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NOT FOR PUBLICATION

Minutes of the Trade & Logistics Meeting,
Wednesday 16th October 2024
Equatorial Traders, Unit 3 The Onyx, 102 Camley Street, King's Cross, London, N1C 4PF
& Via Teams
Time 1.00p.m. – 3.30p.m.

PRESENT:

Paul Rooke	BCA Executive Director
Tracy Brown	BCA Secretariat
Mike Watson	TRC Specialty Commodities (T&L Chair) **(Via Teams)**
David Peach	Coca Cola **(Via Teams)**
Iain Williamson	CWH Johnsons International
Matthew de Gale	DRWakefield **(Via Teams)**
Helen Shewan	DRWakefield **(Via Teams)**
Fergus Wilson	ETG Commodities **(Via Teams)**
Carole Liminiana	Filhet-Allard Maritime **(Via Teams)**
Isobel Giles	Lavazza UK&I **(Via Teams)**
Lee Lockyer	Lockton Companies LLP
Malgorzata Dabek	RicCoffee (UK) Ltd
Richard Harris	Zygo Ltd

Presenter:

Seraina Sigron	Swiss Embassy

1. Apologies

Chris Rogers	AGC (Commodity Store) Ltd
Thomas de Freitas	BCA Media & Public Affairs Manager
James Paling	Commodity Centre
John Williamson	CWH Johnsons International
Jason Cross	CWT
Paul Wynne	Henry Bath
Mark Ayling	ICE Futures Europe
Andrew Kerr	OCR Commodities
Cleiton Papke	RicCoffee (UK) Ltd
Mick Flynn	Sucafina UK Ltd
Jordan Smith	Sucafina UK Ltd

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.

BRITISH COFFEE ASSOCIATION

3. <u>Minutes of Meeting held on 15th May 2024</u>
The minutes of the last meeting were duly approved.

4. <u>Matters Arising from the Previous Meeting Minutes</u>
No matters arising.

5. <u>EU Deforestation Legislation</u>

- **Guest Speaker (Seraina Sigron- Swiss Embassy)**

PR introduced SS to everyone in the meeting and on the call, to get an understanding the issues and challenges what other no-EU countries are encountering and issues that are being raised with her that some are likely common with the UK.

SS noted that with coffee it is very much interconnected and very helpful to have these exchanges with other countries. SS added that she can give a perspective of how they see things from the Swiss side, she caveated that she is not directly involved in the discussions that are taking place with the EU but can give an idea on how they are looking at the situation.

This issue has been on the radar of the Federal Council since February 2024, there was a discussion and a first decision made on how to deal with EUDR and associated consequences, including internal markets. The Federal Council determined it would refrain from adopting Swiss Law to EU Law until further notice. It does not mean that the question is completely off the table as long as mutual recognition is not possible. It does not make any sense to have adopted without the perspective of mutual recognition as they would not want to have parallel legislation and duplication of efforts. The question remains that several Swiss coffee companies are exporting into the EU, so it would have to comply with those requirements anyway. For all the goods that are going into the EU it is about 4 billion Swiss Francs a year.

There were 2 main follow-ups that the Federal Council mandated with the respective Ministries, the Federal Council recognised that this EUDR would increase the administrative burdens, and that the Ministries would need to continue dialogue between administration and the companies, not just with coffee but with other concerned sectors. Then they also mandated that respective Ministries to clarify certain questions with the EU, including access to the Information System and mutual recognition – discussions are ongoing.

With the potential delay possible, this is something Swiss authorities welcome, but still believe that the best outcome is for EUDR to be implemented without additional technical barriers, and this is being signalled to the EU.

The new guideline is currently being looked at by experts, but feedback from Swiss private sector there are two issues that remain, there is concern in the first line the so-called principal company in Switzerland who do not have a branch in the EU. It is one thing to obtain the EORI number, a lot of information can then be fed into the system but in the end, they cannot generate the due diligence statement, which is required, this is something that only the operator in the EU can action. This risk is likely similar for UK companies, impacts on the competitiveness of these companies and could potentially lead to market distortions. The second worry and not sure if the same for the UK are the bonded warehouses in Switzerland or the EU, and all the coffee at some point would need to be compliant but difficult to get the information to be compliant retrospectively. Companies state that there are a lot a questions around the definition of placing something on the market, and after reading the additional information produced by the EU, placing on the market means and customs clearance and if this information is correct it would mean that coffee cannot leave the EU, it cannot also come back to Switzerland for the Swiss market they were informed no as it also needs to be compliant to leave the EU.

