

MINUTES

HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING

Date: 22 November 2018
Time: 13h15
Venue: Ubuntu Meeting Room

Present:	Dr. R Karuaihe	- Chairman
	Dr. D Strydom	- GrainSA
	Mr. C Schoonwinkel	- GrainSA
	Dr. K Keyser	- Brisen/SACOTA
	Mr. C Joubert	- NAMC
	Mr. J Theron	- Polarstar Fund Management
	Mr. W Martens	- CJS Securities
	Mr. P Jackson	- NCM/RCL Foods
	Mr. H Grobler	- Zargoscape
	Mr. L Joseph	- Cargill
	Ms. M Purnell	- Agbiz
	Mr. B de Klerk	- Agbiz/TWK
	Mr. R Olwagen	- BVG Commodities
	Mr. H Mulder	- RMD
	Mr. L Szendrei	- RMB
	Mr. A van den Berg	- RMB
	Mr. W Lambrechts	- Vanguard Derivatives
	Mr. Z de Jager	- Farmwise
	Mr. P du Preez	- JSE Post Trade
	Mr. T Saayman	- JSE Post Trade
	Dr. K Muganiwa	- JSE Market Regulation
	Mr. J Shayi	- JSE Market Regulation
Ms. D. Nemer	- JSE Director: Capital Markets	
Mr. C Sturgess	- JSE Capital Markets	
Ms. A Matutu	- JSE Capital Markets	
Ms. Z Dastile	- JSE Capital Markets	
Mr. V Mpumza	- JSE Capital Markets	
Apologies:	Mr. AR Moosa	- SAOPA
	Mr. L Sewpersadh	- ABSA representing Clearing Members
	Mr. R Heine	- RMB representing Clearing Members
	Mr. T Jacobsz	- Farmwise
	Mr. J Bucknall	- GWK
	Mr. P Lovelace	- SAOPA/CEOCO
	Mr. G van Rensburg	- Bester
Mr. S Janse van Rensburg	- BSEC	

WELCOME:

Dr Karuaihe welcomed all attendees and thanked them for their participation.

Mr Wim Lambrechts informed the sitting he will no longer serve on the advisory committee. Ms Donna Nemer thanked Mr Wim Lambrechts for his service and valuable contribution over the years.

1 CONFIRMATION OF MINUTES:

The Minutes of the previous meeting were accepted and approved with changes made.

2 MATTERS ARISING FROM PREVIOUS MEETINGS:

2.1 Position limits on physically settled commodities

Dr Karuaihe tabled the discussion document which took into account submissions that were received from the market and presented a proposal of speculative position limits as a function of deliverable supply.

Committee members appreciated the effort made by the JSE and supported the use of deliverable supply as reference for the spot month position limits. However they felt that, for the far-dated expiries, Open Interest (OI) would be a better benchmark. In addition, there were objections to the following:

- The spot month position limits for **white maize** was increasing drastically from 400 to 1500 and a suggestion was made to reduce the proposed limit to 800 contracts, representing roughly 8% of deliverable supply for white maize. This meant that an 8% of deliverable supply will be applied across the board for all the other commodities as well.
- Some members felt that the JSE is being too restrictive on **wheat and yellow maize**, considering that they never had limits before and the fact that there is always readily available foreign stock that can fill a short supply in our market at any given time. A suggestion was then made to remove limits for these commodities for the single- and all-months limits.

The Committee agreed to the above suggestions.

2.2 COT Report

Mr Sturgess gave feedback on a meeting held on 31 October 2018 at the FSCA offices. It was noted that –

- Participants present at the meeting saw value in publishing a report that provided additional information regards the type of participant holding open interest. However, all the participants agreed that this report should not in any manner compromise or expose any single or limited group of market participants.
- It was suggested that the following categories should form the basis of the COT report
 - Producer/Processor/User

- All other market participants
- In order to progress the enforcement of such classification of JSE registered clients, JSE has requested FSCA to consider the adoption of an appropriate regulatory instrument in accordance with the proposal aforementioned which would oblige all market participants in the JSE's commodities markets to inform the JSE whether it falls within the ambit of the definition of "Producer/Processor/User" or "Other".

This was acknowledged by the Committee members.

2.3 Review of Location Differentials

Dr Karuaihe reported that the JSE has requested the services of Prof Roberts and who has agreed to assist us by reviewing the relevance and/or calculation methodology of location differentials in the South Africa grain market.

