



Trading guaranteed grade wheat and the  
potential for trading basis premiums on  
the JSE

Chris Sturgess

# SA WHEAT INDUSTRY



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My brief.....

- The purpose of the WHEAT INDABA is to give feedback to industry of steps that have been clarified and are being implemented already.
- The intention was not to create a forum for initiating new discussion points or a debate

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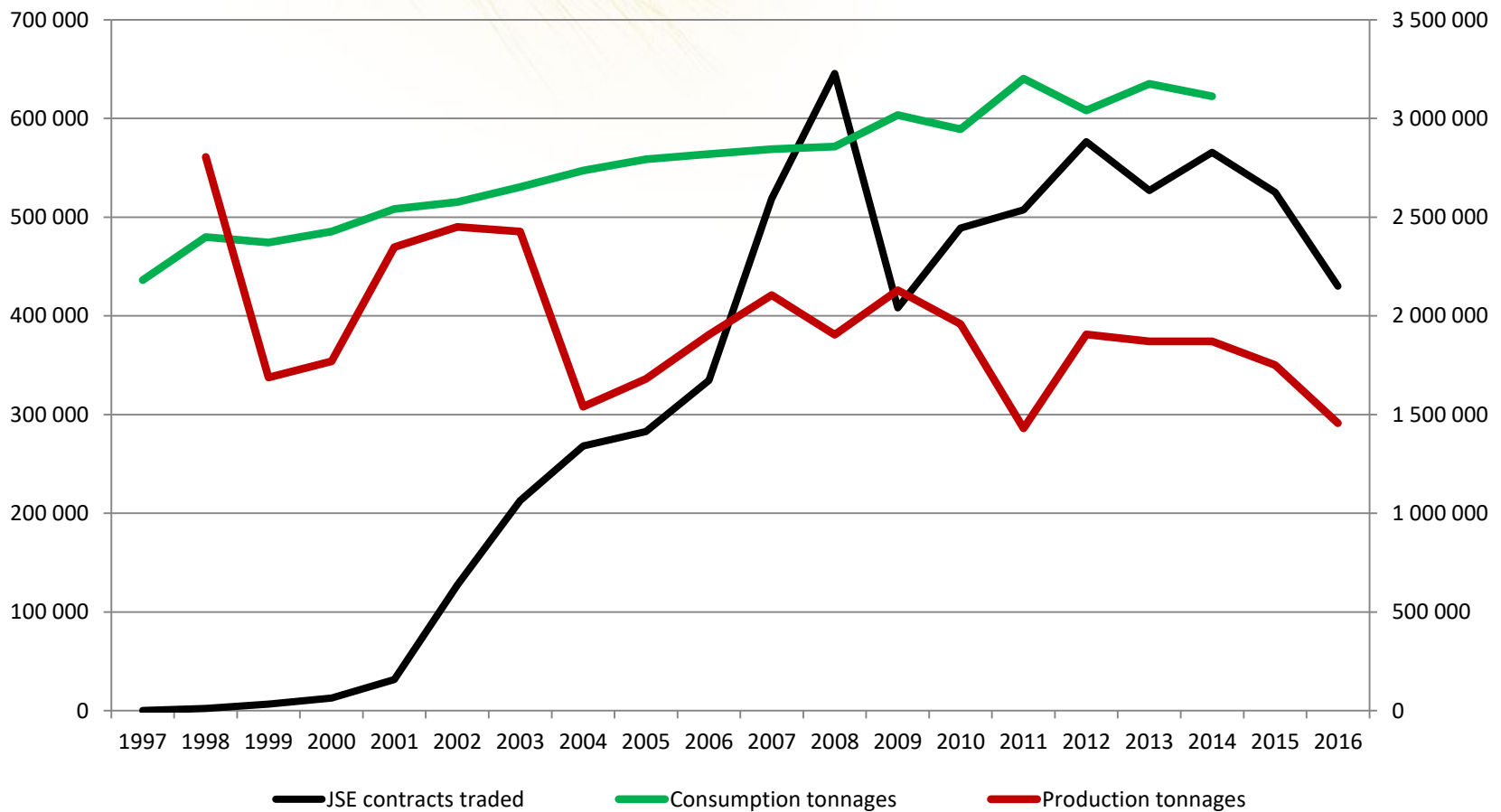
Are we focused on the big picture ?

