

Beef Futures Contract – Concept Note to RMAA

Raphael Karuaihe | 011 520 7039 | 11 November 2014 |
JSE Commodity Derivatives Market



Advent of Derivatives Markets in SA



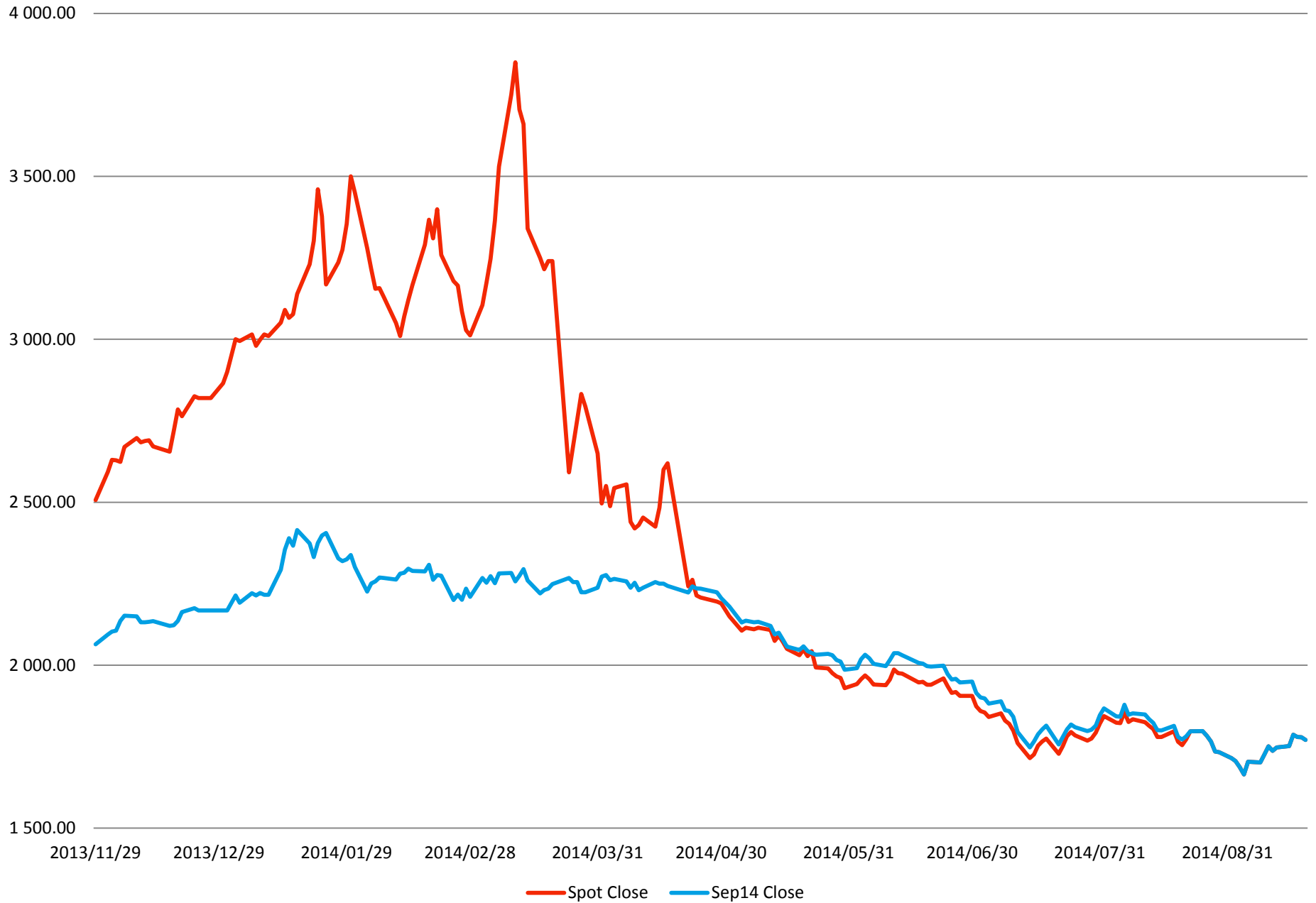
- Pre 1995 the grains market was regulated by Government
- Established in 1995 as a membership organisation of SAFEX (South African Futures Exchange)
- Introduced physically settled grain products:
 - Potato and beef carcass contract
 - White and Yellow Maize
 - Bread milling wheat
 - Sunflower Seeds
 - Soya beans and recently Sorghum
- In 2001 bought out by the JSE
- Since 2009 introduced cash-settled products including corn, wheat, gold, plat, energy, and softs. Traded under license from CME Group.

