



SAAM BEREIK ONS MEER
TOGETHER WE ACHIEVE MORE

OKTOBER / OCTOBER 2019

**NUWE VOORGESTELDE
KORING
GRADERINGSREGULASIES**

**NEW PROPOSED
WHEAT
GRADING REGULATIONS**



EEU VAN GROEI 1919-2019
CENTURY OF GROWTH

OOS VRYSTAAT KAAP

Reg. 1999/004069/06 | FSP No. 909 | NCRC619

Bedryf Bpk.
Operations Ltd.

Hoofkantoor/Head Office

Dan Pienaarstraat/St 19
Ladybrand 9745
Posbus/P.O. Box 96,
Ladybrand 9745
Tel: 051 923 4500
E-pos/Email: klantediens@ovk.co.za
www.ovk.co.za/www.cmw.co.za

Streekkantore / Regional Offices

Burgersdorp	Tel: 051 653 1855
Cradock	Tel: 048 881 3484
Ficksburg	Tel: 051 933 7662
Hopetown	Tel: 053 203 9200
Port Elizabeth	Tel: 041 406 7500
Bloemfontein Graan/Grain	Tel: 051 011 1592
E-pos/Email: clientservices@ovk.co.za	

Geagte Produsent

Neem asseblief kennis van die verwikkelinge rondom die nuwe voorgestelde koring graderingsregulasies.

Daar is tans nog nie klarigheid met betrekking tot die nuwe voorgestelde koring gradering regulasies nie. SAFEX het wel hul diskonto's gepubliseer wat van toepassing was vanaf 1 Oktober, met dien verstande die nuwe regulasies is in plek. Die Meulenaarskamer aanvaar egter nie die nuwe regulasies nie, hul verweer is dat dit nog nie in die staatskoerant gepubliseer is nie. Sover ons kennis strek, is die voorgestelde regulasies reeds deur die Minister afgeteken en is die wysigings vir terugvoer na die WTO gestuur. Dus die wysiging kan enige dag in die staatskoerant afgekondig word. Koring word egter reeds gestroop in sekere dele van die Kaap en daar is dus nou twee kampe met betrekking tot koring gradering en diskonto's. Ons vertrou die situasie sal spoedig uitgesorteer word. Ons hou u ingelig indien daar enige nuwe nuus ontvang word. Vir enige verdere navrae kontak asb u naaste OVK verhandelings tak.

OVK groete

Valued Producer

Please take note of the latest developments regarding the new proposed wheat grading regulations.

Current there are no clarity with regards to the new proposed grading regulations. SAFEX went ahead and published their grain discounts applicable from 1 October, taking the new regulations has been published. The Chamber of Milling does not accept the new regulations seeing that it has not been published in the government gazette yet. As to our knowledge has the proposed regulations been signed off and has the amendments been send to the WTO. Meaning that the regulations are expected to be published any day now. Wheat is harvested in parts of the Cape already and there is currently two takes on the grading and grain discounts applying. We trust that the situation will be resolved soonest and will keep you informed on the progress. With any further enquiry please contact your nearest OVK procurement office.

OVK regards

MARKET NOTICE

Johannesburg
Stock Exchange

Tel: +27 11 520 7000
www.jse.co.za

Number: 307/2019
Relates to: ☐ Equity Market
☐ Equity Derivatives
☒ Commodity Derivatives
☐ Interest Rate and Currency Derivatives
Date: 3 October 2019

SUBJECT: CLARIFYING OLD VS NEW GRADING SPECIFICATIONS FOR BREAD WHEAT AND ASSOCIATED ORIGIN DISCOUNTS

Name and Surname: Raphael Karuaihe
Designation: Head - Commodities

Dear Stakeholder,

On Grading Specifications

Following Market Notice 282/2019 dated 13 September 2019, and Market Notice 306/2019 dated 3 October 2019, the JSE adopted new grading specifications with effect from 1 October 2019.