[WEATSPOT.APD@APD: 3960](#)



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Are we in trouble....

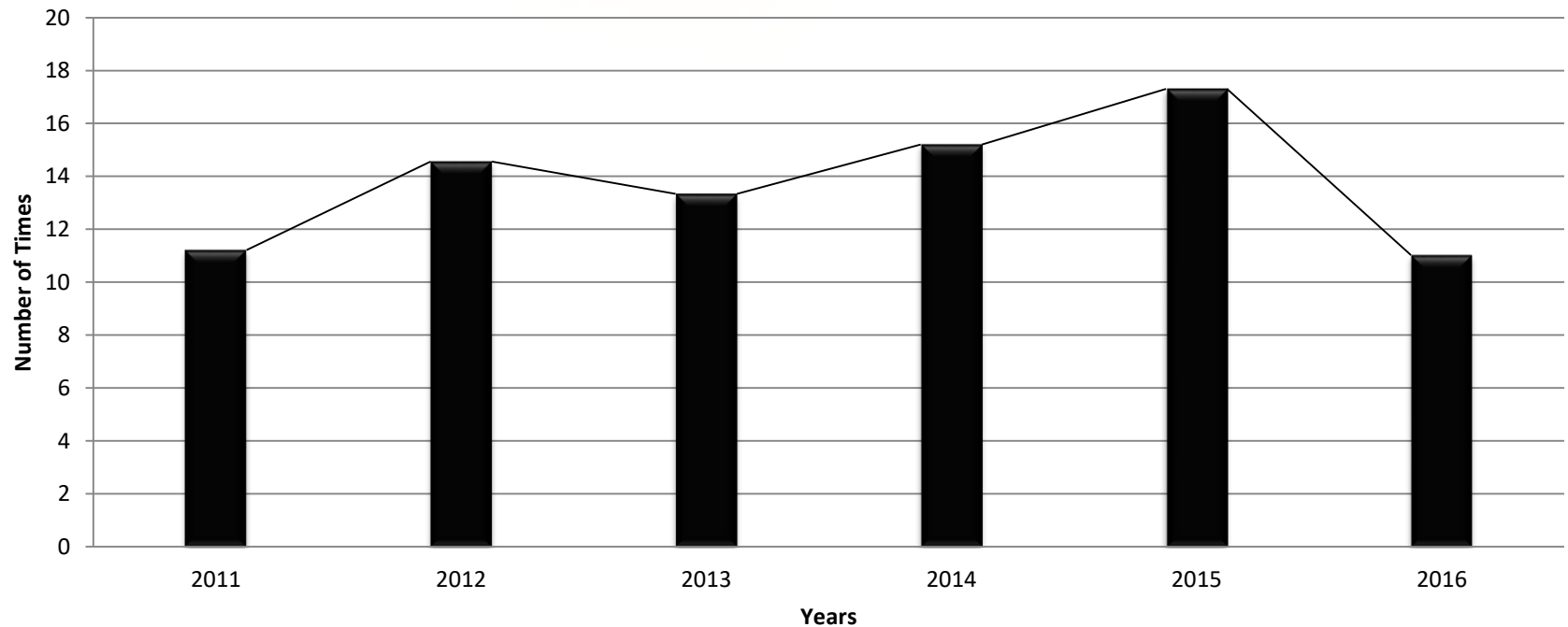




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JSE Contract – number of times crop production  
is traded over

**JSE WHEAT FUTURES CONTRACT**



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## Guaranteed Grade JSE silo receipts

