

Market Notice

Number: A1974 A
Date: 10 March 2014

1. Proposed Maize Location Differentials for 2014/15 marketing season.

The 2014/15 maize marketing season is approaching and we are pleased to submit to you provisional location differentials for the new marketing season.

As per previous years, the JSE extended an open invitation to all registered storage operators and market participants to contribute rail vs road out-loading information as well as contribute road and rail tariffs directly to the exchange.

This year we continued to use our established methodology by deriving the location differentials off actual distances of the respective silos to Randfontein.

The RPK rate was calculated by the JSE after aggregating all the information provided by the road transporters, thus making this the closest indication of actual road costs. Based on this information the cost per km varied depending on the range of distance travelled as can be seen below:

Distance	2014 RPK	2013 RPK	% Difference
0-15 Km	85.67	R 80.31	6.67%
16-25 Km	59.10	R 55.60	6.29%
26-50 Km	31.70	R 28.70	10.45%
51-75 Km	22.30	R 19.41	14.89%
76-100 Km	20.37	R 17.65	15.41%
101-125 Km	19.58	R 17.07	14.70%
126-150 Km	18.92	R 16.77	12.82%
151-175 Km	18.12	R 16.25	11.51%
176-200 Km	17.96	R 16.16	11.14%
201-225 Km	17.77	R 15.95	11.41%
226-250 Km	17.54	R 15.89	10.38%
251-275 Km	17.23	R 15.17	13.58%
276-300 Km	17.29	R 14.85	16.43%
301-325 Km	17.56	R 14.99	17.14%
326-350 Km	18.61	R 14.76	26.08%
351-375 Km	19.48	R 13.78	41.36%
376-400 Km	20.02	R 13.60	47.21%
>400 Km	20.02	R 13.60	47.21%



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As can be seen above, the RPK rates have increased substantially in the long haul distance range, a similar trend that we also observed in the wheat market when we adjusted rates late last year.

The above RPK values were used in the formula below to finally determine the rand-per-ton (RPT) road rates for all silo locations that are now commonly accepted among the transporters and market participants in the grain industry:

$$RPT = \frac{Distance * RLF * RPK}{Payload}$$

Where: Distance is the distance in km to Randfontein,
 RLF is the return load factor,
 RPK is in Rand per km and
 Payload is in tons with 34 tons applied.

Distances to Randfontein that were agreed upon by market participants were used in this exercise.

You will recall from last season that a return load factor (RLF) of 2 implies that the return load is empty while a RLF of 1 accounts for a full return load. Last season we used a RLF sliding scale as per the table below:

Distance	RLF
<301 km	2
301-325 km	1.9
326-350 km	1.8
351-375 km	1.7
376-400 km	1.6
>400 km	1.5

However, in order to address the substantial increases in the RPK for long distances that we saw above, the JSE has resolved to adjust the RLF sliding scale to account for full return loads in this particular distance range. This approach is also consistent with what we did in the wheat market and the new scale is given in the table below:

Distance	RLF
<301 km	2
301-325 km	1.9
326-350 km	1.8
351-375 km	1.7
376-400 km	1.6
401-425 km	1.5
426-450 km	1.4
451-475 km	1.3
476-500 km	1.2
501-525 km	1.1
>525 km	1.0

Combining the RPT formula above with rail-road ratios and rail rates, we were in a position to determine location differentials from Randfontein for each of the 214 registered maize storage locations.

The proposed rates show an average increase of **12.92%** when compared with the previous season. Based on the information received this also aligns with diesel price adjustments year on year of just over 13%. Refer to attached spreadsheet for all the location differentials per storage location.

Please could market participants review the proposed location differentials and highlight any gross inaccuracies immediately to commodities@jse.co.za **no later than Wednesday 19 March 2014** as the JSE aims to release the final numbers soon thereafter.

Members and clients are again reminded that the published location differentials are indicative of transport costs for product from the registered storage location to Randfontein, which is the basis for the standardized futures contract. It is impossible that this rate will be 100% accurate throughout the year as transport components change.

Throughout each marketing season the basis value at each silo, created through supply and demand, must be considered before making physical delivery onto the exchange. Through further refinements of the basis premium functionality the exchange aims to improve transparency to the basis value at each silo per product delivered in completion of a futures contract

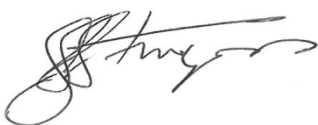
In proposing the maize LD, this has only been possible thanks to the commitment of a number of road transporters who supported the bigger picture and contributed individual information directly to the JSE who could then aggregate this to determine the RPK rates table. The JSE also values the accurate contributions made by the storage operators in terms of the rail vs road out loading ratio's as well as the rates provided by market participants.

2. Standard Storage Rates

The standard storage rate for the marketing season 1 May 2014 – 30 April 2015 will increase based on the PPI rate as published at the end of February 2014, namely 7.0% and so the standard storage rate applied to outstanding storage in completion of a futures contract will be **61 cents per ton per day**.

Please ensure that when making delivery of Safex silo receipts issued in the previous marketing season, all storage is paid up to and including 30 April 2014.

Should you have any questions regarding the above, please do not hesitate to contact the Commodities Team at 011 520 7231 or email commodities@jse.co.za .



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