This was acknowledged by the Committee members.

3 **BUILDING BETTER MARKETS:**

3.1 Spread Margin Requirements

Mr Mulder reported that margin requirements are still very high especially spread margins where the market feels the structure is virtually risk neutral. He further requested that the JSE should look at the history of each spread and consider seasonality and cost of carry.

The Risk team responded saying that they have some ideas as to what to do. They fully appreciate the suggestions brought before them at this meeting but will only have feedback in March 2019.

This was acknowledged by the Committee members.

3.2 Trading with Anonymous Member Codes

Dr Karuaihe reported that request for anonymous trading is something that keeps coming time and time again. He said that Commodities Market is the last remaining asset class that still displays brokers' identity during trading and this facility existed to allow traders to identify who to contact especially regarding derivatives with low liquidity. However, the Commodities Market has matured over the past two decades to such an extent that this practice needs to be revisited so that we align ourselves with international best practice. Dr Karuaihe opened the matter for discussion.

After several discussions and with no consensus on the matter the committee members advised the JSE to consider anonymous trading at the time when we migrate to the new trading platform.

3.3 Impact of physical delivery on futures contracts

Dr Karuaihe gave a summary of a document prepared and circulated by the JSE prior to the meeting regarding procedures for physical out-loading of grain in completion of a futures contract.

The committee acknowledged the submissions by the JSE but had reservations with second bullet point in the document regarding the issuance of silo receipt by storage operator in the absence of an underlying product.

Dr Karuaihe confirmed that the JSE Legal Counsel also had reservations with the same bullet point and as such it will be deleted from the document.

The committee members were satisfied with the document and endorsed the suggestion to include the document as a separate appendix of JSE contract specifications.

3.4 New products on the cards for 2019

Ms Matutu reported that in April 2019 the JSE will go live with ITaC and we will have some capacity to look at other products. It was noted that –

- The JSE still remains committed to delivering Zambian grains
- Deliverable diesel has been put as a high priority across the JSE as a whole
- Soymeal and oilcake the JSE is waiting for the industry to finalise delivery mechanism before it can take it New Product Committee
- The JSE has approached the Rogers International Commodity Index to see if our flagship product, white maize, can be included in the prestigious index traded internationally. The JSE is still awaiting feedback
- The JSE is still in talks with S&P Platts with regards to the black sea wheat contract

This was acknowledged by the Committee members.

4 GENERAL:

4.1 Listing of Dec19 Wheat expiry

The JSE was advised to go ahead with listing the December 2019 expiry.

4.2 Wheat Grade and Origin Discounts

Dr Karuaihe reported that the JSE had received communication from the Wheat Forum informing us of a consensus reached between the various wheat industry stakeholders in an effort to revive the industry. Part of the revival strategy was the improvement of the grading regulations for wheat, to bring more in line with international standards but at the same time to provide an opportunity compensating farmers for the production of good quality wheat. The Wheat forum has reached consensus on new grading specifications as well as grade discounts.

It was noted that there is consensus that the origin discount on foreign wheat should be reintroduced on the JSE, but the actual values of the discount needs to be determined. The Wheat forum will continue finding an amicable scientific solution to determine the levels of the discount.

The JSE will officially communicate all the changes through a formal market notice for the whole industry.

This was acknowledged by the Committee members.

4.3 Sorghum contract size

Dr Karuaihe reported that the JSE had received communication from the Sorghum industry informing us of a consensus reached by the industry to reduce the standard size of the Sorghum physically settled contracts (SORG and SGBT) from 100 tons to 30 tons.

The JSE took note and will confirm everything once we have communicated to clearing members and affected JSE internal divisions. A formal market notice will go out some time in January 2019.

This was acknowledged by the Committee members.

5 **ADDITIONS TO AGENDA:**

5.2 Update on Soymeal and oilcake contracts

Dr Keyser reported that the industry has agreed on final contract specifications. However, there is a follow up meeting schedule for 23 January 2019 to discuss rationale for physical delivery, storage, delivery points and implementation of the contracts.

This was acknowledged by the Committee members.

6 **PROPOSED MEETING DATES FOR 2019:**

Thursday 27 March 2019

Thursday 20 June 2019

Thursday 22 August 2019

Thursday 21 November 2019

Dr Karuaihe thanked the committee for their input and called the meeting to a close.