- The concept in a nutshell:
  - JSE Approved Storage Operators support the concept of issuing JSE Guaranteed Grade (GG) wheat certificates
  - This is done at their discretion, based on what they comfortable to guarantee
  - Client storing wheat approaches the Storage Operator to request a GG JSE electronic silo receipt
  - Receipt is issued for 3 months with a further 1 month to outload
  - By issuing a GG receipt, storage operator undertakes to guarantee out loading of the specific grade, if in the unlikely event a better grade is only available no grade adjustment is made
  - The storage operator through the GG receipt will not be allowed to outload a lower grade wheat
  - The GG receipt can be traded via JSE spot basis platform or in the open market
  - No new JSE deliverable wheat contract will be added, the delivery process is simply enhanced
  - Once the 3 month validity has expired, the receipt cannot be traded on the JSE and the owner has 1 month to outload
  - If the receipt is not out loaded within the 1 month, the receipt is cancelled and stock will revert back to folio with the possibility to move within one grade, up or down
- Will this work ?
  - Depends on storage operators ability to issue GG receipts aligned to clients request
  - Depends on the costs associated to issuing the receipt?
  - Will it be possible to secure GG B2 and GG B3 receipts?
  - Demand from the owners of stock
  - Premiums paid by buyers versus the costs of issue?

A close-up photograph of wheat stalks, showing the golden-brown grain and the lighter-colored husks, filling the left and top portions of the slide.

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## Guaranteed Grade JSE silo receipts

- JSE together with ESC prepared to test the concept
- Limited changes to the current software systems to accommodate the request, add an additional criteria to the JSE quality specs, GG B1, GG B2 and GG B3
- Based on market update and demand, will assess success at the end of 2017/2018 marketing season
- Your participation will drive its success.....
- Roll out of the concept in the next month – March 2017 via a JSE market notice

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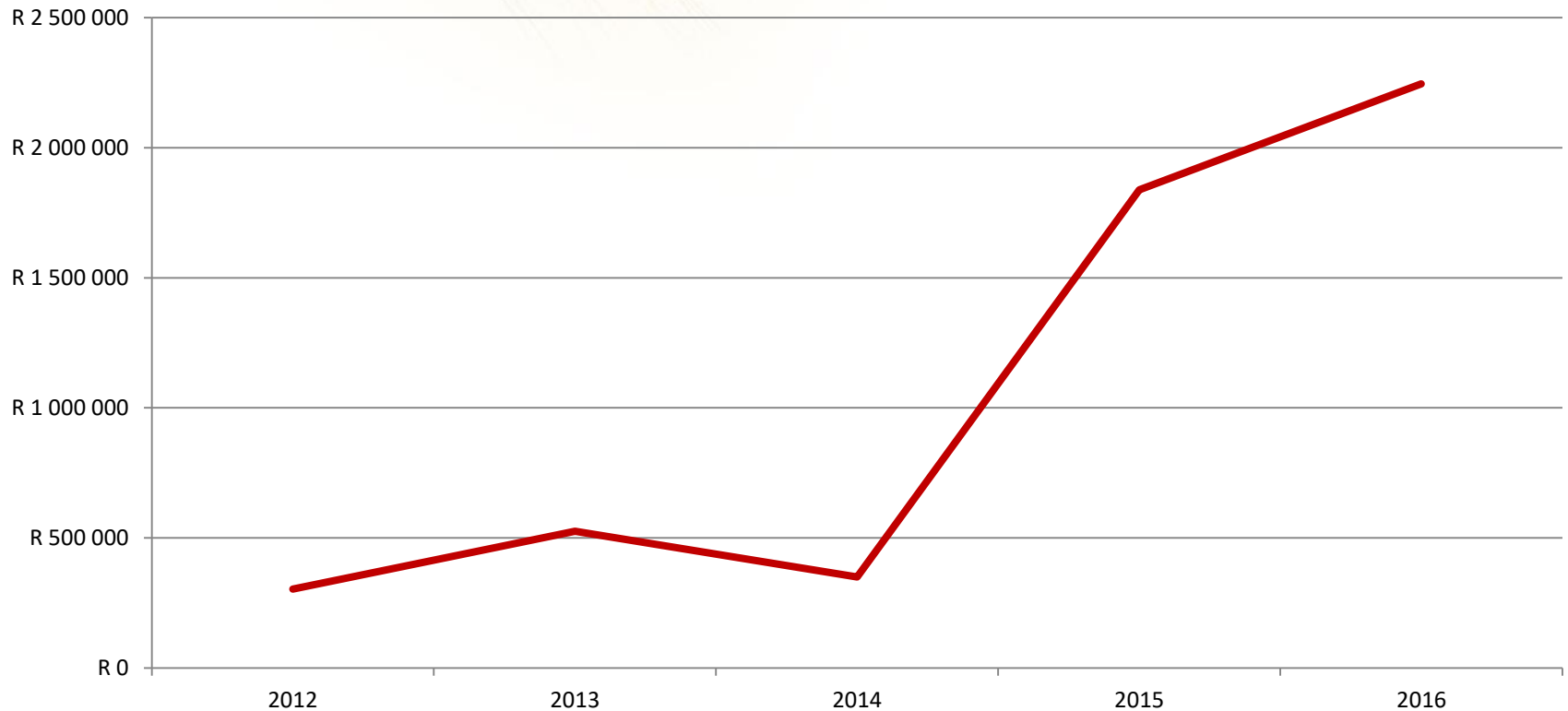
Trading basis premiums on the JSE...

