13 August 2026

Ms Valdene Reddy
Group Chief Executive Officer
Johannesburg Stock Exchange
Sandown, Johannesburg

Dear Ms Reddy,

MEMORANDUM: GRAIN SA'S CONCERNS REGARDING THE JSE'S DECISION ON THE SOYBEAN MULTIPLE REFERENCE POINTS MODEL

Grain SA writes to express its profound disappointment with the JSE's decision, as communicated in Market Notice 284/2026, to discontinue the Multiple Reference Points (MRP) model for calculating soybean location differentials and to revert to a single-reference-point methodology.

The decision follows an extensive process during which Grain SA, independent researchers, technical specialists and other stakeholders invested considerable time, expertise and resources in developing and testing a potentially more efficient and equitable alternative to the existing soybean location-differential system.

In 2021, Grain SA met with the JSE specifically to explain the importance of reviewing the soybean location-differential methodology and the serious consequences that the current inefficient methodology has on producers. A structured process was subsequently agreed upon, including the establishment of a technical committee to evaluate the proposed alternative, oversee the pilot and assess the practical implementation of the model.

Departure from the agreed technical process

The criteria against which the MRP pilot would be evaluated were set up by the Technical Advisory Committee together with the JSE and formally communicated in Market Notice 022A/2023. These were:

1. The pilot will run for a minimum of 2 years, overlapping for a further year as the success of the pilot will only be considered after the full 2-year period. Pilot runs for SOYA from 1 Mar24 to 28 Feb26, remaining 2026 expiries up until 28 Feb27 will continue the same model, should the pilot not be considered a success the SOYA contract will revert to a single reference point as from 1 Mar27 marketing season.

2. The pilot is only applicable to the deliverable SOYA contract, NO OTHER commodities would be considered during this period
3. Evidence would be gathered through volumes traded and open interest records, to indicate whether market participants continue to support the SOYA contract as a means of managing price risk comparatively to the crop size.
4. The number of market participants active in the current contract would be recorded and this would again be accessed at the end of the pilot period to understand how market participation was impacted.
5. There is no excess buildup of physical stock in delivery points inside the zero-differential areas. The multiple reference point model strives to be more inclusive considering processing points and so we would hope to see movement of such stock before the outer points become active supply points.
6. Redelivery of JSE silo receipts would be carefully monitored to establish if there was a major area of concern. This could either be due to the calculation of the location differential or simply clients receiving stock in sites that do not meet their requirements.
7. A formal survey would be undertaken with market participants in the soya sector to gauge their views of the new model towards November each year as a further means of formulating feedback.

Market Notice 118A/2026 specifically indicated that the JSE had commenced evaluating the quantitative results using the success criteria established at the beginning of the trial. It is therefore deeply concerning that, to Grain SA's knowledge, the technical committee was not reconvened to consider the evidence, assess the pilot against each of the predetermined criteria or formulate a technical recommendation regarding the future of the MRP model.

As far as Grain SA is aware, the technical committee did not formally consider all the data, research and analyses generated during the two-year pilot period. No final sitting of the committee appears to have been convened to evaluate the outcome of the pilot or to consider possible improvements to the model.

The final decision therefore appears to have been reached without completing the transparent, criterion-by-criterion technical assessment contemplated at the commencement of the process.

Insufficient motivation and supporting evidence

Grain SA considers the reasons provided in Market Notice 284/2026 to be insufficiently supported by disclosed quantitative evidence. The notice acknowledges that trading volumes, open interest and physical deliveries improved during the pilot period. Grain SA's own submission also contained an analysis demonstrating improvements in several of these indicators.

The JSE nevertheless concluded that the improvements resulted from external market conditions and that there was no causal relationship between the implementation of the MRP model and the improved indicators. However, the notice did not provide the detailed quantitative analysis or methodology supporting this conclusion.

Grain SA accordingly requests that the JSE disclose:

- the quantitative analysis used to assess each of the five predetermined criteria;
- the methodology used to distinguish the effect of the MRP model from external market conditions;
- the data on which the conclusion regarding the absence of causality was based; and
- the weighting assigned to quantitative evidence compared with qualitative stakeholder feedback.

The final decision appears to place considerable weight on qualitative concerns regarding the complexity of the methodology, whether all market participants understood it and whether certain stakeholders regarded it as sufficiently simple or practical.

Grain SA cannot accept that the efficiency and fairness of a location-differential methodology should be compromised primarily because the methodology is perceived to be more complex than the historical system.

The principal consideration should be whether the methodology is scientifically defensible, objectively measurable and capable of producing a more efficient, more fair and equitable market outcome. The purpose of the calculation should be to approximate, as closely as reasonably possible, the point of price indifference between delivery locations and areas of consumption.

The JSE calculates and publishes location differentials annually. Physical-market basis levels, however, are dynamic and are influenced by changing regional supply, demand, processing capacity, stock levels and transport movements. The fact that a methodology requires additional data or technical expertise should not, by itself, justify reverting to a model based predominantly on theoretical transport costs and as if there is only one consumption point.

