



JSE Beef Contract - Update

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Raphael N. Karuaihe, PhD



Commodity Market Highlights



Domestic Products - Deliverable

- White and Yellow Maize, Wheat, Soybeans, Sunflower Seeds, and Sorghum
- Exploring: Beef, Weather Derivatives, Carbon Credits

Global Products traded under license from CME Group – Cash settled

- Energy: WTI, Brent crude oil, Natural gas, Diesel
- Metals: gold, platinum, copper, silver
- Ags: Corn, soybeans, KANS HRW, CBOT SRW, coffee, sugar, cocoa

Value Traded 2015 (YTD)

- Value Traded 2014 in R billions:
 - R498 bn
 - 2015 year to date – R420 bn

Partnering with ZAMACE to offer Commodity Derivatives to Zambian market

- Maize, Wheat and Soybean contracts traded in USD.
- Physical delivery with Zambian delivery points
- Approval granted by both Zambian and SA authorities.

Contract Specifications

FUTURES CONTRACT	BEEF CARCASS CONTRACT	WEANERS CONTRACT
Trading system code	BEEF	WEAN
Trading Hours	09:00 to 12:00 Central African Time	09:00 to 12:00 Central African Time
Underlying Commodity	Chilled beef carcasses consisting of two sides per carcass, graded as A2/A3 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.	200 – 280 kg steers and heifers (collectively weaners) as represented by live auctions within a 150km radius from Vryburg in the North West Province, South Africa
Contract Size	1 contract = 1000kg	1 contract = 1000kg
Expiry Dates & Times (Last Trading Day)	Last Wednesday of the expiry month at 12h00.	Last Wednesday of the expiry month at 12h00.
Contract Months	Contract Months shall be the four main hedging months, namely, February, June, August and November.	Contract Months shall be the four main hedging months, namely, February, June, August and November.
Settlement Method	Daily mark-to-market procedure for this contract will follow the current daily settlement process applied to the grains market. Upon expiry, settlement shall take place in cash. The settlement price shall be determined by the JSE by incorporating weighted average weekly selling prices of A2 and A3 carcasses over two weeks preceding the Last Trading Day. Price information for the desired grades will be contributed by Red Meat Abattoirs Association. The JSE reserves the right to revise its settlement methodology from time to time.	Daily mark-to-market procedure for this contract will follow the current daily settlement process applied to the grains market. Upon expiry, settlement shall take place in cash as per the JSE Weaners Settlement Process. This process is a weighted average of weekly prices for the 200-239 kg and the 240-280 kg weight categories over two weeks including the first Friday after Last Trading Day. Price information for the settlement of this contract will be derived from weighted averages of Vryburg auctions and auctions within 150 km radius of Vryburg.
Quotations	Rand/Kg	Rand/Kg
Min Price Movement	Five cents per kg	Five cents per kg
Daily Limits	R2.50/kg above or below previous day's mtm price. Extended to R3.50/kg as per JSE Rules.	R2.50/kg above or below previous day's mtm price. Extended to R3.50/kg as per JSE Rules.
Initial Margin	As determined by JSE Risk from time to time referencing the current margining methodology.	As determined by JSE Risk from time to time referencing the current margining methodology.
Maximum position limits	None. JSE reserves the right to impose limits at a later stage	None. JSE reserves the right to impose limits at a later stage

The Complete Beef Complex Hedge

JS



- Complete Value Chain
- YMAZ-WEAN-BEEF Complex
- Optimal Hedging Ratios for profitable farming
- Producers, Live Stock Agents, Feedlotters, and Abattoirs

How does a Short Hedge Work?



- Livestock producers who are feeding cattle for market can use a short hedge to offset their risks of prices falling by the time they're ready to sell. First, they sell futures contracts to cover the livestock they plan to market.
- When the livestock are ready for market, they buy back the futures contracts and sell in the cash market simultaneously.
- The short hedge allows them to lock in a price for the cattle, assuming constant basis for now.

Example: Selling WEAN Futures



Suppose a livestock producer plans to have 40 head of weaners ready for the cash market in November. It's now August, and the producer is uncertain about the outlook for weaners prices.