SS noted that they are having conversations with consultants in the UK who has seen both sides, and that in the end the big issue is around costs, you can let other people do it for you, but the costs would remain and are apparently higher than initially expected. One worry on speaking with the consultants compared with other EU regulations for example SEBAM, it is structured differently, and you don't have to worry about your good being stopped at the border.

SS noted she would be interested to understand the issues that UK companies are seeing similar challenges, also have you tried to discuss with Defra or DBT, they have approached certain ministries but not clear who is taking the lead.

MW noted that they are based in the UK but mainly sell into the EU, under Article 7 of the legislation they understand that the 1st Party that take delivery of the goods in the EU are deemed as the natural party and to be the Operator. They are wondering about customs clearing, as likely Roasters will want to pass the issue down the line, but this will not solve the issue, as the 1st Operator in the EU even if they clear or not will need to file a due diligence statement. Secondly any inventory that is non-compliant before the end of December needs to be customs cleared in order for it to be EUDR complaint after the 1st December. Unless there is the delay companies are confused whether to clear or not.

PR noted that following the latest FAQ, they say that you could have a company putting goods onto the EU market who is not an EU based company, you effectively then end up with 2 Operators, which is where Article 7 comes in, where you have 1 in the EU and 1 not. The implication in the FAQ, if you have that the EORI number you should be able to submit a statement. Therefore, the FAQ does not indicate that there will be a restriction such as getting a due diligence statement. MW noted that access to the EU Portal is crucial, and there is a requirement to have an Information System Number to access, but we are not in the EU. MW added if we get that we can access the Portal and do the stuff we need to do, get the due diligence statement, file everything else needed, get a reference number we have cleared EUDR regulations. SS added that this mean we may have different problems, she is hearing that companies can access the system, but they can't get a due diligence statement. MW asked do Swiss companies have access to the Information System, SS noted that she believes they do, but can't then get the due diligence statement.

PR noted that regarding the UK our contact is with Defra, but feedback from them is that they are not involving themselves with EUDR or access, as they are focusing on the UK Deforest Risk Legislation that that UK will put in place. If we are trying to change that the only option is to bypass the officials and get to the Ministers and for them to try and put the priority back down to officials. PR noted that we do need to talk with DBT and find out what their responsibilities are, and that access for all these UK commodities is being put at risk if they are not getting access to the system, the same as our Swiss counterparts.

PR asked those in the room and on the call if they have any experience with EU customers or had access to the pilot system.

RH noted that he knows of a company who has had to set-up a company in Ireland, so he has a 'EU' base. PR noted because of Brexit, especially retail companies need to have a contact point that is in the EU printed on the label. This could not be a PO Box number but a physical address. For some that have an EU address even if a third party this maybe an access into the Information System, and likely to a fee, but this would make them an Operator and a risk to them, again which would likely mean a fee would be payable. PR added that this not just an issue for UK or Swiss companies but the same for other third countries. PR asked if SS was getting the same issue from all the commodities, she confirmed yes, she was, and especially for them, chocolate. MW asked if she was seeing many companies registering themselves in the EU. She noted that consultants have mentioned that some are looking at opening a branch in the EU. She added that there are changes in the pipeline that could have an effect other than with EUDR.

PR noted that he still has questions regarding customs, when reading the FAQs for product currently in a bonded warehouse, but produced before the end of June 2023, therefore does not require a due diligence statement, the only way you can confirm is with a customs form. How do you prove this, is there a customs related form that will show with clarity produced before 2023, as it implies a Bill of Lading will not be acceptable. RH noted that anything that goes into a bonded warehouse will have an entry document on the way in, all it will say that it is out of scope of customs control in the EU, but he does not know how it will affect EUDR, PR asked that its date will be when it enters the EU. PR added if this is the case then it implies the only issue is if people can get sufficient information for goods products after June 2023. MW noted that he hoped for goods prior to June 2023 hopefully the entry document will be enough.

SS noted that she has one contact at DBT, she would be happy to forward details onto PR, PR added that this would be very much appreciated.

- **Latest Position, Engagement & Outstanding Issues**

PR noted if you are applying for an EORI number you should obtain it from the Member State that you are selling into. It was noted this then covers the whole of the EU. As a non-EU business obtaining the number would not allow you to be an Authorised Representative under EUDR.