It is further concerning that the JSE continues to view the location differential as a transport relief mechanism, and not a mechanism to closer align future contract prices to basis and physical market reality. This view is also clear from the lack of industry understanding about the role of location differentials.

Complexity can be addressed through improved communication, market education, transparent governance procedures and appropriate technical oversight. It should not constitute sufficient reason to reject a model developed to address recognised inefficiencies in the soybean location-differential system.

Withholding of material market information

Grain SA has repeatedly cautioned that the evaluation of the MRP model should not be undermined by the unwillingness of certain market participants to provide the information required for the accurate calculation and assessment of soybean location differentials. Grain SA has repeatedly raised this concern with the JSE, with no clear plan or attempt from the JSE to overcome this issue.

Market Notice 284/2026 identifies several information-related limitations, including:

- difficulty in obtaining accurate and auditable crushing information;
- operational differences between crushing plants;
- reliance on historical information; and
- concerns regarding commercially sensitive and confidential information.

These constraints were raised during the evaluation process. Grain SA's concern is that insufficient effort appears to have been made to establish an appropriate mechanism through which the necessary information could be obtained, independently verified and used while protecting legitimate commercially sensitive or confidential information.

During the relevant advisory committee discussions, Grain SA proposed that the JSE formally approach the Board of the South African Grain Information Service (SAGIS). SAGIS holds, or may have access to, a substantial portion of the information required to support an objective assessment of the model.
Grain SA therefore requests confirmation of whether the SAGIS Board was formally approached to determine whether the required information could be made available in an aggregated, confidential or independently verified format.

Confidential information is already submitted to SAGIS and other market institutions under established industry and statutory arrangements. Grain SA believes that a suitable data-governance mechanism could have been investigated, subject to the approval of the relevant parties, including:

- the submission of information under confidentiality agreements;
- independent verification by an agreed third party;
- the aggregation or anonymisation of plant-level information;
- restricted access to information by designated JSE officials or technical experts; and
- the publication of only the resulting calculations, rather than commercially sensitive source data.

The unwillingness of certain value-chain participants to provide relevant information should not be accepted without further investigation, particularly where those same participants may benefit commercially from the continued application of an inefficient location-differential methodology.

Information asymmetry and practical influence on the cash market

Market Notice 284/2026 states that JSE decisions concerning the derivative contract have no force or effect in the cash market and that market participants remain free to negotiate physical-market prices. While Grain SA recognises the formal distinction between the derivatives market and the cash market, the practical commercial influence of the JSE's published location differentials cannot be disregarded. It is not acceptable that the JSE merely distances itself from a problem created solely by the JSE in the cash market.

In practice, JSE location differentials are frequently used as an initial reference point in physical-market negotiations. It is the norm in the market, which the JSE is very acutely aware of. Producers may theoretically negotiate a different basis, but their ability to do so is constrained by unequal access to cash-market information and differences in bargaining power.

Many soybean crushers and large commercial buyers possess significantly greater information regarding:

- actual physical-market basis levels;
- regional crushing demand;
- available processing capacity;
- stock movements;
- transport flows; and
- alternative procurement opportunities.

Producers generally do not have equivalent access to this information or bargaining power. An inaccurate or inefficient published differential may consequently become a default deduction from the futures price, even where it does not reflect the actual commercial value or movement of soybeans in a particular region.

The expectation that the cash market will automatically correct an inefficient differential does not adequately account for existing information asymmetries and differences in market power. It is also difficult to understand how the JSE can entertain such an expectation when the current reality clearly reflects the opposite.

Potential competition-law implications

The circumstances described in Market Notice 284/2026 also raise potential questions under the Competition Act 89 of 1998. Section 4(1)(b)(i) prohibits an agreement or concerted practice between competitors that directly or indirectly fixes a purchase or selling price, or any other trading condition.
The mere fact that individual crushers declined to provide information would not, on its own, establish a contravention. However, if competing crushers agreed, coordinated or adopted a common position not to provide crushing information, and that conduct contributed to the continued use of a differential that materially influences the prices offered to producers, the conduct may warrant consideration under section 4(1)(b)(i).

The concern would be that coordinated withholding of information required for an accurate differential could indirectly influence a material purchase-price component or trading condition, particularly where crushers subsequently use the published differential as a common starting point in procurement negotiations.

Alternatively, coordinated withholding may warrant assessment under section 4(1)(a) if it has the effect of substantially preventing or lessening competition through distorted price discovery, information asymmetry or the suppression of effective competition for soybeans.

Grain SA does not suggest that a Competition Act contravention has been established. However, the circumstances warrant clarification and, where appropriate, independent competition-law assessment. Grain SA accordingly requests that the JSE confirm:

1. whether individual crushers were formally requested to provide the required information;
2. which information was requested and under what confidentiality arrangements;
3. whether crushers responded individually or through a collective industry structure;
4. whether a common or coordinated position was communicated to the JSE;

5. whether any crushers were willing to provide information subject to appropriate confidentiality protections; and
6. whether the potential competition implications of the information constraints were considered.