We have received some enquiries about how the new grading standards will impact old season stock, and as such we would like to bring the following to your attention:

- *Long position holders who, towards the end of September 2019, were assigned stock for outloading at registered storage facilities are deemed to have traded old season stock, irrespective of actual date of outloading.*
- *Such position holders will be entitled to outload their wheat under the old grading specifications for a period up to and including **31 October 2019**. Thereafter, the new grading regulations will be applicable.*
- *In the event where the affected long position holder feels that the granted grace period is not adequate, or where it can be shown that there are challenges at the appointed outloading facility, the affected party may approach the JSE and inform the JSE of these and other practical difficulties that may be experienced. The JSE will, after due consideration of all the facts and information at its disposal, decide on the appropriate course of action to resolve these issues.*

On Origin Discounts

In the latest market notice on wheat location differentials for 2019/20, we included the newly introduced origin discounts. However we omitted the origin discount on imported super grade wheat and we would like to rectify that.

Also, the origin discounts are determined off grade discounts. The domestic B1 grade is used as the reference grade, and the base rate is calculated as an arithmetic average of the near dated December expiry daily mark-to-market (mtm) for the JSE wheat (WEAT) futures contract, taken from 15 March to 15 September each year.

The origin discount is then accounted for by discounting the grade discount by a further 2% of “Base”. We present the origin discounts in a simpler way as per below:

Grade	Grade Discount (%)	Grade Discount (Absolute)	Origin Discount (%)	Origin Discount (Absolute)
Super	+2%	+R89	-2% (-R89)	Par (+R89-R89)
B1	Base	Par	-2% (-R89)	-R89 (R0-R89)
B2	-1%	-R44	-2% (-R89)	-R133 (-R44-R89)
B3	-4%	-R178	-2% (-R89)	-R267 (-R178-R89)

We trust that the above clarifies any confusion around implementation of new grading regulations as well as simplifying our determination of origin discounts.

Should you have any questions regarding the above, please do not hesitate to contact Commodities Team at 011 520 7039 or email commodities@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notices-and-circulars>

MARKET NOTICE

Johannesburg
Stock Exchange

Tel: +27 11 520 7000
www.jse.co.za

Number: 297A/2019
Relates to: ☐ Equity Market
☐ Equity Derivatives
☒ Commodity Derivatives
☐ Interest Rate and Currency Derivatives
Date: 27 September 2019

SUBJECT: FINAL WHEAT LOCATION DIFFERENTIALS AND STORAGE RATES FOR 2019/20 MARKETING SEASON

Name and Surname: Raphael Karuaihe
Designation: Head - Commodities

1. Final Wheat Location Differentials for 2019/20 marketing season.

Subsequent to market notice 284A/2019 of 17 September 2019, this notice serves to release the final location differentials for wheat for the 2019/20 marketing season. As mentioned before, we have adopted a formula-based approach to determine location differentials for wheat as follows:

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

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

The provisional results published last week will mainly remain unchanged except for the following locations:

Prieska GWK:

We have aligned the differentials of Prieska GWK with Prieska OVK.

The final list of location differentials for wheat for 2019/20 marketing season is attached and below are the final RPK rates and return load factors (RLF) used in our model:

2019/20			
Distance	RPK	Distance	RLF
0-15 Km	291,73	<300 km	2.0
16-25 Km	81,04	301-325 km	1.9
26-50 Km	45,55	326-350 km	1.8
51-75 Km	29,54	351-375 km	1.7
76-100 Km	25,89	376-400 km	1.6
101-125 Km	23,94	401-425 km	1.5
126-150 Km	21,49	426-450 km	1.5
151-175 Km	19,61	451-475 km	1.5
176-200 Km	19,53	476-500 km	1.4
201-225 Km	19,44	501-550 km	1.4
226-250 Km	19,39	551-600 km	1.4
251-275 Km	18,37	>600 km	1.4
276-300 Km	18,01		
301-325 Km	17,42		
326-350 Km	16,94		
351-375 Km	16,92		
376-400 Km	16,84		
401-425 Km	16,79		
426-450 Km	16,73		
451-475 Km	16,51		
476-500 Km	16,04		
500-600 Km	16,01		
>600 Km	15,86		

2. Standard Storage Rates

The standard storage rate applied to outstanding storage in completion of a futures contract for marketing season 1 October 2019 - 30 September 2020 will be **98 cents per ton per day** based on the June PPI rate of 5.8% published at the end of July 2019.