Spot_Basis_Contracts (SAFMCHR)															
Product	Owner	Location	Origin	QtyB	Bid	/	Offer	QtyO	Change	Last	Time	High	Low	Volume	
SOYA	AFG	Holmdene	ZA	0	0.00	/	0.00	0	0.00	0.00	00:00	0.00	0.00	0	
SUNS	NWK	Delareyville	ZA	0	0.00	/	20.00	8	0.00	0.00	00:00	0.00	0.00	0	
SUNS	NWK	Gerdau	ZA	0	0.00	/	20.00	4	0.00	0.00	00:00	0.00	0.00	0	
SUNS	NWK	Koster	ZA	0	0.00	/	20.00	4	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	OAB	Klipdale	ZA	0	0.00	/	20.00	17	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	SSK	Swellendam	ZA	2	1.00	/	25.00	2	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B1	SSK	Karringmelkriver	ZA	0	0.00	/	25.00	1	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	BKB	Winterhoek Depot	ZA	0	0.00	/	20.00	9	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	OAB	Rietpoel	ZA	0	0.00	/	20.00	14	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	OAB	Napier	ZA	0	0.00	/	20.00	12	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	CAA	Graafwater	ZA	0	0.00	/	20.00	25	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	OAB	Protom	ZA	0	0.00	/	20.00	4	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	OAB	Bredasdorp	ZA	0	0.00	/	20.00	10	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	BKB	Winterhoek Depot	ZA	0	0.00	/	20.00	22	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	CAA	Graafwater	ZA	0	0.00	/	20.00	16	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	OAB	Bredasdorp	ZA	0	0.00	/	20.00	12	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B	OAB	Napier	ZA	0	0.00	/	20.00	2	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B2	CAA	Porterville	ZA	5	1.00	/	15.00	3	0.00	0.00	00:00	0.00	0.00	0	
WEAT - B2	SSK	Swellendam	ZA	0	0.00	/	0.00	0	15.00	15.00	12:00	15.00	15.00	1	
WMAZ	AFG	Driefontein	ZA	0	0.00	/	95.00	2	0.00	0.00	00:00	0.00	0.00	0	
WMAZ	AFG	Brits	ZA	0	0.00	/	50.00	10	0.00	0.00	00:00	0.00	0.00	0	
WMAZ	AFG	Paulpietersburg	ZA	2	1.00	/	60.00	2	0.00	0.00	00:00	0.00	0.00	0	
YMAZ	AFG	Leeuspruit	ZA	5	20.00	/	50.00	5	0.00	0.00	00:00	0.00	0.00	0	
YMAZ	AFG	Greylingstad	ZA	5	10.00	/	50.00	5	0.00	0.00	00:00	0.00	0.00	0	
YMAZ	BKB	Robertsdrift	ZA	1	10.00	/	50.00	1	0.00	0.00	00:00	0.00	0.00	0	



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## Spot basis premiums traded for Wheat





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## Other challenges....

- JSE R100 origin discount for 2017/2018 marketing season.....we need to make a decision on the way forward for Dec17 expiry to be listed!
- Without consensus from the buy and sell side, JSE will need to make the final decision
- Is reaching consensus in the wheat sector ever a possibility ?????



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**IF YOU WANT TO GO FAST, GO ALONE  
IF YOU WANT TO GO FAR, GO TOGETHER**

AFRICAN PROVERB