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Minutes of the Trade & Logistics Meeting,
Wednesday 24th May 2023
London Suite 2 Meeting Room - Intercontinental Exchange |
ICE Data Services, Fitzroy House, 13-17 Epworth Street, London, EC2A 4DL
& Via Teams
Time 12.30pm – 2.00pm

PRESENT:

Paul Rooke	BCA Executive Director
Tracy Brown	BCA Secretariat
Thomas de Freitas	BCA Media & PA Manager **(Via Teams)**
Mike Watson	TRC Specialty (T&L Chair) **(Via Teams)**
Loran Gledhill	Almacena Platform **(Via Teams)**
Carla Rojas	Almacena Platform **(Via Teams)**
Mick Flynn	Complete Coffee **(Via Teams)**
Jordan Smith	Complete Coffee **(Via Teams)**
Oluseun Komolafe	DRWakefield **(Via Teams)**
Helen Shewan	DRWakefield **(Via Teams)**
Carole Liminiana	Filhet-Allard Maritime **(Via Teams)**
Paul Wynne	Henry Bath **(Via Teams)**
Richard Hankinson	ICE Futures Europe **(Via Teams)**
Harry Cassidy	InterAmerican Coffee
Kenneth Budts	Molenbergnatie **(Via Teams)**
Cleiton Papke	RicCoffee (UK) Ltd
Katrine Biret	Trade In Space **(Via Teams)**
Richard Harris	Zygo **(Via Teams)**

Speaker

Ian Moore	Hapag-Lloyd (UK) Ltd **(Via Teams)**

1. **Apologies**

Chris Rogers	AGC (Commodity Store) Ltd
Angus Kerr	Coffee ag Ltd
John Williamson	CWH Johnsons Intl.
Fergus Wilson	ETG Commodities
Isobel Giles	Lavazza
Lee Lockyer	Lockton Companies LLP

BRITISH COFFEE ASSOCIATION

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 15th February 2023

The minutes of the last meeting were duly approved.

4. Matters Arising from the Previous Meeting Minutes

No matters arising.

5. Transport/Ports

- **Presentation from Ian Moore, Director – Sales UK & Ireland – Hapag-Lloyd (UK) Ltd** ***(Presentation Attached Separately)***

MW welcomed Ian Moore to the meeting, MW noted that Hapag-Lloyd is now the 5th in the table of shipping lines.

IM noted his thanks at being invited to the meeting today. He has been with Hapag-Lloyd for some 26 years, based in the UK and well as being based overseas in Asia, he has been back in the UK since 2019.

IM noted the subjects that he would like to cover today are

- Supply and Demand
- Products and Investments
- Sustainability
- Key Takeaways

Supply and Demand

2022 saw a rapid return to normalisation. During the latter part of 2022 saw a rapid decline on volumes. With lower volumes port congestion mostly dissipated towards the year end. Freight rates remained exceptionally high level until Q4, freight rates are now nearly back to 2020 pre-pandemic levels. There is one big difference between now and 2020 is the cost of TEU, which has increased by 25%, from bunker costs and equipment position costs and handling costs.

The 6-day closure of the Suez Canal in March 2021 impacted close to £10bn of trade with up to 370 ships waiting to pass which caused a huge backlog in the system.

IM noted that the market going forward is very uncertain and demand likely to remain subdued until the destocking cycle is completed. There will be scrapping of old tonnage and slow steaming to offset strong newbuild supply. Supply will likely outpace demand in 2023 and 2024 making capacity management inevitable.

Products and Investments

Hapag-Lloyd's Strategy for 2030 has 3-Pillars Simplify, Strengthen and Invest, with KPIs against these, details of which are available on their website.

Hapag-Lloyd is on their journey to be No.1 in the industry for quality.

Hapag-Lloyd have invested worldwide in terminals to increase access to strategic market and to improve transhipment.

IM noted that the shipping industry is finally coming into the digital age, with Hapag-Lloyd having a very sophisticated front end system, and this will be developed further during the year to improve digital products and channels.

CL asked where we stand regarding digital Bills of Lading. IM noted that Bills of Lading can be submitted online and view the draft online and as well as making amendments online. CL asked if an original needs to be printed, IM noted that this time a hardcopy Bill of Lading is still required but plans for the future are to have this available digitally.