Please ensure that when making delivery of JSE silo receipts issued in the previous marketing season, all storage is paid up to and including 30 September 2019.

3. Wheat Grade Discounts

As communicated in Market Notice 282/2019, the JSE has reverted back to the original methodology for determining wheat grade discounts. Details of the methodology outlined below:

- *An arithmetic average of the near dated December expiry daily mark-to-market (mtm) for the JSE wheat (WEAT) futures contract will be referenced*
- *The rate will be finalized including mtm data on the 15th September each year (if this not a business day, the first business day prior)*
- *A six month reference period will be applied commencing from and including 15th March each year (if this is not a business day, the first business day prior)*
- *The December WEAT expiry is the only expiry month considered in the methodology*
- *Once the average futures price is calculated for the period for the par base grade, then grade adjustments as per table 2 above will be applied to this value to determine prices for the Super, B2 and B3 wheat grades for the next marketing season; and*
- *The final grade adjustment will be rounded off to the closest R1 interval*

Below are the new wheat grade discounts for the 2019-20 marketing season:

Grade	Minimum Protein	Grade Adjustment	Grade Discount
Super	12.5%	+2%	R 89.00
B1	11.5%	Base	PAR
B2	10.5%	-1%	R 44.00
B3	9.5%	-4%	R 178.00

4. Wheat Origin Discounts

As agreed upon with the rest of the industry, wheat for delivery from the following origins will attract a zero origin discount, effective 1 October 2019 -

- USA (Hard Red Spring, Dark Northern Spring, Northern Spring Wheat).
- USA (Hard Red Winter Wheat).
- Canada (Number 3 or better Red Western Spring Wheat).
- Australia (Hard, Prime Hard, Prime White and Standard White Wheat).

Wheat for delivery from the below origins will attract the following origin discounts, effective from 01 October 2019 -

- Argentina
- Germany (type A or B Wheat)
- Ukraine
- Russia

Grade	Origin Discount Adjustment	Origin Discount
B1	-2%	-R 89
B2	-3%	-R 133
B3	-6%	-R 267

Should you have any questions regarding the above, please do not hesitate to contact the Commodities Team at 011 520 7039 or email commodities@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notices-and-circulars>

MARKET NOTICE

Johannesburg
Stock Exchange

Tel: +27 11 520 7000
www.jse.co.za

Number: 306/2019
Relates to: ☐ Equity Market
☐ Equity Derivatives
☒ Commodity Derivatives
☐ Interest Rate and Currency Derivatives
Date: 3 October 2019

