

LONDON NOTICE No. 2892

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AMENDMENT TO THE GRADING AND WAREHOUSEKEEPING PROCEDURES IN RESPECT OF COCOA AND ROBUSTA COFFEE FUTURES CONTRACTS

Executive Summary

This Notice informs members of an amendment to the Grading and Warehousekeeping Procedures in respect of Cocoa and Robusta Coffee Futures Contracts in relation to the requirement for the marking of the centre bag on the lowest layer of a pallet with the warrant number of the Cocoa Delivery Unit or the Robusta Coffee Lot.

1. Background

- 1.1 London Notice No. 2781, issued on 28 July 2006, detailed enhancements to the Grading and Warehousekeeping Procedures in respect of Cocoa and Robusta Futures Contracts ("G&WPs") which included the requirement for the centre bag on the bottom layer of bags on each pallet to be marked with the warrant number of the Delivery Unit or Lot.
- 1.2 The requirement was effective immediately for Goods landed on or after 1 August 2006 and, in respect of Goods landed prior to 1 August 2006, Warehousekeepers were required to complete the task by 1 August 2007.
- 1.3 This Notice announces changes to the provisions for the marking of the centre bag on the bottom layer on each pallet for Goods landed prior to 1 August 2006.

2. Rationale for the changes to the current provisions

- 2.1 As a result of feedback received from Nominated Warehousekeepers, the Exchange has been made aware of practical issues which have an impact on the ability of the Warehousekeepers to meet the 1 August 2007 deadline.
- 2.2 The marking of the warrant number on the centre bag on the bottom layer of bags on each pallet has proved to be an extensive manual process for Warehousekeepers, particularly where the parcels are not stacked at ground level. In these instances, to avoid breaking port health and safety regulations, the parcel has to be moved to ground level by the use of a fork lift truck before any marking can be done. This breaking down of a parcel requires additional

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labour to operate the fork lift truck and to identify and mark the bag. This process has proved to be time consuming and potentially costly.

- 2.3 Given this, it is apparent that any costs concerned in the marking of the lower centre bag could be substantially reduced if it was done while the Lot or Delivery Unit was being worked on for other purposes, and potentially reduced even further if it is done whilst the Lot or Delivery Unit is being moved for the purpose of reweighing.
- 2.4 The Cocoa and Robusta Coffee Futures Contracts require that a Delivery Unit or Lot must have been weighed within 36 months prior to the intended date of tender. Discounts on tenders may apply depending on the time within the last 36 months that the Goods were reweighed.
- 2.5 Given that Warehousekeepers have been aware of the requirement to mark goods since 1 August 2006, the Exchange considers that an extension of the deadline for the marking of goods to 36 months from 1 August 2006 is a reasonable compromise in order to complete this process, without adding significant costs to the market.

3. Change to the current provisions

- 3.1 The Exchange has therefore determined that for Goods landed prior to 1 August 2006, the marking of the centre bag on the lowest layer of the pallet should be carried out on the next occasion, following the date of this Notice, that the Goods are reweighed but, in any event, no later than by 1 August 2009.
- 3.2 An extract of the relevant parts of the G&WPs which shows additions underlined and deletions struckthrough is attached to this Notice.

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**Grading and Warehousekeeping Procedures in respect of Cocoa and Robusta
Coffee Futures Contracts**

(Additions underlined and deletions ~~struck through~~)

SCHEDULE 1

- A. Goods which are placed into a Warehouse and listed on GATS for the first time on or after 1 August 2006 shall be stored in accordance with Procedures D 2.1.1 (c), D 2.1.1 (d), D 2.2.1 (a) (ii), D 2.2.1 (b) (ii), D 3.1.1 (c) and D 3.2.1 (b) of these Procedures.
- B. With the exception of Goods covered by C below, Goods already in a Warehouse and listed on GATS prior to 1 August 2006 shall be stored in accordance with Procedures D 2.1.1 (d), D 2.2.1 (a) (i), and D 3.1.1 (c) ~~and D 3.2.1 (b)~~ with effect from 1 August 2007.
- C. In respect of Procedure D 2.1.1 (c), Cocoa comprising a Large Delivery Unit which was in store prior to 1 August 2006 may be stored in non adjoining piles in the same Warehouse. Procedure D 2.1.1 (e) of these Procedures shall apply to all non adjoining piles.
- D. Subject to E below, Goods already in a Warehouse and listed on GATS prior to 1 August 2006 shall be marked in accordance with Procedures D 2.2.1 (a) (ii) and D 3.2.1 (b) on the next occasion that the Goods are reweighed, following the effective date of these Procedures.
- E. Goods already in a Warehouse and listed on GATS prior to 1 August 2006 shall be stored in accordance with Procedures D 2.2.1 (a) (ii) and D 3.2.1 (b) with effect from 1 August 2009.