BRITISH COFFEE ASSOCIATION

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NOT FOR PUBLICATION

Minutes of the Trade & Logistics Meeting,
Wednesday 7th February 2024
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
Mike Watson	TRC Specialty (T&L Chair) **(Via Teams)**
Chris Rogers	AGC (Commodity Store) Ltd
Angus Kerr	Coffee ag Ltd **(Via Teams)**
James Paling	Commodity Centre
David Peach	Costa Coffee
Jason Cross	CWT **(Via Teams)**
Christopher Leavy	DRWakefield **(Via Teams)**
Philip Searle	DRWakefield **(Via Teams)**
Helen Shewan	DRWakefield **(Via Teams)**
Fergus Wilson	ETG Commodities
Carole Liminiana	Filhet-Allard Maritime **(Via Teams)**
Paul Wynne	Henry Bath
Richard Hankinson	ICE Futures Europe **(Via Teams)**
Lee Lockyer	Lockton Companies LLP
Malgorzata Dabek	RicCoffee (UK) Ltd
Mick Flynn	Sucafina UK Ltd **(Via Teams)**
Jordan Smith	Sucafina UK Ltd
Richard Harris	Zygo Ltd **(Via Teams)**

1. Apologies

Andrew Kerr	OCR Commodities (BCA Vice Chair)
Tim Choi	Caravela Coffee
Iain Williamson	CWH Johnsons Intl.
John Williamson	CWH Johnsons Intl.
Martin Osborne	EMRO Logistics
Mark Ayling	ICE Futures Europe
Isobel Giles	Lavazza Coffee (UK) Ltd
Cleiton Papke	RicCoffee (UK) Ltd

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 18th October 2023
The minutes of the last meeting were duly approved.

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

5. EU Deforestation Legislation
PR set out some of the key dates to be aware of, including reference to harvesting dates and their relevance to when product entered the EU market. RH confirmed the situation as ICE understood it in relation to stocks, both legacy and more recent stocks.

Moving on to recent matters PR reported on the recent IT pilot which the EU had been running and which had seen 7 coffee businesses chosen to be involved. It was noted that initial feedback had highlighted concerns at the quality of the system, the need for manual uploading of information and the fact it was not a user-friendly portal. Concerns had been raised about security of information however it was felt this would be addressed once the pilot process was completed.

The meeting was advised of a webinar which would be held by a number of organisations, including ICO and ECF, on 14th February where more detailed feedback would be received from the companies as well as views on wider industry feedback to the Commission from industry.

PR also reported on meetings BCA had attended on data standards and the prospect of creating a common approach to data requirements. This was intended to address concerns about multiple requests on data which were similar but not the same and the issues this was causing at producer level. Global Coffee Platform were considering what role they could play in this area and PR advised businesses who were GCP members to feed their views in ahead of decisions being taken later in the spring.

MW questioned the ability to obtain information from every smallholder farmer, particularly given the complexities of localised collection and co-mingling in some countries. The ability to fully complete due diligence statements in such scenarios was discussed.

Looking at the UK, the meeting was advised that whilst coffee was not currently intended to be part of the first tranche of commodities required to report on deforestation, a parliamentary committee had suggested all relevant commodities should run to the same timetable. BCA had written to both the Committee and Defra Ministers, supporting the Defra approach, and highlighting the concerns around unintended consequences for smallholders – a point the parliamentary committee had not addressed.

6. Transport/Ports

MW noted that no great surprise, the Red Sea issue has a put a spanner in the work, with no end in sight at this time. MW felt containers would be sucked in from other routes to fuel demand in the Far East, if containers are taking an extra 2 -3 weeks to get from the Far East to Europe, then the empties are taking 2-3 weeks more to get back to origin to recycled. As the Far East routes in one or another are the bread and butter of these shipping lines, they are going to take capacity there. You will get strange routings without being able to predict when things are going to arrive in destination. Transhipment ports are also going to get congested blocked.

CL asked if Members from and insurance perspective are systematically being informed of the routing that the vessel will take or do you know it afterwards. MW noted that when they book they roughly know what the tracking will be, a standard tracking, but when it gets shipped it could be totally different, you just can't say for certainty. From an insurance point of view containers are taking longer and you are going to get more issues at destination. CL noted possibly shipments are going to take longer, but it will be safer to do that than via the Red Sea. MW noted that he recently looked at the tracking in the Red Sea and there are now very few commercial vessels using the route. CL noted that for the vessels that do use this route it means it is more dangerous for them. CL noted as Members will be aware the score given to this area has been increased and set at **Severe**, there was no notice of cancellation from insurers in the London markets which was good to hear, we have seen this in other markets where insurers have sent notice of cancellations. What this means there is no cover for that area and if you have a shipment you need to inform your broker or insurer so they can reinstate the cover for an extra premium if they agree to do so, so this is a big difference between the two markets.

LL noted that from a London perspective in the past London has been tripped over by the issues of the Persian Gulf and learn from their ways, and approached the leaders of each contract where they anticipate any exposure through that Red Sea Region and have reached out to the Brokers and asked for some kind of attestation from the Client confirming there is no exposure. Those Clients that have confirmed the is no exposure, the underwriter have confirmed that this is fine and that there will be no notice of cancellation. Clients who do have exposure, there have been cancellation notices issued and reinstated with those war clauses to be inserted back in with increased premiums. MW noted that LL raises an important point, he understood that ships were not using the Red Sea but some may, unless you know the container is going through that route you won't know to have the additional cover inserted. CL noted shipping lines should inform their customers.

