

MINUTES

HEADING: AGRICULTURAL ADVISORY COMMITTEE MEETING

Date: 22 July 2021
Time: 13h00
Venue: Virtual Meeting – MS Teams

Present:

Dr. R Karuaihe	Chairman
Dr. D Strydom	GrainSA
Mr. R Krige	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. R Heine	RMB Clearing
Mr. L Sewpersadh	ABSA Clearing
Mr. W Strauss	RMB
Mr. S Janse van Rensburg	BSEC Derivatives
Mr. P Jackson	NCM
Mr. G Schulze	Cargill RSA
Mr. F Breedt	AFMA
Mr. P Watt	AFMA
Mr. R Olwagen	BVG Commodities
Mr. J Theron	PolarStar
Mr. G van Rensburg	Bester
Mr. H Mulder	RMD
Dr. K Muganiwa	JSE Market Regulation
Ms. V Reddy	Director Capital Markets
Mr. J Rakumako	JSE Information Technology
Ms. Z Dastile	JSE Capital Markets
Mr. C Sturgess	Consultant to JSE

Apologies:

Mr. J du Plessis	GrainSA
Mr. F Bartsch	GWK

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.

3 MATTERS ARISING FROM PREVIOUS MEETING

3.1 Update on amended detailed Agricultural Contracts Specifications

The chairperson informed committee members that the JSE has overhauled its specifications to address issues associated with out-loading. The chairperson acknowledged that, because of the extensive consultative process that was followed to involve the different interest groups, it did take a while to implement the changes. The JSE has received no complaints from the market since the changes were implemented, and so we trust that everything is in order, the chairperson concluded.

Mr. Theron pointed out that it is essential to continue improving the integrity of the underlying system, including outload rates, fair allocation of slots, and ensuring that the product is available when certificates are issued.

3.2 Structure of the Advisory Committee Meeting

In the last meeting, the chairperson reported that the structure of the advisory committee and the thoughts around restructuring the committee to align with the rest of the JSE Asset Classes were discussed. The JSE continues to value and appreciate the contributions made by industry experts in assisting the JSE to run an efficient market. Since all meetings for the remainder of this year are going to be virtual, we will continue with the current composition of the advisory committee until further notice. -

3.3 Methodology for determining Location Differentials

Mr. Sturgess informed the committee members that the JSE is working to improve the process of determining the location differentials on an annual basis. In order to improve this process, the JSE is talking to logistics companies in the bulk grain haulage sector. As a result, JSE will come back to the market with a couple of proposals to improve the current calculation methodology. It is ultimately a matter of finding a reference index that can be used to make annual adjustments therefore no longer requiring feedback from various stakeholders. The JSE will communicate as we approach the new wheat marketing season with the proposal.

4 TRADING AND SETTLEMENT ISSUES

4.1 JSE Strategy 2021/Migration to new technology

Ms. Valdene Reddy informed the meeting that the JSE is still planning for the migration of the remaining asset classes. From a timing and sequencing perspective, it is not an easy decision to make, and the JSE acknowledges there are improvements that need to be made to legacy technologies at the moment. Consequently, the JSE is reviewing this in great detail with the hope of coming up with a timeline by year's end.

4.2 Proposed changes to random allocation algorithm

Chairperson informed committee members that the request came from the market complaining about disproportionate allocation of physical deliveries on their long position when their position only makes up a small percentage of the open interest. Market participants felt it was time for a review of the current methodology, perhaps looking at probabilities based on open interest and the size of positions each client holds. JSE has contacted the system vendor and they have confirmed that the change is possible.

Committee members supported this initiative.

4.3 Feedback on New Products

4.1.1. Diesel

Ms. Dastile reported that the JSE has received the code from the system vendor, and testing has begun. Minor issues have been uncovered so far. The JSE intends to deploy the code for client testing on 10 August and make it available until the second week of November. Note that the mandatory dress rehearsal is scheduled for 30 October 2021 with a contingency plan for 6 November 2021. The go-live date is 22 November 2021.

4.1.2. Iron Ore

In response to a client request, the JSE is considering listing a cash settled Iron Ore futures contract. 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. The JSE is still reaching out to market participants to solicit support and if anyone is interested in trading this contract, please contact the commodities team.

4.1.3. Soymeal and SUNS Oilcake

The chairperson reported that design of the the contracts is still in progress and the JSE still has appetite to list the products. Reorganization and reconstitution of a new industry body has been the main hindrance to listing the products sooner. The JSE expects to put the products on hold until at least the end of next year or perhaps beginning in 2023. The JSE will continue engaging with the industry to see if a change of position occurs.

4.1.4. Carbon Credits

Committee members were informed that the product is being driven by legislation proposed by the South African government. The COVID-19 has caused delays in the implementation of this product and any further engagement with the government. The JSE will continue to work with the government and determine whether or not this is feasible.

4.4 Summary of Operational Issues experienced in H1 2021

Cognisance is taken of Mr. Rakumako presentation regarding operational issues that have taken effect in the first quarter of 2021. **(Annexure A)**.

4.5 Criteria for miss-trade cancellations

The committee was informed by Dr Kuziva that there is a general perception from different trading members that Market Surveillance applies the trade cancellation rule. It is noted that Dr Kuziva provided a short presentation regarding the trade cancellation rule that has been in place for the past several years.

The chairperson thanked Dr Kuziva for his detailed explanation of the miss-trade cancellations.

5 GENERAL: ANY OTHER BUSINESS

5.1 Description of the Storage Operator contractual failure process

Mr Sturgess reported that a document was in process of being finalized internally and that it would discuss a failure of a JSE approved Storage Operator in detail. The intention is that the document be distributed to the market once approved with a workshop held thereafter to address any remaining comments or questions.

5.2 Listing of WMAZ Feb and Apr expiries – Request to list expiries 12 months' out

The chairperson informed the meeting that the JSE received a request from the market to consider listing the Feb and Apr expiries for white (WMAZ) maize twelve (12) months ahead of its expiration. At the moment, the Feb expiry for WMAZ is listed in September while the April expiry is listed 40 days prior to expiration.

Committee members endorsed the proposal from the market but suggested that the expansion be for both white and yellow maize and for both Feb and Apr expiries respectively.

5.3 Grain Storage Cost Index

The chairperson informed committee members that this stemmed from Agbiz Grain members who had concerns about using the PPI to do the annual adjustments to JSE storage fees that is linked to the physical delivery. Agbiz Grain felt the PPI is not a true representative of the costs incurred and hence secured the services of Bureau for Economic Research (BER) to see if there is not perhaps another method or a better index to use. The chairperson invited Nicholas van der Wath from BER to share their findings with the committee.

The chairperson concluded after the presentation that the difference in values, when using PPI or when using the customized Grain Storage Cost Index from BER, is statistically insignificant and therefore the JSE will continue to use the PPI increases to adjust storage rates in future.

6 PROPOSED MEETING DATES FOR 2021

Thursday 18 November 2021

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