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Minutes of the Trade & Logistics Meeting,
Wednesday 29th June 2022
Via Teams
Time 12.30pm – 2.00pm

PRESENT:

Paul Rooke	BCA Executive Director
Tracy Brown	BCA Secretariat
Mike Watson	TRC Specialty Commodities (T&L Chair)
Ratnakar Mishra	Allanasons Private Limited
Rob Nugent	Cafea UK
Mick Flynn	Complete Coffee Ltd
Jason Cross	CWT Commodity Logistics UK Ltd
Helen Shewan	DRWakefield
Kazim Ugurludemir	DRWakefield
Scarlett Fishburn	Equatorial Traders
Martin Osbourne	Finlays
Andrew Stephenson	Henry Bath (Part of Meeting)
Cleiton Papke	Riccoffee UK Ltd
Richard Harris	Zygo

Speakers:

Marie Maffei	Filhet-Allard Maritime
Yann Dervieux	Filhet-Allard Maritime
Luca Scamardella	MSC

1. Apologies

Angus Kerr	Coffee ag Ltd
James Paling	Commodity Centre
Claire Thomas	Costa Coffee
John Williamson	CWH Johnsons International
Hannah Jeffrey	Finlays
Paul Wynne	Henry Bath
Richard Hankinson	ICE Futures Europe

2. Competition Law Compliance

It was agreed that the Meeting would be held under FDF Competition Law Compliance as per the Golden Rules circulated previously.

3. Minutes of Meeting held on 16th February 2022
The minutes of the last meeting were duly approved.

4. Matters Arising from Previous Meeting Minutes
No matters arising.

5. Transport/Ports – Presentation from Luca Scamardella – MSC
MW introduced Luca Scamardella to the T&L Committee.

LS noted that he has now been with MSC some 17 years, and his current role is within Business Development and is responsible for every point of origin into the US for coffee.

MSC is composed of both the cargo division and the passenger division.

The cargo division has 700 vessels, one of the youngest fleets in the world with some 250 + routes with 500 ports of call.

MSC is now offering several solutions including trade services, depot & warehousing, barge solutions as well as trucking solutions, to simplify the supply chain.

For coffee imports into the UK in 2020 were worth £762,400,487, quantity wise that equates to 229,469 tonnes, TEU conversion is 13,879 TEU for the year* (source IHSConnect).

According to IHS Connect – global Trade Analytics, the top exports into the UK are Brazil, Vietnam, Germany, Indonesia and Colombia.

LS noted sources from the NCA 2022 National Coffee Data Trends, coffee consumption is at a two-decade high. But the COVID-19 pandemic continues to impact coffee drinking habits, and out of home coffee consumption has still not returned to pre-pandemic levels. At-home consumption remains elevated.

The biggest markets for Robusta are Brazil and Vietnam, 2 origins where freight rates have been increasing considerably and coffee prices will be even more under pressure.

LS went on to talk about the global coffee pricing, production by country, and the main markets' seasonality.

The current challenges for coffee, include the worldwide shortage of 20' containers, congestion at destination and transhipment ports, increased transit times affecting quality (especially for Arabica), coffee seasonality not following MQC/52, equipment availability during season, price increases with the smaller companies not able to cope with price increases, difficulties in providing forecasts and sourcing areas for Robusta are under pressure.

How MSC is helping to overcome these challenges including increasing its fleet investments since 2019, adding 12 new mainline trade services worldwide (half of them calling at major ports in the US), and being a driving force in digitalisation and ecommerce solutions.

LS when on to explain about MSC's sustainability approach, their commitment to contribute to the realisation of the UN's 2030 Agenda for Sustainable Development and MISC is an active member of the United Nations Global Compact.

MSC's decarbonisation journey is underway, and MSC fully supports the IMO GHG reduction targets. MSC operates 600 vessels, one of the most modern technologically advanced fleets in the world. MSC is actively exploring and trailing a range of alternative fuels and technologies to accelerate decarbonisation.

MW noted that a lot of trade houses and warehouses are finding a number of issues with the release of containers in the UK, notably from MSC , which is extremely problematic.

JC confirmed that over the last 12 months obtaining PINs and releases of containers had been extremely difficult and was compounded by the challenges in getting to speak to MSC. It was noted companies who were trying to chase up PINs were being told additional charges could be applied to accounts or that calls would result in further delays to release.

LS noted that apologised profusely for the customer experience, the journey with MSC should be a good one. MSC does not want to hold onto containers, but the increase in volume some 20% and lack of staffing has been a challenge, hiring additional people has also been a challenge.

LS added that for UK specific issues please feel free to contact Chloe Crease, chloe.crease@msc.com, +44 1473 942534.

MW noted that attempts to discuss things with MSC UK had proved unsuccessful.