LL noted that as of Week 48 of last year 60% using the Red Sea route as of Week 1 of this year dropped to 3%, many vessels now going round the Cape.

PR noted a recent ECF meeting had heard suggestions that some companies were investigating land routes to bypass the southern parts of the Red Sea but there were obvious issues around capacity and vehicle availability. MW noted that he had not seen or heard anything about that, and where would it go from it would need to be railed or trucked up and there is just not the infrastructure.

MW noted that the Egyptian government have noted how much they are losing in tolls per month about 60 ships going through each day they were losing around £0.5 billion a month, and surprised that they have not been a bit more vocal about this.

MW noted that he will try and get another shipping line to give a talk at the next meeting.
Action: MW

7. FCA Consultation – Commodity Derivatives
PR advised that further investigation of the consultation had suggested only a partial response would be needed as much of the impact would fall on trading venues, such as ICE, and financial firms operating in commodity derivative markets.

The consultation was the latest in updating legislation that had its origins in the 2008 financial crisis. The UK was proposing a relaxation on the position limits with them being applied largely on those futures contracts which were physically settled, such as the ICE Robusta contract.

The one potential areas of concern related to the conditions which would apply to non-financial firms and their ability to operate under the ancillary activities exemption. The FCA had proposed removing reference to a quantitative guide for companies to help them determine whether they met the requirements of "ancillary activity".

The meeting agreed a focussed response on this point should be submitted to the consultation.

8. Warehousing
CR noted that schedules of shipments have gone completely array since Christmas, it quiet one week and manic the next with coffee arriving all at once. But overall stock levels are remaining level. CR noted that currently there does not seem to show any sign of condensation damage, but this may change as we move forward especially from origins such as Vietnam which is due to come through, especially with transhipments deliveries it is hard to gauge where the goods are with the shipping lines not keeping you fully updated.

MW asked is there still any additional demurrage charges due to the shipments coming in all at once. CR noted that it is manageable at this time, but again stressed that scheduling is impossible with the transhipment deliveries.

JP noted that he agreed that it is feast or famine, and shipping lines have not been forthcoming as to where they are, it is frustration and hard to forecast.

PR stated that with the shipping lines who have presented to us in the last couple of years, with each one we raised the issue of communication, each have said that communications **would improve**, but as soon as there is an issue this goes out of the window. MW noted that these shipping lines are just so big that we are expected to be grateful our goods have actually got on the ship, and this is not just the issue for small companies but big organisations as well!!

9. Insurance ***(Report from Lee Lockyer)***
LL noted that from a London perspective the hot topic at the moment is of course the Red Sea. From a market perspective rewinding 12 months reinsurance costs for insurers were increasing as

were retention costs. Fast forward to this year renewals are looking at remaining pretty flat, and some single digit reduction, other than that not much movement at all.

10.* <u>Surveying</u> *(Report sent in from John & Iain Williamson)

As surveys are concerned all is quiet apart from the usual few bags damaged due to holes in containers.

It's noted that there have been slightly more claims with coffee 'in store' compared to 'in containers', however this could all change in a moment given the increase in delayed / re-routed shipments now arriving at originally intended destinations via Cape of Good Hope.

***11.* <u>ICE Futures Europe *(Report from Richard Hankinson)*</u>**

RH noted that following up on what PR has noted earlier on EUDR, ICE have been working through understanding the requirement working with our committees and the wider market. We are on hold for a period as we awaited the arrival of the EU's FAQ. With that in hand we have been back to the committees and other participants we are working through the proposed changes to our internal structure. We hope to have something published around early March. RH added as you will have seen form the consultation, a lot of this will be impactful from January 2025.

From the Robusta market perspective, how much is down to the Red Sea or how much is down to general S&D, there has been a rally with Robusta of around $500 dollars in January, we are up to 1996 flat price levels. Down to shipment issues there are limited gradings, which is unusual with an inverted market. With a Robusta certified stock down to 2500 today, you may note from last year the delivery position limits dropped from 7000 lots down to 3500, we are now below the lower delivery position limits. With that and the cocoa market things are extremely tight at the moment.

RH noted to PR that ICE would like to be involved in the carbon restation work. PR noted that he will be in contact when sorted.

Action: PR/RH

12. <u>ECF Update</u>

PR noted that following the recent ECF meeting it was Hapag Lloyd that were looking at alternate shipment routes across land rather than the Red Sea.

There were discussions of the future implications of climate and lower water levels such as in the Panama Canal, and alternate shipping routes. MW added that shipping lines have imposed low water charges through the Panama Canal.

PR noted that the ECF priorities are:-

- EUDR
- Packaging Waste
- Glyphosate / Pesticides Residue Levels
- Contaminants
- PEF / Lifecyle Analysis (There is a small working group within ECF that are looking at this).

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13. Dates of the Meetings in 2024

PR noted that we are looking at doing more networking events and will therefore switch the timings of the Trade & Logistics and A&CC meetings around, this will allow attendees from the T&L meeting and others to meet for a drink post meeting. We will send an update with details in due course. New meeting time noted below.

Date	Meeting	Location
Wednesday 22nd May 2024	Trade & Logistics Committee 1.45p.m. – 3.15p.m. **Hybrid Meeting**	London Suite 2 Meeting Room, Intercontinental Exchange | ICE Data Services, Fitzroy House, 13-17 Epworth Street, London, EC2A 4DL
Wednesday 16th October 2024	Trade & Logistics Committee 1.45p.m. – 3.15p.m. **Hybrid Meeting**	Equatorial Traders, Unit 3 The Onyx, 102 Camley Street, King's Cross, London N1C 4PF