



Market Notice

Number: A1395

Date: 29 March 2011

Feedback required in terms of the wheat origin discount applicable to the 2011/12 marketing season.

The current wheat origin discount for the 2010/11 marketing season applicable to foreign wheat delivered in completion of a futures contract is defined as follows:

Origin Discount:

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

- Wheat from the following origins acceptable for delivery at a **R100 per ton** discount:
Argentina, USA Hard Red Winter wheat and German Type A or B wheat

The wheat origin discount as described above has been applicable since 2008 whilst R125 per ton across all foreign origins was the original benchmark introduced in 2005. The intention of the origin discount is to recognise that wheat from foreign origins does not meet the same intrinsic milling characteristics as South African wheat. Although debated on a number of occasions, the scientific formula which could be applied in order to determine the origin discount from season to season has yet to be agreed on.

The above origin discount was again discussed at an Agricultural Advisory Committee meeting where there was mixed support for the suggestion to reduce the R100 per ton discount currently applicable to Argentina, USA Hard Red Winter and German type A and B. The motivation to reduce the discount was on the grounds that South Africa had recently imported a significant amount of German wheat and this was traded in the cash market without the additional R100 discount. A view was also expressed that the milling and baking industry had refined their processes to best utilize the intrinsic value of wheat from Germany.

The Advisory Committee could not reach consensus whether to leave the origin discounts unchanged or to reduce the R100 discount to R50 since one of the 3 origins was extensively imported indicating the intrinsic values of the wheat was more acceptable than in the past.

Please could members and clients active in the wheat market express their view in terms of the origin discount to be applicable for the 2011/12 marketing season based on the below suggestions:

- leave unchanged for the 2011/12 season
- reduce the R100 applicable to ARG, USA HRW and GER to R50 per ton based on the increase in imports from these origins over the past few years and what appears to greater acceptability in terms of the intrinsic milling characteristics.

Please forward your feedback and include a brief motivation for the decision to commodities@jse.co.za . Should you wish to discuss the above in more detail please contact Chris Sturgess on +27 11 5207299.

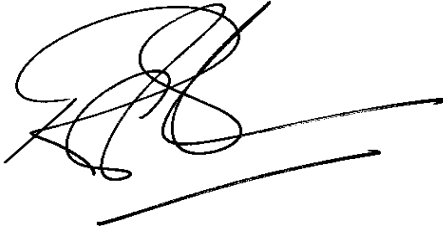


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The request to include wheat from Paraguay, Uruguay and Brazil as deliverable onto the Safex wheat contract was also discussed at the Agricultural Advisory meeting with the conclusion agreed that it was too early to include these origins as they had no proven track record in terms of comparability with the intrinsic milling characteristics of South African wheat.

In order to progress on the wheat origin discounts for the 2011/12 season, please provide your feedback as soon as possible but not later than Monday 18 April 2011.

A handwritten signature in black ink, appearing to be 'R. Gravelet-Blondin', with a horizontal line underneath it.

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