IM noted that it is hoped by the end of 2023 all their container fleet is set to have GPS tracking devices, with 90% fitted by end of 2023, to set a new standard of transport visibility. Regarding security there are additional sensors that will be available for the container.

IM noted that on the UK side they also have a new and improved carrier haulage product.

Sustainability

Shipping account for 3% of emissions worldwide, and this has been growing. Hapag-Lloyd feel that the current IMO regulations are too unambitious to reach the net zero goals by 2050, the current regulations are way behind the curve.

IM noted to achieve a carbon neutral shipping obviously comes with a cost. Fuel transition is immature at this time, so other efficiency measures are being implemented such as new propellers, and newly designed bows.

IM noted that with alternative fuels there are a few options, with more research ongoing, IM ran through the options.

Hapag-Lloyd have introduced a brand-new product/solution that launched in April this year, an online booking system with the option to purchase 'Ship Green'.

IM noted that more than 100,000 dry monitoring devices have now been installed.

MW asked in the past couple of years have you seen customers looking to source products nearer to Europe/more locally rather than from the Far East. IM noted that some countries were certainly looking to source products from countries nearer to home, but this seems to have now subsided due to freight rates coming back to more normal levels.

MW asked about the Shipping Green option, if you have 2 shipments one to go green and one not, what are the practicality of doing this. IM noted that they offer Ship Green on every service, and savings are made/collected from those vessels using biodiesel, for shipments that might not be burning biodiesel.

PR asked if anyone on the shipping side had looked at hydrogen as an alternative fuel source. IM noted that he had heard that this is being discussed but not as advanced as the other options that could be available, and there was not too much detail available at this time.

RH noted there seems to be a lot of investment from different carriers with terminals, does IM see a cap on vessel size. IM noted that he has not heard of any plans of going larger than 24,500teu, and obviously some terminals have issues with handling this size of ships and ports are congested creating huge problems for the supply chain. RH noted that it certainly does cause issues, with charges being implemented for quay rent when the cargo is still on the vessel. IM noted that Hapag-Lloyd is seriously looking at this, and it is under review. RH added that with container tracking we can track exactly where the container is.

MW extended his thanks to IM and looked forward to hearing from him in the future with further updates.

- **IPPC Container Movements & Pest Control – Next Steps *(Draft Guidance Attached)***

PR noted that following the last meeting it was agreed that a smaller group would take this away and work to develop a draft guidance document. The document has been circulated to those who noted they would be on Teams.

The aim of the guidance is to stop the transfer of pests from container to container. We have looked to adapt the guidance already available and build on this to set out the various points, and the actions that people needed to take and tie in with existing protocols that companies may already have. You will have seen some points in yellow where we need further input and assistance to develop.

CP noted that what we do need is additional people to join in and give their ideas and input. PR asked if people could look at this document and do come back to us with any feedback possible. MW noted that perhaps some certification at origin might be an option to discuss further down the line.

Action: ALL

6. Warehousing

PW noted that there is not a great deal more to report than noted previously. The issues remain with the availability of space in quay side UK ports at the price is proving extremely problematic, with some asking for a 70% increase in rates.

7. **Insurance** ***(Report sent in by Lee Lockyer)***

"There was a recent fire loss in Amsterdam for Cocoa being stored – this is estimated to be ~USD50m. A loss of this size will naturally cause some angst with Insurers and Soft Commodities (Cocoa and Coffee), so we will keep one ear to the ground and try to find out how the market has reacted to this loss.

As mentioned during the last meeting that Insurers are looking to incorporate the Five Powers War Clause, this reads:

- *Where any war risks coverage is provided by underwriters, this (re)insurance excludes loss damage liability or expense arising from the outbreak of war (whether there be a* *declaration of war or not) between any of the following: United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China.*

- *All Cargo policies will include a 7-day notice of cancellation provision for War Risks and Strikes, Riots and Civil Commotion, however the clause above will look to exclude loss, damage, liability, or expense arising from the outbreak of war (whether there be a declaration of war or not) i.e., without giving clients 7 days' notice. There has been some limited success on this clause by pushing back on the market to have this amended to say that this clause shall not prejudice any War Risks coverage in respect of any transit risk(s) which has attached at the time of such outbreak of War."*

8. Surveying

Nothing of note for coffee to report for this meeting.

