

MINUTES

HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING

Date: 31 March 2021
Time: 13h00
Venue: Virtual Meeting – MS Teams

Present:	Dr. R Karuaihe	Chairman
	Dr. D Strydom	GrainSA
	Mr. R Krige	GrainSA
	Mr. D Mathews	GrainSA
	Mr. P Faure	CJS Securities
	Mr. W Martens	CJS Securities
	Mr. B de Klerk	Agbiz Grain
	Mr. W Lemmer	Agbiz Grain
	Mr. C Joubert	NAMC
	Mr. J du Toit	RMB
	Mr. S Janse van Rensburg	BSEC Derivatives
	Mr. P Jackson	NCM
	Mr. G Schulze	Cargill
	Mr. F Bartsch	GWK
	Mr. R Olwagen	BVG Commodities
	Mr. J Theron	PolarStar
	Mr. G van Rensburg	Bester
	Mr. H Mulder	RMD
	Mr. F de Jager	Representing RMD
	Ms. V Reddy	Director Capital Markets
	Mr. A Comninos	JSE Post Trade Services
	Ms. H Ahmed Asmal	JSE Post Trade Services
	Mr. B Sibanda	JSE Information Services
	Mr. V Mpumza	JSE Capital Markets
	Ms. Z Dastile	JSE Capital Markets
	Mr. C Sturgess	Consultant to JSE
Apologies:	Mr. F Breedt	SACOTA
	Mr. J du Plessis	GrainSA
	Mr. R Heine	RMB Clearing
	Mr. D Kok	AFMA
	Mr. L Sewpersadh	ABSA Clearing

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 recognition that Mr. Theron was not present as initially recorded.

3 MATTERS ARISING FROM PREVIOUS MEETING

3.1 Update on implementation of detailed Agricultural Contracts Specifications

The chairperson informed committee members that the JSE had recently published a market notice with the updated specifications. The market notice presented a final draft version that the JSE has been working on in consultation with market participants for the past few months of last year. The chairperson pleaded with committee members to go through the document and trusted that most of the feedback had been incorporated during the previous consultation period.

Dr Strydom emphasised that it imperative that sufficient time be afforded during the final comment period to afford the JSE the necessary feedback. He further added that GrainSA will provide comments and supported changes where needs be.

Mr Theron expressed that the time allocated for comments was limited given that there are public holidays and quite a few people to consult to make final recommendations and comments on the changes. The chairperson highlighted that the JSE was aware of that however it was mainly driven by the fact that the document was long overdue but noted the point raised. The chairperson expressed that the JSE would consider this point in the broader interest of the market.

Mr Sturgess reported that the majority changes are more specific to appendix C&D including the introduction of a new point.9 of the detailed contract specifications. The remaining changes focused on updating certain processes.

3.2 Structure of Advisory Committee Meeting

The chairperson informed the committee members that the JSE reported in the previous meeting that the composition of the advisory committee was under review. The JSE was considering a composition of between 10 to 15 members invited on the basis of expertise and their role in the industry. The JSE has decided not to rush the structural change since meetings remained virtual however was targeting a new structure for 2022.

4 TRADING AND SETTLEMENT ISSUES

4.1 JSE Strategy 2021/Migration to new technology

Ms Reddy informed the committee members that the JSE is reviewing its technology road map following the implementation of ITAC for the Equity and FX Derivative markets. She highlighted that in the short-term, the next

18 to 24 months, the commodities market will remain on Nutron. Once the JSE has gone through the review of what makes sense and a decision is made on the timeline and provider of the platform, this information will be communicated to the market allowing for sufficient notice period. Until then it is important that operational resilience and stability of the current Nutron platform is maintained. The above-mentioned is a conversation that is happening in parallel with the review.

4.2 Feedback on New Products

4.1.1. Diesel

Ms Dastile reported that the contract structure has been updated into a cash settled contract with an option to make or take physical delivery for those market participants with a wholesale license in the diesel market. Two Clearing Members have approved to clear the contract with one satisfied with contract model. The commodities team has also been engaging with clients namely trading members and diesel cash market participants to solicit support for the contract in preparation for go live in November.

4.1.2. Iron Ore

The JSE is planning to list a cash settled Iron Ore futures contract off the back of a client request. The intention of this contract is to provide a local price risk management product for the South African market in local currency. The contract will reference the most liquid contract traded on SGX (Singapore Exchange) which is the SGX TSI Iron Ore CFR (62% Fe Fines) Index futures. If anyone is interested in trading this contract, please feel free to reach out to the commodities team.

