

MINUTES

HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING

Date: 17 November 2016
Time: 13h00
Venue: Serengeti

Present:

Mr. C Sturgess	- Chairman
Mr. R Heine	- RMB representing Clearing Members
Mr. J du Toit	- RMB
Mr. H Mulder	- RMD
Mr. C Joubert	- NAMC
Ms. D. Nemer	- JSE Director: Capital Markets
Dr. K Keyser	- Brisen representing AFMA
Ms. N Rosenberg	- Cargill
Mr. Z de Jager	- Farmwise Grains
Mr. C Schoonwinkel	- GrainSA
Mr. D Strydom	- GrainSA
Mr. D Mathews	- Private Producer
Mr. P Faure	- CJS Securities
Mr. W Lambrechts	- Vanguard Derivatives
Mr. E Jordaan	- National Chamber of Milling
Mr. A Wienand	- ETG/SACOTA
Mr. A Ramotlou	- JSE representing TMS
Mr. P Mphanama	- FSB
Mr. K Muganiwa	- JSE Market Regulation
Ms. A Matutu	- JSE Capital Markets
Dr. R Karuaihe	- JSE Capital Markets
Mr. V Mpumza	- JSE Capital Markets - minute taker

Apologies:

Ms. M Purnell	- AGBIZ Grain
Mr. J de Villiers	- AFGRI representing AGBIZ Grain
Mr. J Maritz	- NWK representing Agbiz
Mr. J Theron	- Polarstar Fund Management
Mr. AR Moosa	- SAOPA
Mr. W Martens	- CJS Securities

1 WELCOME:

Mr Sturgess welcomed all attendees and thanked them for their participation.

2 CONFIRMATION OF MINUTES:

The Minutes of the previous meeting were approved with no changes.

3 MATTERS ARISING FROM PREVIOUS MEETINGS:

3.1 Update on the “commitment of traders” report

Mr. Sturgess reported that they have had several consultations with JSE legal counsel and are considering their feedback. The legal counsel’s biggest concern was publishing incorrect information and since it would be the responsibility of the regulator to verify hedgers versus speculative undertaking by clients, this would not be a simple process to accurately verify. Mr. Sturgess suggested adopting the same categories as the CFTC report where participants were classified based on the sector they were in.

After some discussion, committee members supported the JSE to go back and take the positions of the trial exercise and try classifying them using the current CFTC categories. JSE can then revert back with this detail at the next Advisory meeting.

3.2 Update on the MTM process & exclusion of VWAP process

Mr. Sturgess reported that the JSE Valuations team have been working on a change to the MTM process as agreed at the previous meeting. The challenge has been a restructuring within the JSE which impacted the team responsible for this programming resulting in the delay. Mr. Sturgess further added that there will be a market notice going out early next week outlining the new change on the MTM process.

3.3 Feedback regarding the request for extended trading hours

The Committee will recall that there was a request to extend trading hours by introducing an afternoon session to overlap with international markets. The request was extensively discussed at the last meeting and the JSE was asked to consult with the broader market.

Dr Karuaihe reported that the JSE consultations with the market showed that most participants had reservations trading in the afternoon since a lot of them will be busy with physical deliveries then. The JSE suggested two trading sessions as follows, trading from 9:00 - 12:00 then extend the admin period to 16:00. Then from 16:00 - 17:00 open the market for an hour. End of day will be as usual however there would be an overlap of 30 minutes in winter and an hour during USA summer time.

There were mixed opinions from the Committee members with the majority members confirming no support for the request.

4 TRADING AND SETTLEMENT ITEMS:

4.1 Delivery of imported products

Mr. Sturgess made reference to a market notice that was circulated to the wider market regarding imported products. The market notice was intended to firm up issues relating to imported products and to clarify the JSE position on this. Mr. Sturgess further said it is important that storage operators do not co-mingle the imported products with local grains and appreciate their responsibilities to assuring quality and quantity is stored as per the product described on the face of the receipt.

The Committee acknowledged the contents of the market notice.

A request was received from trading member, BVG, and circulated to the committee prior to the meeting. This led to a discussion and it was agreed that the JSE must continue to accommodate imported product in delivery of a futures contract, largely to prevent cornering of the futures market. It is imperative storage operators are aware of the critical role they play in storing the imported product so that origins can be maintained and that the quality was managed to keep within the SA grading regulations.

4.2 A request to extend the reporting hours for DOTs & SOTs to 12h30

Dr Karuaihe reported that there was a request from one of the members to extend reporting hours. He further said these reports do not impact the MTM process. The Committee members fully supported the request, so going forward DOTs and SOTs cut-off time will be 12h30 for deliverable grain contracts. A market notice would be distributed to confirm this.

5 GENERAL:

5.1 Reporting on operational issues at storage sites

Mr. Sturgess reported that the team is working with IT and pushing hard to have this up and running as soon as possible. The JSE recognised the importance of this information and its linking to the spot basis contracts. The Committee took note of this.

5.2 December 2017 Wheat contract

The JSE normally lists the December expiry a year out. However, given the fact that the market is still waiting for ITAC to announce itself on the new wheat tariff, Mr. Sturgess wanted to know if the JSE can proceed and list the Dec expiry or wait until we get clarity from ITAC. There was firm support from the Committee to go ahead and list the December 2017 expiry in line with our usual listing programme.

It was further proposed from Committee Members that the JSE remove the R100 origin discount on the wheat imports from the origins listed. Majority of Committee members supported this however Grain SA needed some time to consult with their constituencies. Mr. Sturgess asked Grain SA to report back with their feedback in order for the JSE to make the final decision.

6 NEXT MEETING:

The next meeting dates for 2017 were set as follows

- 23 March 2017
- 14 June 2017
- 31 August 2017
- 23 November 2017

Mr Sturgess thanked the committee for their input and called the meeting to a close.