9. EU Deforestation Legislation

- Update and Business Consequences

MW noted that this is something that has started to come on the radar more now.

PR noted that the legislation is essentially what the EU is putting through, and it has cleared through the European Structure. This is due to be published by end of June. Impacts to business will kick in at the end of 2024 start of 2025. However, because the legislation applies to cleared goods, any coffee in the EU prior to the legislation taking effect but not cleared, would also be impacted.

Essentially the legislation requires an information stream on coffee from production through to entering the EU market. It is concerned with deforestation that has taken place after December 2020. The Commission will be looking at countries and regions and will be putting a risk on them in the next 18 months. Companies are expected to collate all this data/information to produce a due diligence report on coffee before it can cleared and put on the EU market.

If the coffee is coming from the UK into the EU, it will be the first EU company that places onto the EU market that has the responsibility, but in practice the only way they can deal with this is passing it back down the chain. Until that information goes into the system/database and it gives you a reference number the coffee can't actually be placed on the EU market. A big question is will these systems be in place or even ready. The key point at present is to ensure supply chains understand what their obligations will be.

The UK is producing its own legislation and whilst there has been little progress in the past 12 months it is expected this will start to develop over the coming few months. As it currently stands the UK approach will be slightly different and possibly not as onerous. The US have been looking at the EU system, but this may slow if there is a change in administration, Japan are also looking at this.

PR noted that we have not yet seen the final EU legislation, but we have a good idea, we are looking at putting together a rough Q&A to go out to Members for them to review, when the legislation is published, we will look to amend/update this document.

Action: BCA/ALL

MW noted that this could have massive implications of long-term stocks in Europe, especially for ICE registered stock.

RH noted with the regulatory impact, concerns that the exchange has is the deliverable nature of their contracts, these changes/regulations could go to de-commoditising the coffee chain. If we go down the route of having an extremely well documented and due diligence reports, could we not end up with silos. We could lose price transparency, and a churn in futures volumes and the whole supply chain could suffer from this. RH noted that a separate section of ICE is looking to build a platform to document all these due diligence reports etc, and ICE would welcome the opportunity to present this. PR noted that he would certainly support this. RH added that from an exchange delivery perspective, for coffee and cocoa, we are looking to address the requirements for physical delivery and more clarity comes in June.

10.* ICE Futures Europe *(Report from Richard Hankinson)

RH noted that Robusta coffee prices are doing well, and spreads are well inverted. Vietnam are getting record prices, which is good news for the farmers.

Volumes are doing well especially the CSO options, which seem to be filling in some of the volatility managed against the spreads.

There have seen some gradings in the last month for the May contract, but relatively slow going.

11. ECF Update

MW noted that from the ECF Transport Minutes, generally things are returning to normal, but ports are quite congested.

PR noted that outside Transport the ECF's focus has been around deforestation, as well as single serve units which has been all encompassing over the last few months.

EU Review of MiFID II and MiFIR

PR noted that when this came about in 2014, at the time companies that use financial tools who were essential commodity centres were exempt, under an ancillary use exemption. The EU started reviewing MiFID back in 2020, there seems to be more talk that the Commission needs to look at this ancillary exemption and what additional measures need to be put in place. At the moment it has not been picked up particularly widely and we are talking with the likes of cocoa, sugar, grain etc. to see what their members are saying about. The fundamentals have not shifted at all commodity companies still use financial tools for price risk management. We are slightly nervous about how far we raise this at this time and are meeting regularly with the ECF and SCTA just to see how far we need to take it and if we need approach the Commission. The EU Parliament have not proposed any changes it is just asking the Commission to review and come up with some changes. It is an issue we will continue to monitor.

12. Date of the Next Meeting in 2023

Date	Meeting	Location
Wednesday 18th October 2023	Trade & Logistics Committee 12.30p.m. – 2.00p.m. **Hybrid Meeting**	London Suite 2 Meeting Room, Intercontinental Exchange | ICE Data Services, Fitzroy House, 13-17 Epworth Street, London, EC2A 4DL