



## MEDIA RELEASE

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### **JSE offers protection against price risk for participants exposed to beef carcass prices with a beef derivatives contract**

*Johannesburg, 28 January 2016*, Trading activity on the beef carcass futures contract has been positive since the product was launched on the Johannesburg Stock Exchange in December 2015, with the number of contracts traded totaling 104. The contract aims to offer investors a product that protects beef farmers and sellers against volatile prices of the commodity.

The JSE is the first exchange in Africa to provide this type of contract to the market.

“The performance of the beef carcass contract is encouraging. By their very nature, futures are intended to manage price risk. As the JSE, we are excited to introduce this product to the market to bring together buyers and sellers to effectively manage price volatility of this underlying commodity,” comments Chris Sturgess, Director of Commodity Markets at the JSE.

The South African beef market is one of the fastest growing sectors of the agricultural industry and well positioned to take advantage of the growing middle class. However, industry pressures, such as the ongoing drought and reduced demand owing to rising food costs, will potentially impact the price of beef. The JSE introduced the contract to give cattle producers (commercial and emerging farmers), sellers (abattoirs), wholesalers and retailers protection against seasonal risk that affect the price of beef.

Trade of the beef contract took off last year as market participants began trading the product. Over the past two weeks the JSE has seen daily trades in the contract with open interest continuously increasing. Open interest reflects the number of open positions held by buyers and sellers.

In terms of the contract specification, the beef carcass futures’ contract size is 1000kg. Upon expiration, the contract will be settled in cash, with the settlement price being determined by the JSE and information from members of the Red Meat Abattoirs Association (RMAA), a well-established beef market participant. In a bid to increase the liquidity of the beef carcass futures, there will be four trading months in 2016, namely, March, June, September and December.

“The beef industry continues to experience significant pressures. By introducing this product, we hope to bring new trading and hedging opportunities to South Africa’s beef industry, while also helping market participants protect themselves against price risk,” says Sturgess.

For more information email [commodities@jse.co.za](mailto:commodities@jse.co.za) or call +27 11 520 7039.

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### **ABOUT JSE**

The Johannesburg Stock Exchange is based in South Africa where it has operated as a market place for the trading of financial products for 125 years. It connects buyers and sellers in equity, derivative and debt markets. The JSE is one of the top 20 exchanges in the world in terms of market capitalisation and is a member of the World Federation of Exchanges (WFE) and Association of Futures Markets (AFM). The JSE offers a fully electronic, efficient, secure market with world class regulation, trading and clearing systems, settlement assurance and risk management. [www.jse.co.za](http://www.jse.co.za)

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