LS recognised that their customers frustration, they are paying more for a service but have been seeing a drop-in service, which MSC were trying to rectify.

A further point raised was the last-minute reduction in number of containers at the time of departure. As well as being outside the contractual agreement it was felt that the level of technology employed in cargo manifest management should mean such issues were no longer a problem.

LS noted that having a point of contact is key, MW noted that businesses do try that but have found this has been a real problem with staff changes or new staff coming on board.

MO noted the issues with equipment availability being reduced at the time of loading, and the cycle time at origin being delayed sometimes up to 17 days with transit on top of that. Lack of visibility when the shipment is due to arrive as well, which has seen the rise of providers such as Project 44 and with predictive ETA to support the blind spots we have with carriers not updating their systems enough. MO noted that they have a pretty good relationship with the UK MSC team, but communication is key, especially in Brazil which has been found wanting and not for the want of trying with the trade manager never turning up for calls. Communication is a key for all businesses and important that MSC honour the contracts that have been placed with them rather than see these contracts then reverting to SPOT rates where we have seen a massive jump in rates which they then have to discuss with their customers. We then see with shipping lines showing massive profits of carriers who say they are in very difficult shipping circumstances; we seem to be paying the price for this disproportionally.

LS noted that in Brazil they suffered massively with COVID cases much wider than reported and had many staff who were off sick with COVID, with the volume increasing and lack of staff causing a massive backlog and congestion, therefore causing a vast disruption and deterioration in service.

MO asked what were MSC's plans for the rest of this year and for the seasonal peaks, so we don't find ourselves in a similar position again.

LS noted that from Brazil, they are to trying and get a more reliable schedule and not have the ships waiting for long periods in one area. There is no tonnage available in the market, so it is not easy to put more ships to plug the holes. LS added if you purchased your own ship and entered the market you could make a lot of money.

LS noted that he would be happy to receive any additional questions from those on the call. MW thanked LS for coming along.

MW noted that he believes things will not improve soon, especially with the lockdowns in China and the war in Ukraine. What has been noticed with the cost-of-living and inflation crisis things may dampen down in the market. It seems that companies are looking to build things more local to home, but these will of course take time to build.

6. <u>Warehousing</u>

JS noted that the problems continue with the shipping lines and issues with obtaining the containers out of the port is an ongoing concern.

7. <u>Insurance – Presentation from Marie Maffei – Filhet-Allard Maritime *(Presentation Attached Separately)*</u>

MM noted that she has been working with Filhet-Allard for 3 years now. YD noted that he has been in insurance for some 22 years as a broker.

Filhet-Allard Maritime remain a family independent company, with 1400 people working for them. Filhet-Allard have offices in several locations, Bordeaux, Geneva and Abidjan, and representation in Singapore, Hong Kong and Turkey.

The main insurance products are Marine Cargo, Charterer's Liability, Political Violence, Financial Lines and Risk Prevention Services.

In the last 10 years they have insured more than 3.5 million metric tonnes of coffee and including instore 14 million metric tonnes.

YD and MM then went on to talk about specific FAM clauses, including Misappropriation Clauses, Rejection Clauses, Conclusive Evidence Clause, Losses and Shortage Notice on Unstuffing Intact Container Seals.

New challenges are being faced due to the freight crisis are around breakbulk shipments!

MW asked with the increase of large container shipments the marine insurance market seems to be tightening, with containers falling overboard, fires etc. do Filet-Allard see that premiums will be increasing. MM noted that there is market trend is for increased rates/premiums but limited for container business.

MW thanked MM and YD, and if Members would like to make direct contact their details are:-

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8. Surveying
No report for this meeting.

9. ICE Futures Europe
ICE confirmed nothing specific to report on this occasion.

10. ECF Update
PR noted that the ECF Council meeting was held last week before the World of Coffee.

The Chair of the ECF Logistics Committee quoted approximately £110 billion of profits for the shipping industry, with 1 in 5 ships waiting for a berth outside port especially outside the US.

PR noted a global reliability assessment for shipping that normally runs at about 70-80% which dropped to 35% for 2021, this figure was not expected to change for 2022!

11. Arbitration Overview
TB confirmed that we currently have 2 appeals ongoing, and a new case registered last week.

12. Date of Next Meeting in 2022
Wednesday 19th October 2022– Trade & Logistics Meeting – 12.30p.m. – 2.00p.m. – London Suite 2 Meeting Room – Intercontinental Exchange | ICE Data Services, Fitzroy House, 13-17 Epworth Street, London, EC2A 4DL

MW noted that he will try and get another shipping line to come along and present at this meeting.

Action: MW

PR noted that for the October meeting we would like to go back to a hybrid meeting, and it would be good to meet up with those who can make in person, if not there was the Teams option.