

Market Notice

Number: A1885 A

Date 18 October 2013

Request by Grain South Africa members to amend the wheat contracts available on the JSE

Following the publication of the wheat location differentials this past season, we appreciate Grain South Africa (GSA) come under pressure from certain of its Western Cape members to request a design change in terms of the wheat contracts we have listed. GSA then made a submission to the Agricultural Advisory Committee whereby the request and risks around the proposed change were discussed at length at yesterday's meeting.

We have attached the GSA submission for review in terms of considering your response. Please note the JSE does not concur with all of the reasons presented and following yesterday's advisory meeting we have requested GSA to confirm in writing that their Western Cape members acknowledge the significant risks associated with their request and that many of the producing area's may be worse off than before. Committee Members who raised concerns will also articulate these in writing.

The request from GSA in summary is as follows:

- *Changes be applied to the wheat contracts only for the new **2014/15** marketing season and be reviewed again during the 2016/2017 season, so the changes would apply for 2 years and be reviewed again thereafter*
- *The Randfontein WEAT based contract will remain as is except all Western Cape wheat delivery points will no longer be registered on this contract, Western Cape wheat including all acceptable foreign origins may be delivered but would then have to be moved up to a registered delivery point in the North.*
- *The CAPE contract undergo a few radical changes:*
 - *The current list of delivery points remain specific to the Western Cape region except there will be no single reference point, Paarl therefore is removed as the single reference point*
 - *With no single reference point there will then be no location differentials in place for delivery points in the Western Cape, delivery points within the existing radius will be considered once the contract is introduced for the 2014/15 marketing season to ensure we keep the core area of delivery unchanged.*
- *The JSE will continue to make available two separate wheat contracts with no overlap around the registered delivery points per contract*

Following discussion at the meeting yesterday, feedback from industry representatives were balanced on large to slightly in favour of accepting the proposal, with some members highlighting potential risks to the integrity of the contract and liquidity concerns. Since there was no clear support for either introducing the change or keeping the status quo, the JSE Management decided to offer market participants a final opportunity to comment.

We therefore kindly request those members active in the wheat market that have not already provided input either directly to the JSE or via a representative on the Advisory Committee to consider the GSA request and



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to provide feedback via email to commodities@jse.co.za no later than **Friday 1 November** 2013. The feedback should therefore indicate if the participate is in favour of making the change for a 2 year period or if there is a strong desire to keep the status quo.

Please also note the invitation to comment will also be extended to storage operators in the Western Cape.

Once the feedback period has lapsed, the JSE will then consider all the submissions together with its regulator the FSB and make a decision on the way forward.

There was one additional request raised. The JSE has for some time being discussing with various market participants the possibility of introducing a basis futures contract for a series of delivery points closely connected. This in essence would imply that participants would be able to lock in a basis premium for a group of silos in advance and should they hold the position through until expiry the seller would then be committed to make delivery at the matched delivery points in the same way the buyer will then take delivery from these specific silos. The intention is that the JSE aim to introduce this functionality sooner rather than later and may trial the concept with specific Western Cape delivery points.

Should members prefer to discuss any of the above directly with me, please feel free to call me on 011 520 7299.



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