

**Grain Silo Industry – platform for exchange**  
***Continuous improvement: Ideas, best practice***  
***and innovation.***

Chris Sturgess & Raphael Karuaihe | Commodity  
Derivatives | 18 August 2014

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JS III

# Enhancements to the JSE's Storage Operator Requirements, providing settlement assurance through a partnership model





We have been called many things in the past, however we strive to be South Africa's most transparent and effective price risk management platform !



**SAFEX**  
Agricultural Products

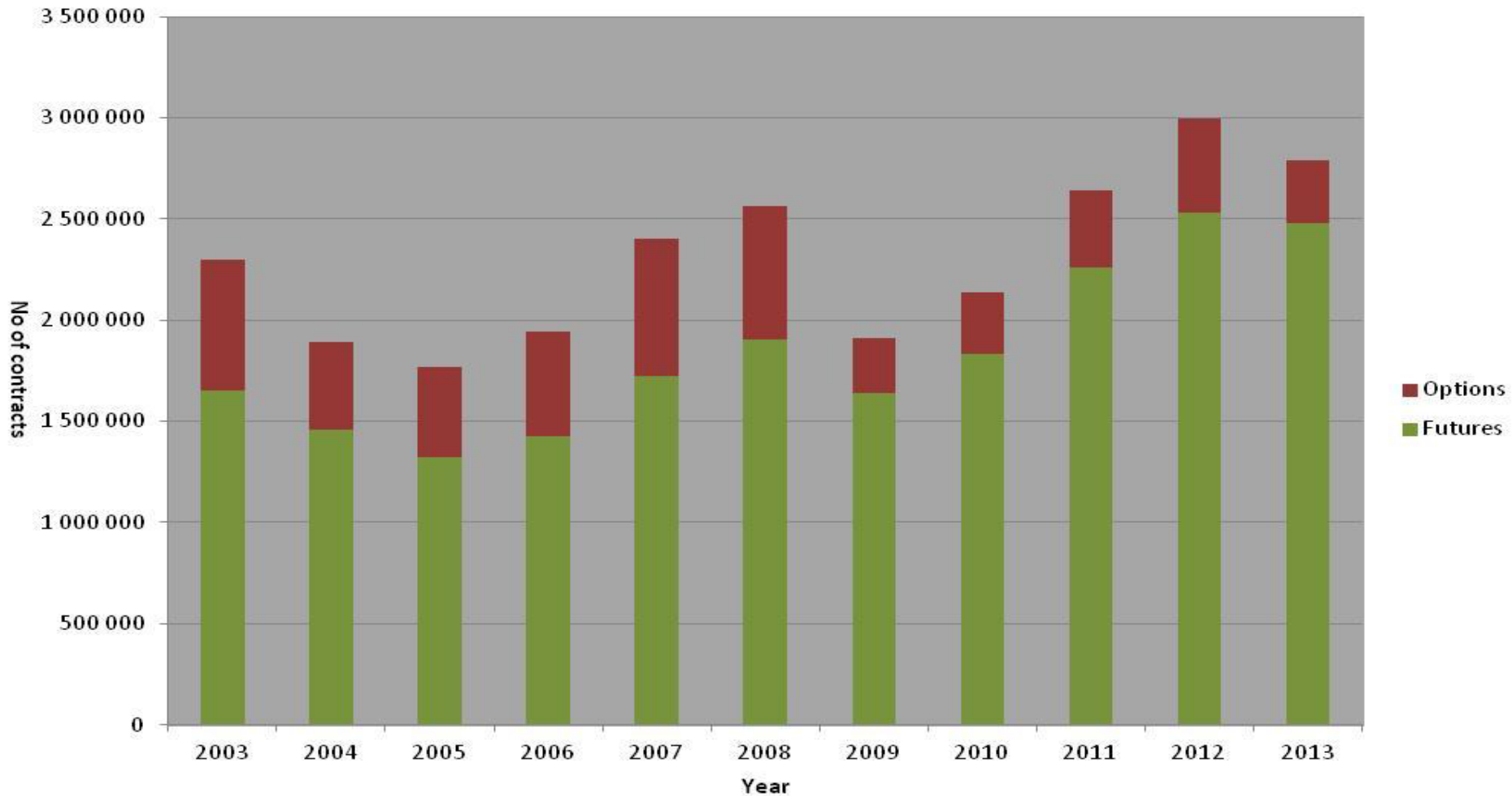


**JOHANNESBURG STOCK EXCHANGE**  
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Thanks to your support we able to keep growing the business !



Total Contracts Traded over the past 10 years



# Ability to make physical delivery and at the same time ensure guaranteed “quality and quantity” keeps the price discovery platform in check !

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- JSE currently has a total registered capacity of 16.1 million tons with 253 registered delivery points, the breakdown is as follows:
  - Maize – 222 registered delivery points
  - Sunflower seed – 178 registered delivery points
  - Sorghum - 43 registered delivery points
  - Soya- 143 registered delivery points +1
  - Wheat – 170 registered delivery points -1
- 17 registered Storage Operators
- In July 2014 – division processed physical deliveries of 714 450 tons with a basis premium processed of **R1,566,700 for the month**
- Physical deliveries remain under 2% of all futures contracts traded for the liquid products, 6% for SUNS and 26% for SORG – ability to make delivery is critical to the integrity of the JSE prices (price convergence)

## Questions already received from the participants (slightly modified)

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- Location differentials, do we continue with the current status quo, why do we require a reference point, what is the alternative. What review took place in the past? Any suggestions how to improve on the concept?
- As we improve the JSE storage operator requirements do not lose sight that these must remain practical – what enhancements do we envisage?
- How do we manage the expectations from market participants who require the timely out loading of the product they own ?
- Problems incurred with fumigation, moisture issues, dirt roads inaccessible due to rains etc.
- The operator's responsibility to supply stock at their cost at an alternative delivery point – what do the current JSE requirements state ?
- Raise any other concerns from industry participants.

## Question time ....as per the brief



Please provide three questions that the grain storage and handling industry should be asking of you.

- What's on the global radar in terms of physical delivery and derivative markets?
- What opportunities are out there to further extend our partnership and grow both our business's ?
- When do we stop the use of paper silo receipts and move to 100% electronic silo receipts?

## Question time ....as per the brief



Please provide three questions that you would like to ask and need answers to, from the grain storage and handling industry.

- Should bag and bunker storage be classified as more risky than the traditional silo storage facilities?
- To improve access to information – is there support to publish stock levels per product per silo/delivery point and not simply on a consolidated basis?
- Is the current process whereby we reference PPI to adjust the JSE standard storage rate applicable to physical deliveries in completion of a futures contract still relevant and a fair indicator of current storage costs?
- What is your expectation of the JSE's basis premium platform ?



# Thank you for your support!

JS



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