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JS

# Review of SA Location Differentials

## 6<sup>th</sup> AgBiz Grain Symposium

14 August 2019, JSE



JSE

# Agenda

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- The JSE and the Location Differentials
- The Assignment to review LDs
- The Recommendations by Prof Matt Roberts
- The JSE Position

# The Assignment



## The JSE and Location Diffs

- Key concept in futures contract design is standardization of product being delivered to buyer.
- Ideal contract is thus one where there is no variation in location, quality, or timing of delivery
- Buyer only gets to know the location of his product at assignment during delivery process.
- Thus Location Differentials aim to make the buyer indifferent of the assigned location.

## The Mandate

- Do the 2009 findings still apply? If not, what changed?
- Should JSE consider changing Reference Points per product? Which ones?
- Should we apply diffs on Soya and Sorg? Reference Points?
- Why are there too many re-deliveries?
- What can JSE do to improve liquidity on Spot Basis Window?
- Recommendations regarding current methodology of calculating Location Differentials.

# Recommendations by Prof Roberts



## Recommendations

1. Maintain LD in Wheat, Maize and Sunflower Seeds
2. Implement LD for Soya and Sorghum
3. Maintain current LD calculation
4. Implement Re-delivery Differentials
5. Expand Randfontein Reference Zone
6. Reference Point for Soya
7. Implement Origin Discounts
8. Anonymous Trading
9. Increase access to Futures and SBW quotes

## JSE Position

1. In agreement. Accepted.
2. In agreement. Accepted
3. Accepted. In discussion with transporters to identify where we can improve.
4. Inconclusive. Still consulting.
5. Randfontein as reference point adopted. Inconclusive on concept of reference zone.
6. Randfontein as reference Point for Soya.
7. Concept accepted. To revisit the absolute values.
8. Inconclusive. Busy with further consultations.
9. Accepted

## Recommendations cont...



### Recommendations

10. Incentivise volumes on SBW
11. Rail-Road Improvements
12. Mandatory reporting of transport rates
13. Crowdsourcing
14. End-user concentration risk
15. Improve import levy implementation

### JSE Position

10. Accepted. Proposal submitted.
11. Accepted
12. Accepted
13. Accepted
14. Accepted
15. Accepted

Thank you for your time and interest

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



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