New wheat grading regulations implemented

In 2014, the role-players of the wheat value chain launched an initiative to revive the wheat industry. It was a collective decision of the grain industry to come together and discuss action plans to revive the wheat industry. The result was a proposal containing numerous suggestions to reinvigorate the industry. Suggestions to revive the wheat industry, including proposed changes to the wheat grading regulations, were discussed for the first time at a meeting of the Wheat Forum working group for Trading on 15 October, 2014.

Interestingly enough, all millers were of the opinion that they would prefer domestic wheat with a constant 11.5% protein as a basis for their milling grist. This was put so strongly that the rest of the industry got the impression that premiums for very high protein local wheat might not be generally available on a volume basis. It seems that improved milling equipment and other innovations reduced the milling industry's reliance on 'high protein' wheat. This revelation also challenged the approach of some producers who focused on producing high quality/high protein wheat. It became clear that by focussing on the 'right quality' wheat (±11.5% protein) as outlined by the milling industry, producers might be more profitable as yields can then be improved.

Soon thereafter, the Wheat Forum Steering Committee began discussing amendments to grading regulations for bread wheat which culminated in the submission of new bread wheat regulations during 2019. The Wheat Forum Steering Committee, which represents all the directly affected parties of the wheat industry, including the JSE, producers, storage operators and traders as well as the millers and bakers, all decided it was imperative to institute the amendments to grading regulations for bread wheat on 1 October to avoid a situation where the industry may end up with two different delivery processes.

The Department of Agriculture confirmed that the proposed amendments to the Grading Regulations for Bread Wheat were approved by the Minister of Agriculture on 20 September 2019 and were to be published in the Government Gazette. However, it soon became evident that promulgation was pending, due to the prescribed WTO process and the submission thereof by the Department to the Government Printers. Despite the subsequent unexpected delays at the Department of Agriculture with promulgation of the Regulations, the Wheat Forum Steering Committee strongly felt that it was imperative for one set of Grading Regulations to apply during a particular marketing season. For this reason, the decision taken by the Committee on 9 September 2019, that bread wheat is to be graded in terms of the amended Grading Regulations for Bread Wheat with effect from 1 October 2019, was maintained.

To allay fears in the market place, the Wheat Forum Steering Committee, unanimously reconfirmed the endorsement of the proposed amendments to the Grading Regulations at a special meeting on 1 October 2019. The main reason for this step is the necessity to have uniform grading rules for the duration of a wheat marketing season. The Committee accepted that this decision to implement the Regulations on 1 October 2019, in the absence of the formal promulgation thereof, may create uneasiness under market role-players regarding the legal status of the Regulations. Market role-players were thus advised by the Wheat Forum to address legal challenges and uneasiness by trading on the basis of "Class Other" wheat in terms of the existing Grading Regulations, but using the specifications as set out in the amendments that are to be published. This will avoid potential complications with two sets of grading criteria within one season, and at the same time address any uneasiness regarding the legality of the grading norms.

Since these amendments were agreed upon by the industry role players with the understanding that it would be implemented in the new wheat season, commencing 1 October 2019, the JSE adopted the new grading specifications with effect from 1 October 2019. The JSE was very clear regarding its position (Market Notice 282/2019 dated 13 September 2019, as well as Market Notice 306/2019 and Market Notice 307/2019 dated 3 October 2019) to proceed under the new grading specifications from 01 October 2019. Only stock delivered during October for September futures expiries will continue to be delivered under the old grading specifications until 31 October 2019. If you deliver via the exchange in completion of futures obligations, the new grading specifications will continue to apply. If you deliver in the OTC market (where no futures positions were involved), then the JSE has no jurisdiction over those transactions and therefore delivery will take place based on the bilateral agreement between the two parties, and this can be different from the arrangement with the JSE. Once the government finally gazettes the new regulations, then all market participants will be aligned again.