

## MINUTES

**HEADING: COMMODITY ADVISORY COMMITTEE MEETING**

Date: 24 March 2022  
Time: 13h00  
Venue: Virtual Meeting – MS Teams

Johannesburg  
Stock Exchange

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[www.jse.co.za](http://www.jse.co.za)

Present:

Mr. C Sturgess	Chairman
Dr. D Strydom	GrainSA
Mr. R Krige	GrainSA
Mr. D Mathews	GrainSA
Mr. J du Plessis	GrainSA
Dr. A van der Vyver	SACOTA
Mr. P Faure	CJS Securities
Mr. B de Klerk	Agbiz Grain
Mr. W Lemmer	Agbiz Grain
Mr. J du Toit	RMB
Mr. R Heine	RMB Clearing
Mr. W Strauss	RMB
Mr. T Jacobsz	Farmwise
Mr. G Schulze	Cargill RSA
Mr. F Breedt	AFMA
Mr. P Watt	AFMA
Ms. F Sundai	NAMC
Mr. R Olwagen	BVG Commodities
Mr. J Theron	PolarStar
Mr. G van Rensburg	Bester

Apologies:

Mr. C Joubert	NAMC
Mr. P Jackson	National Chamber of Milling
Mr. W Martens	CJS Securities
Ms. V Reddy	Director Capital Markets
Mr. V Mpumza	JSE Capital Markets

## 1 WELCOME

The chairperson 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 Location Differentials for maize

Mr. Sturgess discussed the difficulties in determining location differentials each season, emphasizing that the JSE works hard each year to ensure the published differentials are as close to reality as possible. It is noted that –

- To ensure a balanced approach in determining location differentials, the JSE requires more transport rate contributions.
- Rail transport has deteriorated over time resulting in less product transported by rail. Thus, including the rail component in the differential calculation skews the outcome. The JSE agreed, with the committee's guidance, that rail will be excluded until we see more product transported by rail.
- A proposal to retain the 2021/2022 maize differential rates thereby keeping them unchanged for the new marketing season was not supported.

### 3.2 Storage operator failure document remains work in progress

Mr. Sturgess stated that this remains work in progress and that the JSE is eager to see it completed to ensure it is distributed to the wider market.

### 3.3 Update regarding technical advisory committee

It is noted that –

- A technical advisory committee has been established, with members serving in their individual capacities and not representing any organization.
- The key themes to be addressed or discussed by the committee include
  1. Multiple reference points
  2. Access to product and information
  3. Trading basis futures

## 4 TRADING AND SETTLEMENT ISSUES

### 4.1 STT technical alignment and insights into recent disconnects of selected users

Ms. Dastile presented an overview of the STT technical upgrade and insights on recent system disconnects. The following was noted:

#### STT Technical Upgrade

- JSE in progress with a technical upgrade to its clearing system, with a planned go live of quarter three of 2023.

- It is anticipated that there will be no changes to the API or the Nutron Frontend therefore minimal impact to clients
- All market participants will be required to participate in a mandatory dress rehearsal which will be scheduled in 2023
- Client regression testing and parallel runs are expected to begin in the first quarter of 2023

#### **Introduction of a Maximum Order Message Threshold Rate to address market disconnects**

- The trading system has experienced an increase in intermittent disconnects and latency related issues as a result of a variety of reasons that have been communicated to the market.
- The market structure has evolved, and more members are using algorithmic trading systems, this has become an increasingly important component to consider for optimal order message submission in the trading engine.
- The JSE is investigating introducing a maximum order message threshold, functionality which will enable the JSE to manage the number of order message submitted to the trading engine at dealer level.
- The details of the functionality will be shared with the market once the trading data analysis and internal JSE testing is completed.

#### **4.2 Change tick size from 20 cents to R1 for all deliverable grain contract**

Ms Matutu reported that, some members have expressed concerns or frustration with the behavior of points creeping in the central order book. Ms. Matutu proposed changing the tick size from 20 cents to a whole rand to address concerns

It was noted that –

- If the proposal is approved, the tick size for cash settled contracts such as corn, bean, and Kansas wheat will also need to be adjusted due to the split relationship.

The proposal to change the tick size was rejected due to differing opinions or comments expressed during the meeting. The status quo would therefore remain.

#### **4.3 Proposed methodology regarding soya origin discount**

Ms. Matutu stated that the proposal is similar to the current maize methodology, but the JSE used the May expiry as the reference contract because it is the most liquid contract. The JSE calculated the arithmetic average using mark to market price between August and February, then applied a 4 percent origin discount. The reason for using 4% similarly to yellow maize is that South Africa predominantly imports soybeans from the same origins as yellow maize. The committee advised the JSE to obtain actual imported soybean quality data in order to make an informed decision.

#### **4.4 Extending current origin discounts across all foreign origin wheat – Canada and USA**

Following extensive debate and discussion, it was agreed that the JSE maintain the status quo and allow Canadian and US wheat to trade on a par with local wheat.

#### **4.5 Request for recognition of foreign origins for maize, soya and sunflower seed remains work in progress**

The JSE stated that the current maize contract specifications allow for any origin to be delivered in completion of a futures contract as long as it meets the government gazette grading regulations, The JSE proposed defining the countries of origin, after some debate the committee resolved to adopt the following; Southern Africa (

Malawi, Zambia and Zimbabwe), Mexico and the United States for white maize and Southern Africa (Malawi, Zambia and Zimbabwe), and Argentina, Brazil, Mexico, Ukraine and the United States for yellow maize.

#### 4.6 **Expand sliding scale for Net Financial Worth requirement for JSE Approved Storage Operators**

Mr Sturgess provided a heads up to the committee that the JSE would be reconsidering the Net Financial Worth sliding scale with the idea to introduce additional categories to allow existing storage operators to expand their operations as financial position strengthens. Further information would follow.

#### 4.7 **Trialing of members codes displayed on the spot basis depth window until end of July 2022**

The JSE received a request to publish member codes on the spot basis platform, citing that this would enable easy facilitation of trade and increase activity on the spot basis platform.

It was noted that –

- Enabling member codes will not require system changes.
- The trial will run until end of July 2022 followed by an assessment of improvement.

The request to enable visibility of member codes was supported on that basis that it will improve spot basis price discovery mechanism.

### 5 **GENERAL: ANY OTHER BUSINESS**

#### 5.1 **Customer Support**

Ms. Matutu submitted an apology on behalf of JSE Customer support who were unable to attend the meeting. However, what they were hoping to elicit from the committee, particularly JSE members, was an understanding of their frustrations when contacting or attempting to contact our customer support services center.

#### 5.2 **Beef Contract**

The JSE is attempting to revive trading activity in the Beef contract. Ms. Matutu indicated that there is renewed interest in the product emanating from a market participant. Ms Matutu asked trading members to engage their clients about the product, citing the risk of delisting should the trading volumes not improve.

#### 5.3 **Nampo**

The JSE will be supporting Nampo again this year and a very important time to connect with the market. This was for noting.

### 6 **PROPOSED MEETING DATES FOR 2022**

Thursday 21 July 2022

Thursday 17 November 2022

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