SUBJECT: IMPLEMENTATION OF NEW GRADING SPECIFICATIONS FOR BREAD WHEAT

Name and Surname: Raphael Karuaihe
Designation: Head - Commodities

Dear Stakeholder,

1. The JSE refers to market notice 282/2019 published on 13 September 2019 dealing with the proposed amendments to grading regulations for bread wheat.
2. This notice recorded the grading specifications for bread wheat delivered in fulfilment of the delivery obligations of short position holders in listed futures contracts with wheat as underlying commodity.
3. The amendments to the grading specifications are effective from 1 October 2019 and will be applied to all futures contracts that are physically delivered for the next marketing season (1 October 2019 – 30 September 2020).
4. The JSE's decision to implement the amendments to the grading specifications was made strictly in accordance with its regulatory duties and responsibilities to ensure a fair, efficient and transparent market in the securities listed and traded on its exchange. The standardised terms and conditions of futures contracts, with specific reference to the grading requirements of the underlying commodities of these securities, are an integral part of the manner in which the JSE regulates its market. The standard of these quality requirements are recorded in Table 1 of Market Notice 282/2019 and the JSE will consistently apply these objective standards from the effective date, it being 1 October 2019.
5. The JSE's decision in respect of these grading specifications was an independent decision made after consideration of all the relevant facts and information at the disposal of the JSE. This decision is neither dependent nor conditional on the formal approval of similar grading specifications by the Minister of Agriculture or the unanimous consent of all parties involved in the broader wheat industry. The JSE may apply and enforce any standard grading specification that it deems appropriate. Importantly, these grading specifications will only be applicable in respect of wheat delivered in fulfilment of futures contracts listed on the JSE.

Should you have any questions regarding the above, please do not hesitate to contact Commodities Team at 011 520 7039 or email commodities@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notice-and-circulars>

MARKET NOTICE

Johannesburg
Stock Exchange

Tel: +27 11 520 7000
www.jse.co.za

Number: 282/2019
Relates to: ☐ Equity Market
☐ Equity Derivatives
☒ Commodity Derivatives
☐ Interest Rate and Currency Derivatives
Date: 13 September 2019

SUBJECT: AMENDMENTS TO GRADING REGULATIONS FOR BREAD WHEAT

Name and Surname: Raphael Karuaihe
Designation: Head - Commodities

Dear Stakeholder,

This market notice follows Market Notice 82/2019, dated 11 March 2019, in which the JSE alerted the market of possible changes to the wheat grading regulations, brought about by industry consensus in an effort to revive the domestic wheat industry. These changes were subject to approval and sign off by the Minister of Agriculture.

The Minister's approval is still pending, but communication from the Wheat Forum Steering Committee, in a letter dated 12 September 2019, the industry has unanimously resolved to proceed and amend regulations for Bread Wheat for implementation effective from 1 October 2019. This is irrespective of the actual date of approval by the Minister.

The grading specifications for South Africa bread wheat, effective 1 October 2019, are as follows:

Table 1: New Grading Regulations

Grade	Minimum Protein (%)	Hectolitre Mass (Kg)	Falling Number
Super	12.5	76	250 seconds (30 second deviation)
B1	11.5	76	250 seconds (30 second deviation)
B2	10.5	76	250 seconds (30 second deviation)
B3	9.5	74	250 seconds (30 second deviation)

In line with the above resolutions by the wheat industry, the JSE will, effective 1 October 2019, adopt the amended wheat grading regulations. Furthermore, the following wheat grade adjustments will apply:

Table 2: Wheat Grade Adjustments

Grade	Minimum Protein (%)	Grade Adjustment (%)
Super	12.5	+2.0
B1	11.5	Base
B2	10.5	-1.0
B3	9.5	-4.0

In determining the base grade price from which the other prices will be derived, the industry has requested the JSE to revert back to our original base methodology, namely:

- *An arithmetic average of the near dated December expiry daily mark-to-market (mtm) for the JSE wheat (WEAT) futures contract will be referenced;*
- *The rate will be finalized including mtm data on the 15th September each year (if this not a business day, the first business day prior);*
- *A six month reference period will be applied commencing from and including 15th March each year (if this is not a business day, the first business day prior);*
- *The December WEAT expiry is the only expiry month considered in the methodology;*
- *Once the average futures price is calculated for the period for the par base grade, then grade adjustments as per table 2 above will be applied to this value to determine prices for the Super, B2 and B3 wheat grades for the next marketing season; and*
- *The final grade adjustment will be rounded off to the closest R1 interval.*

Market participants are requested to please beware of the eminent changes to the wheat grade specifications and their corresponding grade adjustments.

Should you have any questions regarding the above, please do not hesitate to contact Commodities Team at 011 520 7039 or email commodities@jse.co.za

This Market Notice will be available on the website at <https://www.jse.co.za/redirects/market-notice-and-circulars>