



Week ending 20 September 2019

JSE: Soya meal and Sunflower oilcake contract

Following a request from AFMA for the introduction of a locally traded soya meal and sunflower oilcake futures contract, a meeting was held on 17 July 2018 where this matter was discussed with oilseeds crushers and the JSE.

The contract specifications have been agreed by industry and are as follows for soya meal and sunflower oilcake respectively:

Soya Meal

- Protein – minimum 46%
- Moisture – maximum 12%
- Ash – maximum 6.5%
- Acid insoluble – 1.5%
- Fibre – maximum 5%
- Fat – Basis 2% (Maximum 2.5%)
- Particle size – 10mm maximum
- Urease activity - 0.15% Maximum

Sunflower Oilcake

- Protein – minimum 36%
- Fibre – maximum 21%
- Moisture – 10% maximum
- Fat – maximum 2%

It was also agreed that the contract should make provision for physical delivery for settlement of the futures contract. The following was also agreed:

- The contract size should be 50 tons.
- Isando should be the basis as reference price for both products.
- Imported soya meal and sunflower oilcake of any origin that comply with the minimum (or better) agreed quality specifications should also be allowed to be delivered. Only deliveries in bulk will be allowed.
- The storage period should be maximum 1 month.

- A storage rate process like what is applied in the Durban port should be followed.
- Only SANAS accredited laboratories should be used for all analysis.
- Only agreed reference methods are to be used to be used for all analysis.

The JSE has requested a meeting with the crushers to discuss certain outstanding matters. This will take place on 26 September 2019.

AFMA has submitted delivery volumes per participating crusher to the JSE.

The JSE indicated that it is ready to implement these contracts relatively quickly.

JSE: Location differentials

The JSE held a meeting on 22 August 2019 to give feedback to role players in the grains and oilseeds value chain on the recommendations made in the Roberts report:

- The JSE indicated that location differentials will be maintained for wheat, white and yellow maize and sunflower futures contracts.
- Location differentials will be implemented for soybeans and sorghum futures contracts. The JSE has decided that Randfontein shall be the reference point for soybeans. This will only be implemented from 1 March 2021 onwards.
- The current method and frequency of calculating location differentials will be retained. The JSE will however engage with transporters for improvements.
- The JSE will again consult with Professor Roberts on the implementation of a Redelivery Differential.
- The JSE has decided that origin discounts will be implemented for all commodities traded on the JSE.
- The JSE decided to further consult with Professor Roberts on the anonymity of electronic trading.
- The JSE accepted the recommendation to incentivise greater Spot Basis Windows volumes and are looking at ways to make improvement.

JSE: Commitment of Traders Report

The JSE has met with the Financial Sector Conduct Authority (FSCA) (formerly the Financial Services Board) to investigate the introduction of a Commitment of Traders report like the report published by the U.S. Commodity Futures Trading Commission (CFTC). There was support from both parties for additional information (JSE clients are obliged to report their “reporting position”) and to improve transparency. The FSCA will provide the regulatory framework for this process, whilst the JSE will assist in collecting and publishing of the information.

A proposal was made by the JSE to the Financial Sector Conduct Authority (FSCA) on the methodology to be used.

The FSCA informed the JSE that they have decided that this matter should be regulated and that it will be incorporated in their regulations.

The JSE is currently looking at implementing an interim arrangement until the FSCA’s regulations are in place.

JSE: MTM Process Options Trading

The JSE is considering implementing an MTM process for money options trading based on the far-out money options (“the Skew”) at different mark-to-market volatilities. The aim is to make the buying and selling of money options more affordable and to make out of the money options more tradeable that could add to liquidity.

JSE: Calendar spreads

The JSE has done a research paper on spread trading and initial margins for spread trading within (intra) and between (inter) seasons on white maize. The JSE has concluded that the initial margin for spread trading within a season can be reduced. The JSE will also do a similar exercise for other grains and oilseeds trading on the JSE. Reducing the initial margin can enhance spread trading and liquidity.

Wheat grading regulations

The amendment of the wheat grading regulations was one of the measures implemented in order to address the revival of the wheat industry and to get more hectares planted to wheat.

The following amendments were agreed by the wheat industry value chain:

The introduction of a Super grade, Grade 1, 2 and 3 with minimum protein content of 12,5%, 11,5%, 10,5% and 9,5% respectively.

Minimum hectolitre mass for Super Grade, Grade 1 and 2 was pegged at minimum 76kg/hl while the hectolitre mass for Grade three as pegged at minimum 74 kg/hl.

All grade shall have a minimum falling number of 250 seconds (with 30 seconds deviation)

SACOTA has been informed today that the Minister of Agriculture has signed the approval for the amendments to the wheat grading regulations. The grading regulations will now be sent to the WTO for a sixty-day period for comment. The industry will thus implement the amended grading regulation from 1 October 2019 as was requested by the Maize Forum Steering Committee.