Function of the Derivatives Market

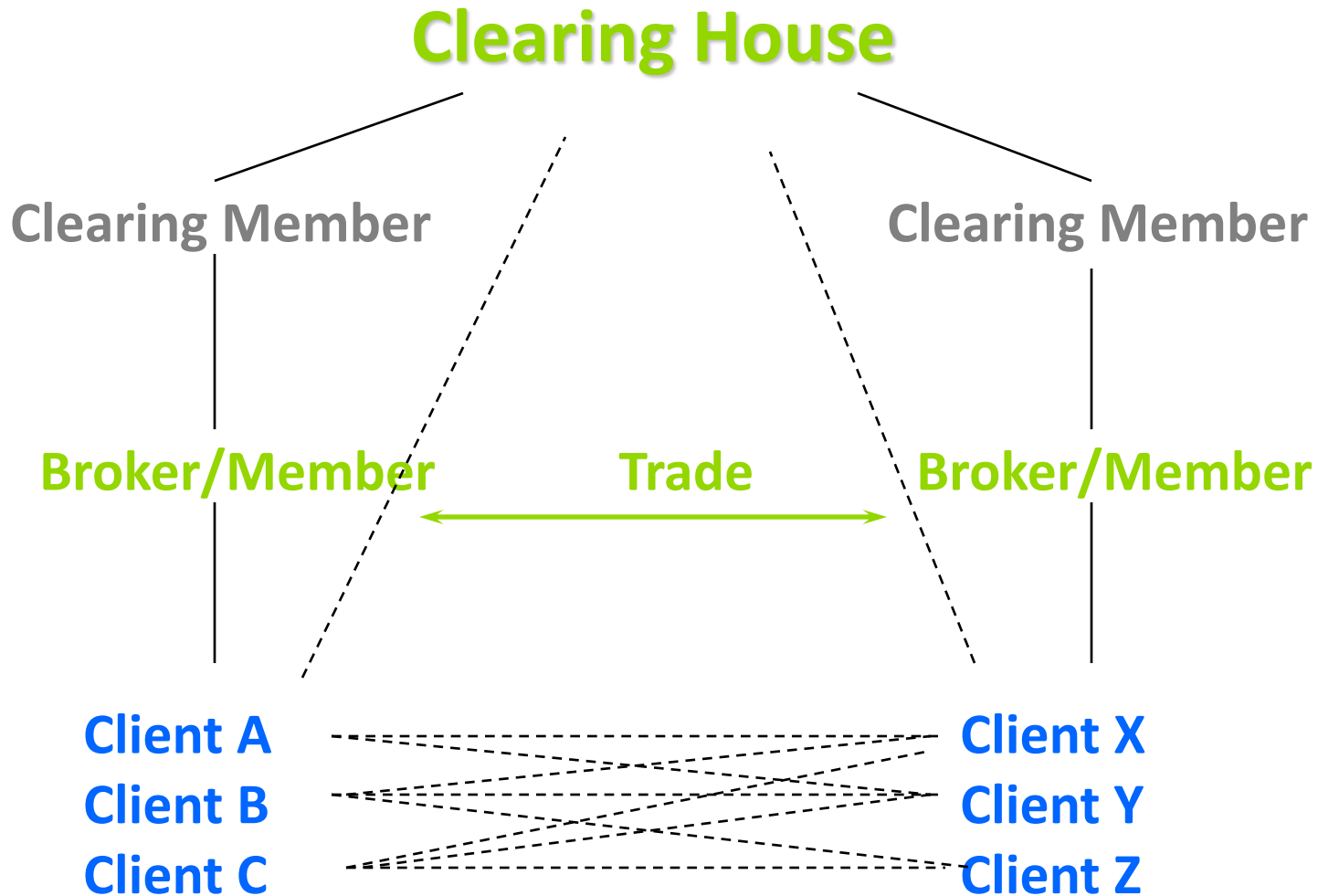


Provide a price risk management and price discovery platform to the South and Southern African agricultural market through standardised derivative instruments

Futures vs Spot Yellow Maize Prices



How we guarantee transactions



Conceptual Framework for Beef Contract



- Proposes cash settled contract. Why?
- Quicker to market.
- Leverage off existing benchmark prices for cash settlement of futures contract
- Working in consultation with RMAA.
- Possibility of deliverable beef contract can be explored at a later stage.

FUTURES CONTRACT	BEEF CARCASS
Trading system code	BEEF
Trading Hours	09:00 to 12:00
Underlying Commodity	Chilled beef carcasses consisting of two sides per carcass, graded as A2 and having conformation of 2, 3, 4 or 5, a damage class of not more than 1 on either the buttock, loin or forequarter, and no measles, in terms of the national beef grading standards. Carcasses must comply with minimum dressing standards and must be fit for human consumption.
Contract Size	1 contract = 2000kg (equivalent of 10 carcasses at average weight of 200kg)
Expiry Dates & Times (Last Trading Day)	Expiry months shall be the nearest four calendar months as published by JSE Clear from time to time. Last trading day shall be the last Thursday of the expiry month.
Settlement Method	Upon expiry, settlement shall take place in cash. The settlement price shall be the two-week average closing value of the National Average Beef Index (NABI) immediately preceding the last trading day. JSE Clear reserves the right to, at its sole discretion, revise the index structure from time to time.
Quotations	Rand/Kg
Min Price Movement	Five cents per kg
Daily Limits	TBC
Initial Margin	As determined by the Risk Committee from time to time.
Maximum position limits	None. JSE reserves the right to impose limits at later stage
JSE Booking Fees (incl VAT)	TBC

Where to from here?



- Partner with RMAA
- Understand and agree on collection of price information
- Agree on benchmark grade: A2
- Agree on settlement process – calculation of index.
Trimming off outliers?
- Do you prefer JSE to calculate this to allay any CC concerns?
- Consult with role players – explain contract spec at RMAA regional meetings. Who else?
- Green light from clearing members
- Pass product through JSE New Products Committee
- Listing: Is it possible to list product by Q1 2015?

Thank you!

JS



Contact with the JSE and join us on social media



EMAIL THE JSE
info@jse.co.za



JOIN US ON THE WEB
www.jse.co.za



BECOME A FAN ON FACEBOOK
www.facebook.com/Johannesburg.Stock.Exchange



FOLLOW US ON TWITTER
www.twitter.com/MyJSE