Should there be evidence suggesting collaborative conduct among competing processors, Grain SA believes the matter should be referred for independent legal and economic assessment and, where appropriate, to the Competition Commission.

Serious profitability implications for producers

The decision has potentially serious consequences for soybean-producer profitability. Producers operate in an environment characterised by escalating input costs, narrowing margins, production volatility and considerable financial risk. They cannot afford additional market inefficiencies arising from artificial transport assumptions or location differentials that do not reflect actual commercial movements between production and consumption regions.

A single-reference-point methodology may impose deductions on producers that are disconnected from physical-market realities. It may also create regional distortions where producers situated close to active crushing or consumption areas remain subject to theoretical transport costs associated with a distant national reference point.

The proposed relocation of the soybean reference point from Randfontein to Driefontein does not, in itself, address the fundamental limitations associated with applying one reference point to a geographically diverse and expanding soybean industry.

The proposal appears to place significant emphasis on the concentration of demand around Isando and Boksburg. However, it still assumes that the broader national crop should be priced in relation to a single point, with the expectation that cash-market basis negotiations will correct any inefficiencies.
Grain SA remains concerned that current information and bargaining-power imbalances may prevent those corrections from occurring consistently and fairly.

The location-differential system has a direct bearing on the net price received by producers. Any persistent inefficiency in its calculation therefore affects producer revenue, regional production incentives and the long-term sustainability of soybean production.

A decision with such far-reaching implications should not be based predominantly on qualitative perceptions, incomplete information or an evaluation process that appears not to have completed the agreed technical mandate.

Prof Roberts report

In the report requested by JSE, Prof Roberts indicated that there must be zero deliveries point to facilitate arbitrage, however, did not have a solution at the time. The multi reference point exactly facilitates this. Prof Roberts had concerns regarding specific zones experiencing re-deliveries. The multi reference point model also corrected some of these concerns but also highlighted some other concerns that are not related to differential but rather inefficiencies at offloading facilities. With its decision, the JSE disregarded these concerns.

Grain SA's contribution to the process

Grain SA did not merely oppose the existing soybean location-differential methodology. In accordance with the process agreed with the JSE, Grain SA proposed and assisted in the development of a technically researched alternative. This included substantial economic and academic work aimed at identifying a methodology that would more accurately reflect changing supply, demand, processing and transport realities.

Grain SA is therefore seriously disappointed that:

- the technical committee appears not to have consulted on the outcome of the survey conducted;
- the predetermined evaluation criteria were not transparently assessed;
- the supporting quantitative analysis has not been disclosed;
- potential mechanisms for obtaining confidential information were not fully explored;
- the decision may have been disproportionately influenced by parties with direct commercial interests in its outcome; and
- the decision was communicated close to the commencement of a new production and marketing cycle.

Agricultural production and futures-market decisions take place within defined seasonal cycles. Decisions communicated at the commencement of a season leave producers with limited opportunity to assess the implications, adapt production decisions or engage meaningfully regarding alternatives.

Request for urgent intervention

Grain SA respectfully requests your urgent intervention to ensure that:

1. The technical committee is reconvened to complete the mandate agreed upon at the commencement of the process;
2. All data, research and analyses submitted during the pilot are formally considered by the technical committee;
3. The MRP model is transparently evaluated against each of the five predetermined success criteria;
4. The quantitative analyses and methodology supporting the conclusions in Market Notice 284/2026 are shared with Grain SA and other affected stakeholders;
5. The JSE confirms whether the SAGIS Board was formally approached and, if not, explains why this avenue was not pursued;
6. Appropriate mechanisms for the confidential, aggregated or independently verified submission of crushing information are formally investigated;
7. The circumstances surrounding the withholding of crushing information are assessed to determine whether the conduct was independent or coordinated;
8. A comprehensive regional producer-impact assessment is undertaken before a new single-reference-point methodology is implemented;
9. Grain SA's concerns regarding information asymmetry and the practical use of JSE differentials in physical-market negotiations are formally considered; and
10. Implementation of the proposed single-reference-point methodology is suspended until the agreed technical and governance processes have been completed.

Grain SA remains committed to constructive engagement with the JSE and to the development of a soybean derivative contract that is transparent, credible, technically defensible and effective.

However, a matter with such significant implications for producer profitability, market efficiency and confidence in the soybean futures contract cannot be concluded through a process that appears to have departed from the agreed evaluation framework.

The JSE and its Commodity Derivatives Market have long been recognised as one of the world's leading platforms for price discovery. However, this decision has raised concerns within Grain SA that the JSE may no longer be sufficiently aligned with the practical realities and evolving needs of the South African grain and oilseeds producers.

We therefore request an urgent meeting with you and the relevant JSE executives to discuss the decision, the process followed and an appropriate way forward.

This memorandum is presented without prejudice to the rights of Grain SA in respect of any existing or future legal processes or proceedings.

Yours sincerely

Richard Krige
Chairperson
Grain South Africa

Tobias Doyer
Chief Executive Officer
Grain South Africa

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