

MINUTES

HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING

Date: 19 November 2020
Time: 13h00
Venue: Virtual Meeting – MS Teams

Present:	Dr. R Karuaihe	Chairman
	Dr. D Strydom	GrainSA
	Mr. J du Plessis	GrainSA
	Mr. R Krige	GrainSA
	Mr. G Roos	GrainSA
	Dr. K Keyser	Brisen/AFMA
	Mr. P Faure	CJS Securities
	Mr. T Jacobsz	Farmwise
	Mr. B de Klerk	Agbiz Grain
	Mr. C Joubert	NAMC
	Mr. J Theron	PolarStar
	Mr. J du Toit	RMB
	Mr. S Janse van Rensburg	BSEC
	Ms. S Engelbrecht	Representing BVG
	Mr. P Jackson	NCM
	Mr. B De Boer	Cargill
	Mr. G Schulze	Cargill
	Mr. G van Rensburg	Bester
	Mr. R Heine	RMB Clearing
	Mr. H Mulder	RMD
	Mr. J van Zyl	RMD
	Dr. K Muganiwa	JSE Market Regulation
	Ms. A Matutu	JSE Capital Markets
	Mr. V Mpumza	JSE Capital Markets
	Mr. C Sturgess	Consultant to JSE
Apologies:	Ms. V Reddy	Director Capital Markets
	Mr. W Martens	CJS Securities
	Mr. F Bartsch	GWK
	Mr. R Olwagen	BVG Commodities

1 WELCOME

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

2 CONFIRMATION OF MINUTES

Minutes of the previous meeting were accepted and approved subject to changes from Dr. Strydom.

3 MATTERS ARISING FROM PREVIOUS MEETING

3.1 Prof Roberts Report

3.1.1 Outstanding Issues

The chairperson referred the committee members to the minutes just approved and indicated the Prof Roberts recommendations remained work in progress.

3.2 Update from Market Regulation

3.2.1 Update on DOTs and SOTs rule amendment

It is noted that, in their absence, the Chairperson moves on to the next item on the agenda.

3.3 COT Report - Response to FSCA

Ms. Matutu informed the meeting that FSCA and JSE held a meeting on November 5, 2020. FSCA reiterated that there is no direct regulation that forces clients to submit information to the regulator. They specifically highlighted this request is not unique to this report or the commodities market. FSCA is also dealing with a similar issue in the equities market around short selling. FSCA has decided to consider the report alongside with the Financial Markets Act review process. With that said, there is no further action required from JSE as FSCA will start running with this.

4 TRADING AND SETTLEMENT ISSUES

4.1 Commodity prices and market fundamentals

Cognisance is taken of Mr. Sihlobo's presentation regarding the broad observations on South African maize price drivers (**Annexure A**).

4.2 Changes to Agricultural Contracts Specifications

The chairperson informed committee members that the JSE was about to publish a detailed market notice which considered a number of changes to improve on the current status quo of the physical delivery process. The JSE appreciated the importance to ensure the JSE physical delivery process was robust and well trusted. The chairperson asked Mr. Sturgess to give the committee members a high level summary of what to expect from the changes.

Mr. Sturgess provided an overview of some of the more controversial points where consensus could not be reached amongst the industry participants that contributed to the process. He tried to provide context as to why the JSE had made its final decision in view of the fact that it was acting in the best possible interest of the commodity derivatives market whilst appreciating not all market participants would support the changes. Mr

Sturgess expressed his sincere thanks to everyone that had provided input and for some representations the active engagements had been numerous. He indicated once the final market notice was distributed it was the intention then to start as soon as possible with the implementation of these enhancements.

4.3 **Feedback on what transpired during March/April 2020**

The chairperson informed committee members that the report is ready and sincerely apologised that the report could not be sent out prior the meeting. The report was under internal review within the JSE management. Mr. Cockeran added that indeed the report is pending further investigation that is close to finalization and will only be published as soon as the investigation is completed. The chairperson provided insights into some of the findings stated in the report:

- It is not the first time South Africa finds itself in a situation of tight stock levels.
- Concentration risk was noted for a number of silos.
- Outloading capabilities was clearly an issue as it took a number of days for a silo to outload product.
- There were discrepancies identified from what was received from storage operator's vs independent inspection reports.

The Chairperson committed to distribute the final report as soon as possible.

4.4 **Observed skews**

The chairperson informed committee members that the JSE has decided to keep the current status quo and therefore not implement any observable volatility skews for options at this point in time. The decision was guided by the outcome of the workshop that took place earlier in the year where a number of market participants objected to the implementation of volatility skews. The JSE undertook to monitor the situation from time to time and if a change is warranted in the valuation of options to recognize a skew the market will be consulted again.

4.5 **New Products**

Ms. Matutu reported that the JSE initially had planned to go live with the Diesel contract in Q4 of 2020. However, the contract had to be pushed out as further enhancements had to be done to accommodate a new design. The contract is now cash settled with an option to make or take physical delivery for those market participants with a wholesale license in the diesel market. JSE legal is also busy reviewing the detailed contract specifications of soybean meal and sunflower oilcake contracts while business awaits additional information from stakeholders involved in providing storage facilities. This information will assist the JSE in finalising requirements for storage operators before taking it to the JSE New Products Committee.

5 **GENERAL: ANY OTHER BUSINESS**

5.1 **Commodity Marketplace**

The chairperson reported that the JSE is busy exploring the possibility of creating a spot market platform in the physical grain market. It's with this aim to provide greater price transparency in the cash commodity market as well as enable a secure and more efficient funding mechanism for owners of physical stock that the JSE is considering entering this marketplace. The intention of the platform is to enable producers and users to trade more directly across a platform and to reduce transport inefficiencies. In considering these objectives, it is important that the business case support the investment by the JSE. Since these activities will take place in the spot commodity market that does not form part of the regulation under the Financial Markets Act it is anticipated this business venture would take place outside of the JSE regulated entity.

5.2 **Structure of Advisory Committee Meeting**

The chairperson informed the committee members that the composition of the advisory was up for review in order to ensure it remained effective. The JSE has a number of committees across the different asset classes with the trend that they much smaller in representation. The JSE Commodities Team intends to reduce the number of committee members whilst ensuring those represented have the necessary experience to actively participate in the conversations at the advisory meetings. The chair opened the topic for discussion. It was noted that –

- Reasonable number to form the committee should be between 10-15 members
- Representation from individuals within the different industry groupings remains invaluable to the JSE
- Survey to be done amongst the members to get valuable feedback to ensure the advisory committee remains productive.

6 **PROPOSED MEETING DATES FOR 2021**

Wednesday 31 March 2021

Thursday 22 July 2021

Thursday 18 November 2021

Dr Karuaihe thanked Committee members for their valuable input through a tough year with many COVID restrictions and practical challenges. He called the meeting to a close.