

# CIRCULAR



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**To: All Members**

**No: 354/99**

## **Changes to the Wheat Futures Contract & Amendments to the Business Rules**

Members are advised that the Board has approved changes to the Wheat Futures contract which, subject to regulatory approval, come into effect for the January 2001 contract month onwards. The Exchange believes that these changes will enhance the Wheat Futures contract.

The Board has approved the following amendments to the Wheat Futures contract for the January 2001 contract month onwards:

- Pricing based off freight discounts to NSW ports
- Removal of Newcastle as a delivery location
- Additional delivery locations

### **1. Pricing based off freight discounts to NSW ports**

For the January 2001 contract month onwards NSW ports (Newcastle and Port Kembla) will be the pricing points for the Wheat Futures contract but not delivery locations. A port priced contract will reflect the natural flow of grain. Port pricing will make the southern delivery sites viable delivery locations and bring the southern NSW grain into the delivery market.

Wheat deliveries made against a futures position will have the published freight discount rates applied to the settlement price. Newcastle is a suitable pricing point for grain from northern NSW (Moree) as the grain flows to the Newcastle port when it is exported. Port Kembla is a suitable pricing point for grain from southern NSW (Parkes and Junee) as the grain flows to the Port Kembla port when it is exported. Freight discount rates for the Wheat Futures contract are set for the current season and are shown on the SFE web site <http://www.sfe.com.au>

### **2. Removal of Newcastle as a delivery location**

For the January 2001 contract month onwards Newcastle will be removed as a deliverable location, but it will continue to be a port pricing point. Newcastle is being removed as a deliverable location for the following reasons:

It is uneconomical to remove grain from the export terminal site.

- It is uneconomical to remove grain from the export terminal site.
- There is a lack of demand for ASW 9% wheat (futures deliverable wheat) at Newcastle.

By-Law WF.10 (c) has been amended to reflect the pricing of the contract off freight discounts to NSW ports and removing Newcastle as a deliverable location. The contract will now be priced off port. By-Law WF10. (c) has been amended, for the January 2001 contract month onwards, to read as follows (deletions lined through, additions underlined)

**SFE By-Laws**

WF10. (c) Wheat that is stored in an Approved Warehouse ~~other than at Newcastle, NSW~~ will be subject to a freight discount to a New South Wales port as determined by the Board or its designate from time to time.

**3. Additional Delivery Locations**

Additional delivery locations will benefit the contract. The delivery locations will be up-country (ie away from port) where there is a demand for wheat. The delivery locations have been expanded to include any suitable site up-country in NSW not just sites located in Moree, Parkes and Junee.

The Board has approved the following amendment to the Fifth Schedule, for the January 2001 contract month onwards, to read as follows (deletions lined through):

**FIFTH Schedule****Part A Approved Warehouses**

Warehouses must be located in New South Wales ~~at Newcastle, Moree, Parkes or Junee~~ in order to be considered for approval by the Exchange.

The Exchange will actively pursue additional warehouses to encourage them to become Approved Warehouses, contingent to the given warehouses meeting the Exchange's minimum warehouse criteria. Additional warehouses will further enhance the delivery system of the Wheat Futures contract.

Please contact the undersigned on (02) 9256 0493 if you have any queries regarding these amendments.

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**Research Analyst; Agriculture**

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