**

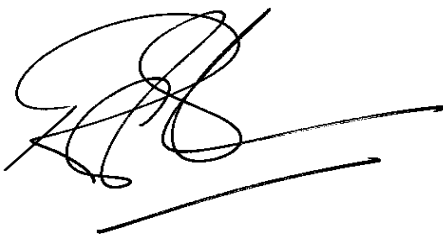
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The JSE values your time and input regards the above. Please also note that PwC has been requested to research other international derivative markets in order to provide feedback regards their processes used to determine the standard storage rate and also provide a comparison of the published rates with those of South Africa.

**All feedback to this questionnaire must be received in writing no later than Friday 9 December 2011.**

Market participants will be provided with a summary of the findings of this survey however the JSE will be responsible for making the final decision in terms of the daily standard storage rate. The JSE's interests remain that the standard rate applied to outstanding storage for product delivered in completion of a futures contract reflect as close as possible the true cost of storing grain in South Africa.

If there is any specific questions regards this process, please address them directly to myself or Chris Sturgess, alternatively contact PwC directly with your feedback to the questions.



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