The November WEAN futures price is R21.50/kg on the JSE and the producer expects the basis to be R0.50 under. The producer sells a November Weaners futures contract at R21.50/Kg.

Case I: Futures fall by R1.00



	Cash Market	Futures	Basis
Aug 2015	Expected @ 21.00	Sell Nov15 WEAN @ 21.50	0.50
Nov 2015	Sell spot @ 20.00	Buy Nov15 WEAN @ 20.50	0.50
	Cash Market	Futures	Total
Net Price Received	20.00	1.00	21.00

Case II: Futures rise by R1.50



	Cash Market	Futures	Basis
Aug 2015	Expected @ 21.00	Sell Nov15 WEAN @ 21.50	0.50
Nov 2015	Sell spot @ 22.50	Buy Nov15 WEAN @ 23.00	0.50
	Cash Market	Futures	Total
Net Price Received	22.50	-1.50	21.00

A Case for Namibia



SOME FACTS

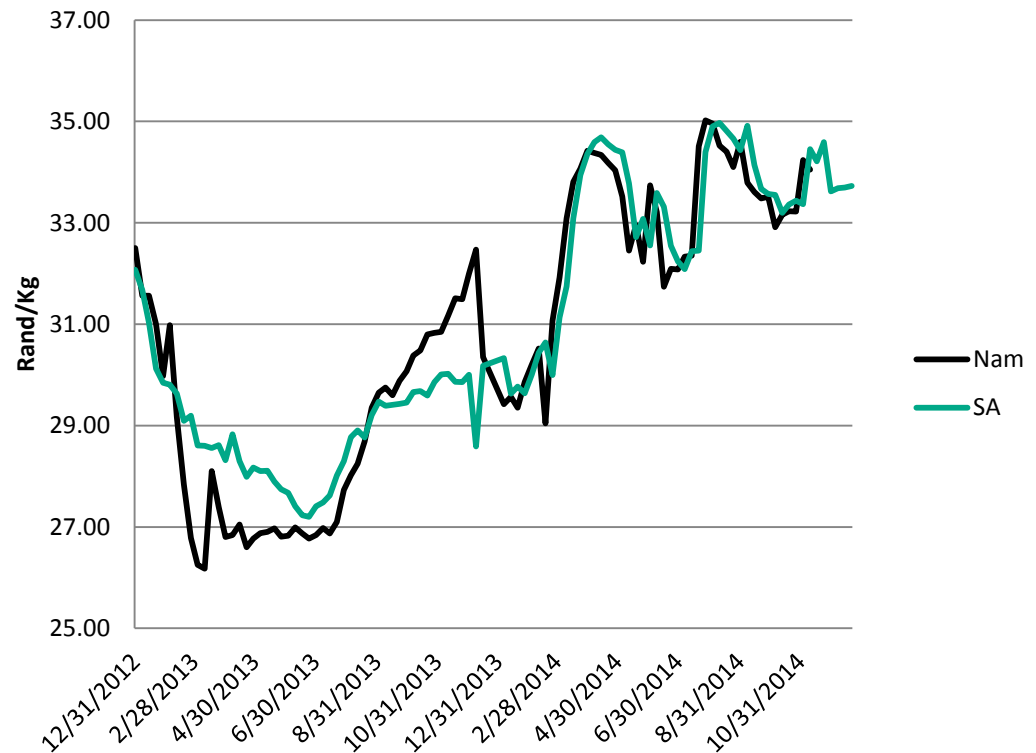
Correlation between Nam and SA beef prices at 95%.

That means that there is a 5% chance that their hedge on the JSE is under- or over weight of their actual hedging needs.

The graph suggests that 2013 was a typical drought year in Namibia.