PR noted what has been picked up with the FAQ document is around the confidentiality of Geolocation Information. They are trying to clarify that goods need to be traced back to a plot of land that they have grown, but within the system the operator can determine that data is accessible to subsequent parties of upstream. What this also does not rule out is process of the declaration of access, such as the Enveritas approach. What has changed is that the declaration of access cannot be done across a whole country basis but on a smaller area basis, because whatever the data you are submitting must be submitted under 25mb, the file limit.

PR noted that we have seen some further clarity around Due Diligence, there is not a coffee specific statement, any template should be the same for all commodities. MW noted within Annex 2 they have provided 6 points, which are as good a template as you are going to get. PR noted that there are no predetermined questions that are provided your information provided has to be specific to the chain, but this is not a tick box exercise with a 25mb file limit. The statement can cover multiple shipments or batches if coming from the same area and can be made over a period of time. That statement will have a quantity you have to give, and when you reach that quantity you to submit a new statement. Due Diligence statement need to be reviewed annually. You need to be able to demonstrate that you check elements of your statement don't need to be amended or changed. The statement needs to be submitted before entering the market as customs need that reference number as part of their clearance, and that reference number cannot be generated until they have checked that the statement is satisfactory. If the statement covers multiple shipments, then the same reference number can be used on different customs clearance documents and depends on the quantities covered under that statement.

There was a discussion on the next steps for the Commission proposal however this was updated by news coming through during the meeting that the EU Council had confirmed its support for the proposal. This meant it would now go to the European Parliament with a vote possible as early as 22nd October. The signals were now more strongly suggesting the 12-month delay would therefore be confirmed

6. Transport/Ports

MW noted that there is nothing much to report, the world seems to have got used to East West trade going via the Cape.

We have seen a strike on the East Coast of the USA over pay by the Long Shore Men, there is a threat of another strike in January.

There are still delays in Brazil.

RH noted that are massive issues in Panama in transhipments due to water levels and over capacity at ports. There have been over 2 months transits from Guatemala.

7. Warehousing

No report for this meeting.

8. Insurance ***(Report from Lee Lockyer & Carole Liminiana)***

CL noted that there is nothing new, but what is keeping us busy is the Black Sea and Red Sea. Insurance covering War Risks in the area and has to be on a case-by-case basis. Each vessel must be checked for compliance. We see more specialised markets and more entrants to give us quotes for war cover in the Black Sea. Regarding Premium Rates – Red Sea Premium keeps being lower than Black Sea Premiums which seems a bit of contradiction as to what is happening. A lot of vessels are going via Cape Town, but still several vessels are still going via the Suez and Red Sea. MW noted he thought that there were any from East West. CL noted some vessels coming via the Med Sea and Asia, and some shipping lines via the Red Sea, and some clients chartering vessels going via the Red Sea.

LL noted that this report is not specific to Coffee but more of a high-level overview of the market in general.

Black Sea shipping activity – Within the last 72hrs there was a series of Russian missile strikes on Ukrainian Black Sea port infrastructure and commercial vessels in the Odesa region with the intent to discourage international shipping from loading Ukrainian exports. Most Cargo Stock Throughput policies exclude Storage in and shipments to, from or within Russia, Ukraine & Belarus but there are specialised facilities to handle this volatile business noting this will attract higher premiums and will require Sanctions clearance by Insurers.

Red Sea shipping activity – This major shipping route continues to affect world trade with shipping lines diverting their vessels via the Cape.

Hurricane Milton – All eyes were watching Hurricane Milton as this Cat 5 windstorm was heading towards Tampa/ Central Orlando. We have not been made aware of any initial losses that could impact the Cargo Market but there is still time these to develop. Given the area affected was mainly residential, any larger losses would likely impact the Property BI markets.

London Insurers have already started talking to their Reinsurers go better understand how their reinsurance costs, retentions and limits may look going in to 2025.

With the backdrop of the above topics, the Cargo Market still remains in the stable position with some insurers offering low single digit rate deductions on accounts which are well risk managed and having little/ no claim activity. 2025 will see new capacity entering the London market which will potentially create competitive tension with those markets looking to take a market share.

Attached separately is the Commodity Sure document provided by LL.

9. <u>Surveying</u> (Report from Iain Williamson)

IW noted that containers arriving into UK have been noted to present increased moisture levels than that which we have been used to seeing at this time of year.