Wheat import duty

A delegation from the Wheat Forum Steering Committee (WFSC) met with Minister Patel to discuss the publication of the wheat import duty after it has triggered. The Minister indicated that he was aware of the challenges facing the wheat industry and requested that the delegation make recommendations on how to address the problem. Three possible solutions were recommended, which are:

- The automatic publishing of the import tariff, for example if a trigger is announced on a Thursday, that it automatically gets published the next Thursday;
- Publishing of the tariff on a monthly basis, whether a change in the tariff has been triggered or not, like in the petroleum industry; and
- Expediting of the current process.

Minister Patel also indicated that he has already been in talks with the Minister of Finance that the process should be simplified

EU/EPA Agreement

A delegation of the Wheat Forum Steering Committee met with Mr Xavier Carim, Deputy Director General: International Trade and Economic Development Division of the DTI to discuss the EU/EPA agreement regarding the quota allocation on the duty-free imports of wheat under the EU/EPA agreement and whether it can be based on Minimum Market Access (MMA) instead of the current first come first serve process. He indicated that the agreement cannot be changed to accommodate this, but the regulations do make provision for an import licensing system where MMA can be used as the basis for the allocation. DAFF has been requested to start an administrative process to accommodate this and make a recommendation by end of September 2019 as the industry would like to implement it from 1 February 2020.

Origin discount

The Trade Group of the WFSC recommended that the JSE should be requested to revert to the following origin grade discounts:

- 2% as calculated by the JSE on the average period and average Safex price calculated as per normal grade discount calculations.

The following were also recommended regarding physical delivery on SAFEX:

Wheat from the following origins acceptable for delivery at a ZERO origin discount:

- USA Hard Red Spring (Dark Northern Spring and Northern Spring wheat),
- USA Hard Red Winter wheat
- No 3 or better Canadian Red Western Spring wheat,
- Australian Hard, Australian Prime Hard, Australian Prime White and Australian Standard White wheat

Wheat from the following origins acceptable for delivery at a 2% calculated JSE discount:

- Argentina,
- German Type A or B wheat
- Ukraine
- Russia

There should also be clarity if the origin discount is also going to apply to imports of wheat from Polish and Baltic countries.

The JSE has been requested to implement and publish the origin discount as soon as possible, preferably for the May 2020 contract.

At the meeting of the Wheat Forum Steering Committee held on 9 September 2019 it was decided that a detailed list of countries of origin to which the origin discount shall apply be determined and made available by the JSE.

Maize grading regulations

A follow-up meeting of the Trade Group of the Maize Forum Steering Committee (MFSC) took place on 2 September 2019 to finalise the following:

- Amendments to the definitions of defective maize kernels.
- Maximum levels of noxious seeds.
- Implementation of passport system (Certificate of conformance).
- Dispute resolution process.

There was not consensus on all the matters discussed and a follow-up meeting will be arranged to discuss specific matters including the passport system and the dispute resolution process.

BBBEE

A presentation was made by Agbiz to the AgriBEE Council on 20 February 2019 requesting a special dispensation (separate AgriBEE Scorecard) for grain and oilseeds traders considering the high volumes and high turnover but relatively low margins compared to other industries.

The issue was very well received by the Council as members realised that the issue could result in no funding allocated for any of the elements as the trading companies will simply not be able to comply.

Agbiz was requested to prepare an alternative proposal for consideration by the Council, after which it will be forwarded to DTI for approval and an amendment to the AgriBEE Sector Code. The proposal in short is that a Net Profit After Tax percentage specifically for grain trading companies be developed in terms of Enterprise and Supplier Development and Socio-economic Development targets that will be lower than the industry norm of between 4% and 5%.

In a follow-up meeting with the Council the Agbiz proposal was in principle accepted and it will now be forwarded to the Department of Trade and Industry (DTI) for approval and for an amendment to the AgriBEE Sector Code.

The DTI has subsequently indicated that they understand the problem but requested Agbiz to conduct a study in the industry to support the proposals. Agbiz has subsequently requested commodity trading companies to participate in a survey to substantiate its claims.

SACOTA members have been requested to take part in the survey.

Agbiz indicated that they have received feedback from 20 trading companies that gives them a big enough sample to provide them the opportunity to make an informed presentation to the DTI.

The next meeting of the AgriBEE Council is scheduled to take place in November 2019 and Agbiz is trying to arrange a meeting with the DTI before then to discuss the process going forward and for the DTI to make a presentation to the AgriBEE Council.

Value Chain Indaba

The grains and oilseeds industry Steering Committees met on 12 April 2019, where common sectoral key components in the 5-Year Plan for Agriculture were identified that could increase the likelihood of success for the amendment of agricultural policies and investments. These are:

- Expansion of markets
- Training and Skills development
- Feasible Financing Opportunities
- Climate change Adaptation and Disaster Management
- Pest and Disease Management, including Food Safety consideration

The soya industry and the poultry value chain have been identified as industries that can provide opportunities for the whole value chain to ensure growth, expansion of markets (exports of poultry), and increased use of domestic soya produced meal.

A soya industry meeting is scheduled for later this year (November) to discuss the way going forward.

SACOTA Annual General Meeting

The SACOTA Annual General meeting will be held **at 14:00 on 10 October 2019** at the **Centurion Golf Estate and Country Club**.

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