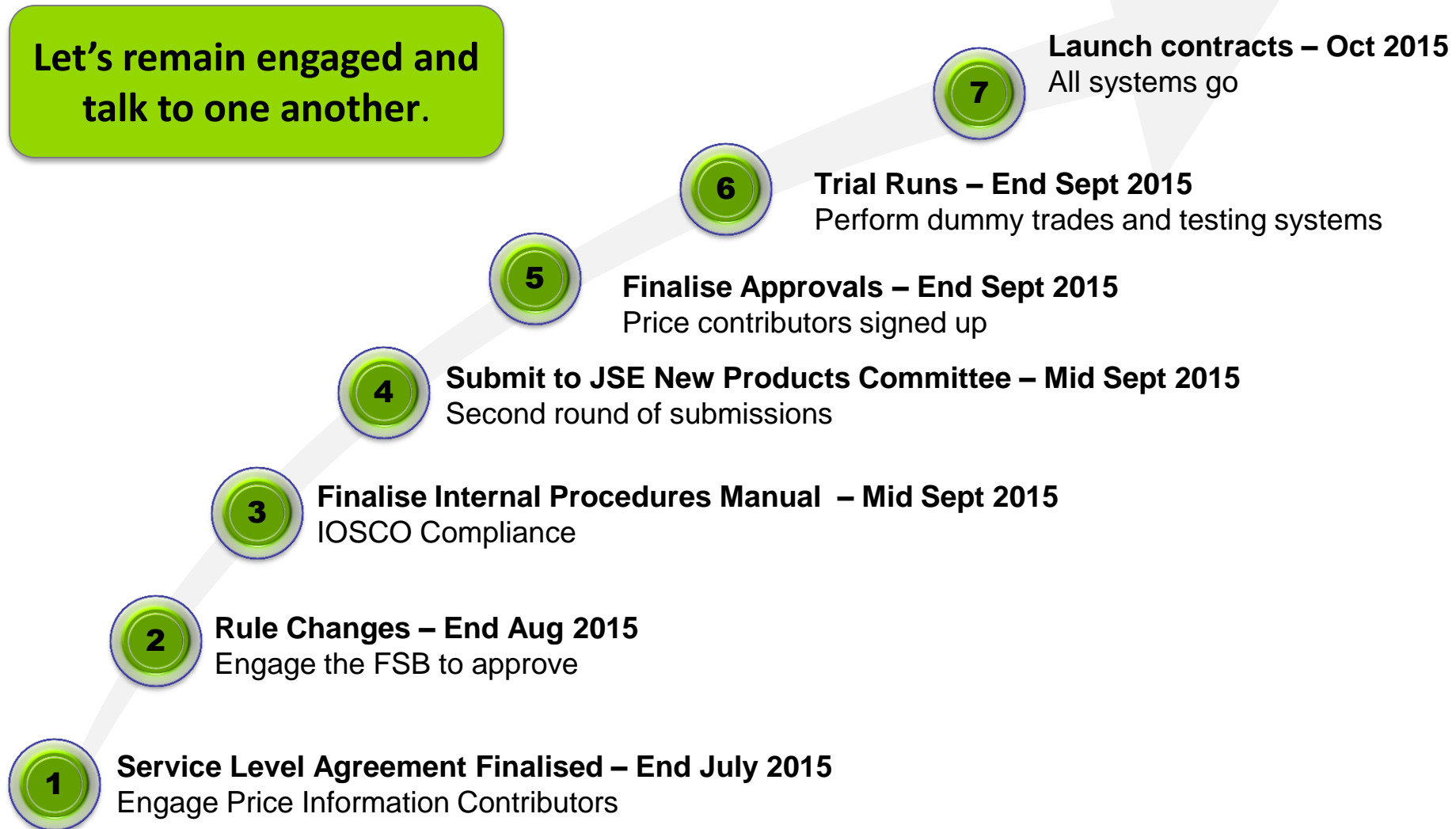
The SA BEEF contract traded on the JSE can address the needs of the Nam farmers

Nam vs SA A2/3 Beef Prices



We are on a journey ...

Let's remain engaged and talk to one another.



Thank you for your time



Always remember that success is not final, failure is not fatal: it is the courage to continue that counts.



Email: commodities@jse.co.za | Tel: +27 11 520 7258 | Web: www.jse.co.za