Desiccant bags have been recorded as full or overloaded and dripping on delivery/ de-stuffing of Containers (all 20ft).

Elevated infestation levels are also being recorded with some shipments only having been exposed to 3 days' fumigation prior to shipping, often resulting in additional fumigation being required following rejection from originally intended receivers, incurring additional storage fees and demurrage as a result.

It is entirely possible that the warmer weather in the Northern Hemisphere at this time of year may be an exacerbating factor to consider.

Container external conditions noted to be borderline to acceptable in some cases (all shipments of various products), with increased ages of those particularly from South American regions.

Pre-shipment inspections may not be as frequent or detailed as expected, resulting in some (even relatively new) containers arriving with holes in the roof due to multiple transshipments during transit and 'rapid handling' in Ports due to backlogs.

MW noted that there is a looming shortage of 20ft containers, so this is perhaps why they are going to containers that are not the best of quality. MW added that most containers being produced now are 40ft containers.

RH noted that he has had many 20ft containers with damaged roofs and corner castings. The containers themselves are mint less than 2 years old, and it believes it is the number of transhipments that are now taking place and these containers getting knocked about.

IW noted that with corner castings being damaged we don't normally see much of this our side but normally there is no other damage it is normally in relation to the handling. A lot of ports should be photographing containers from every angle when they are landed, but often getting these reports is like hen's teeth.

MW noted with all these transhipments the containers handlers are under pressure to get loaded of unloaded as quickly as possible which exacerbates things.

PR raised a point regarding 20ft containers that had come out of a discussion at the recent Swiss event. It had been suggested that the industry would eventually move away from 20ft containers to 40ft. MW noted that in several countries there are weight limits on roads, a 20ft would have a ter of 2 tonnes where a 40ft would be 4 tonnes, and this would take you over the weight limits for the road. MW added that shipping bulk in a 40ft container is problematic. RH added that you have to think of the carbon emissions, a 20ft will be rammed with coffee but a 40ft would mean shipping 40% air. IW noted that he does not believe seeing coffee shipped in a 40ft containers unless in poly bag and pre-prepared for factory use.

10. **<u>ICE Futures Europe *(Report sent in from Mark Ayling)*</u>**

The Robusta market continued its move up during this reporting period reaching a high of $5,575 towards the end of September. Dry weather concerns in Brazil the main cause of concern.

The move was halted with the news that a proposal had been put forward by the European Commission to postpone the implementation of Deforestation (EUDR) rules by 12 months and the market had a correction as a response.

This postponement is by no means definite and final decisions will only become clear towards the end of the year.

ICE Futures Europe sent out a Circular 24/131 (03 October 2024), to advise market participants of the current situation advising also that the Exchange is assessing the amendments of the terms of the ICE Robusta Coffee Futures contract in the context of the EU proposals.

Work continues with the development of the Exchanges EUDR Due Diligence platform, ICECoT, and anyone wishing to verify plot data / geo coordinates and be part of the ongoing trial is invited to contact **iba-icecot@ice.com**

Robusta Certified stocks now stand at 4,054 lots.

11. **Italian G7 Initiative – Global Coffee Fund**

- **Summary of Developments**

PR updated on a proposal for a public/private fund for coffee – something which the Italian Government had put forward during their current presidency of the G7. Initial discussions with a number of private sector representatives had indicated a support in principle for the fund but there were a number of outstanding questions such as the fund's link to existing projects as well as the determination of what the fund would be used for – and who decided that. BCA would continue to monitor developments – it was noted that not all G7 proposals were implemented and there appeared to be a degree of scepticism amongst some of the G7 members at present.

12. ECF Update

Beyond the discussions on the possible EUDR delay PR noted there had been a recent Executive Committee discussion on the geolocation data which showed the coffee industry has a much lower concern about deforestation form the cut off date in 2020 until now. The number of farmers impacted by deforestation is very low in almost all producing countries. Does this give an opportunity going forward to say that we can work to ensure that no more farmers are in the position to deforest, and if they do take them out of the chain and compensate whatever that may be? Does this give us an opportunity to get closer to be a forest free industry? A proposal is being developed to establish a business to do the annual monitoring to ensure that we get that geo location information annually. For some it would not be particularly attractive but other it would, currently it is in pre-competitive discussions, very much a watch this space – further details to follow.

13. Dates of 2025 Meetings TBC