4.1.3. Soymeal and SUNS Oilcake

The chairperson reported that the progress of these products relied on the local market participants assisting. The contracts were requested to be deliverable and for that to happen the JSE requires collaboration from the Crushers to come on-board offering storage for the deliverable contract. At this stage there is no consensus from the market especially the Crushers regarding storage criteria and so unfortunately no progress had been made.

4.1.4. Commodity Market Place

The chairperson informed committee members that in the previous meeting the JSE reported it was busy exploring the possibility of creating a spot market platform for the physical grain market. The JSE has been exploring different platform providers and had demonstrations from a couple of interested parties. Currently the JSE is considering an investment opportunity with one of the platform providers.

4.3 Eskom Blackout Scenarios

Cognisance is taken of Ms. Ahmed Asmal and Mr. Sibanda presentation regarding Eskom outages and how the JSE will handle any extended market outages. **(Annexure A)**.

Mr Sturgess asked if there are any published guidelines on who needs to still have access so that the market for it to continue operating. Ms Reddy highlighted that the scenario presented here is really a nationwide outage and where the control lies outside the hands of the JSE. There were no further questions to the presenters.

5 GENERAL: ANY OTHER BUSINESS

5.1 **Feedback from Committee Members around accessing product/finance and the confidence around JSE silo receipts**

The chairperson informed committee members that this point encapsulates the experience that the market went through particularly from last year when the market experienced bottlenecks in some out loading facilities. He opened the platform for members to share their views or opinions on this matter.

Mr Jackson mentioned that one of the millers ran out of maize and had quite a few certificates. The mill almost got liquidated and as a result was unhappy with the situation.

Mr Theron expressed that there was a letter from SACOTA issued on the 16th of March 2020, which summarizes the concerns that the market had at that point in time. It is a good barometer to determine whether the JSE has basically solved the scenario where we find the market in today. He further highlighted in his opinion that the JSE has not resolved the issues raised in that letter. The rule(s) are still inefficient and not complete to ensure that the market has a proper functioning system, that is well monitored, audited and controlled. Mr van Rensburg added that they still feel the market is experiencing serious issues on out loading sites. They are getting one slot on a 3000-ton delivery and feels it will take him four months to out load the product.

Mr Sturgess appreciated the feedback and highlighted there will always be different opinions on the progress made. He responded that the SACOTA letter had a number of requests that unfortunately did not materialize due to the practical challenges associated with implementing these. These were discussed with SACOTA members last year during the consultation process. That said he was happy to review the letter again and to have that conversation with anyone who wants around the practicality of some of those suggestions. On the 25% allocation, Mr Sturgess mentioned it was based on JSE deliveries and agreed it did include redeliveries, hence representing a slightly greater portion of secured out loading capabilities during the main hedging months. What this principle is saying to any JSE registered operator is in the main hedging months, they need to reserve 25% of their out loading capabilities for JSE receipts. The intention of this proposal already agreed with the storage operators was to ensure JSE receipt holders had access within defined processes to out loading infrastructure thereby potentially reducing waiting time to access product held on JSE silo receipts.

The chairperson highlighted that the JSE is not taking a defensive approach but appreciates frank and open conversation from both sides of the market. The JSE can do better however to ensure the market works efficiently and effectively there needs to be co-creation. He went on to thank all participants who actively participated in conversations last year which enabled the final version of the contract specifications to be prepared. In closing, the Chairperson committed to distribute market commentary report and statistics for Q1 2021.

5.2 **Location Differentials Workshop**

The chairperson informed committee members that the JSE will be hosting a virtual location differentials workshop on the 15th of April 2021. The purpose of this workshop is to dissect the formula, models and inputs that JSE uses to determine the differentials and contribute to a way forward that would assist in determining the annual adjustments. He welcomed committee members to participate and was optimistic for a constructive conversation.

5.3 **In-person vs virtual business practices**

The chairperson indicated the JSE remained operating largely on a virtual basis and enquired how other industry participants were continuing?

6 **PROPOSED MEETING DATES FOR 2021**

Thursday 22 July 2021

Thursday 18 November 2021

The chairperson thanked Committee members for their valuable input and called the meeting to a close.