

WorldNews

(Coffee and Tea Reports from the Front Line)

What Has the Green Coffee Association Been Up To?

NEW YORK — Incorporated in 1923, the Green Coffee Association was founded by a group of coffee professionals with an early membership of some 100 members, among who were elected three officers and a 12 man board of directors. These wise and prescient gentlemen laid out the principles of the association established in the association's by-laws, which despite a number of updates over the years, remains remarkably and fundamentally intact. They also drew up standard contract wording for the main types of contracts traded at the time. Once these contracts were formulated and established, there was an obvious need to set up a system to arbitrate disputes among its members and other contracting parties on issues relating to quality deficiencies and disagreements over technical contractual performance.

It was clear from the very beginning that the arbitration panels would administer these hearings in a fair and unbiased manner regardless of the parties involved, their geographic location, or whether they were members of the association or not. All arbitrators have historically been selected on their personal and professional integrity, their knowledge of the coffee contracts and familiarity with general trade practices. This holds true today as the Green Coffee Association maintains a solid roster of seasoned professionals to participate in the standard three member panels to consider quality and technical arbitrations. Decisions of the arbitrators are subject to appeal by a separate panel of five GCA arbitrators.

While the GCA contracts are subject to the laws of New York State and thus can be pursued through the court system, it is worthy to note that courts in New York and elsewhere generally do give substantial deference to the GCA arbitration process and the wisdom and integrity of its arbitrators in deciding issues where these professionals are acknowledged to be the experts in the coffee trade.

Over the past two decades, the coffee market appeared to be fairly free of such trade disputes requiring arbitration. But over the last two years in which we have seen a run up in the coffee prices, the industry has encountered a rash of contractual defaults by suppliers who found themselves either unable or unwilling to deliver coffee at the previously agreed upon prices. This led many traders to the decisions to protect their interests and pursue relief through the GCA arbitration process as it was designed to do. There have been more technical arbitrations filed with the GCA during the last two years than there had been in the last two decades combined. So it is that the GCA, at the tender age of 89 and the contracts that it administers are just as relevant and important now as they have been at any time in their history.

Besides the administration of contracts, the GCA is first and foremost in its leadership on transportation and logistical matters. In the post 9/11 era, there has been no shortage of security related issues that has been confronting importers of all products into the U.S. The GCA Traffic & Warehouse Committee has been vigilant over the years in dealing with the many regulatory developments proffered by the U.S.

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Department of Homeland Security, Customs & Border Protection, and the U.S. Food and Drug Administration. The committee has developed procedures for reporting foreign food facilities under the FDA's Prior Notice system and designed a standardized format for foreign suppliers to submit shipment data to importers for timely compliance with Customs Import Security Filings. The committee membership has provided numerous comments to government regulatory agencies during their respective rule making processes and provided GCA members with recommendations on how to address these new developments as the rules came into final form and became effective.

Over the years, the GCA Traffic & Warehouse Committee has developed guidelines for coffee warehouse storage practices, best practices for weighing of green coffee, best practices for domestic transportation and a standard GCA Charter Party form for shipments under chartered vessels (back when they were more common). Each of these documents is available to the public on the GCA website and serves as a valuable resource to its membership and the coffee industry in general.

In recent years the GCA Traffic & Warehouse Committee has grown in size and scope. The Traffic & Warehouse Committee has been open to receiving new members at the beginning of each new term, as there appears to be significant interest in membership participation in the discussions on matters that affect the day to day operations of all coffee related companies. The committee is currently made up of 25 logistics professionals from importing and roaster members along with associate member representation from warehouses, truckers, intermodal brokers, customs brokers, insurance brokers, samplers and carriers alike. On occasions, it has opened its committee meetings up to registered attendees at other GCA events. The December 2011 Traffic & Warehouse Committee meeting was held at the historic Fraunce's Tavern in

downtown New York City on the day before the GCA Annual Holiday Party attracting over 40 meeting participants including representatives from four separate port authorities as well as the Federal Maritime Commission. Afterwards the allied members hosted a dinner which attracted a similar attendance. For anyone involved in green coffee logistics, this has truly become the event to attend before the holiday party event.

The GCA social functions have been greatly successful over the years providing members and non-members alike the opportunities to meet and greet their colleagues and trading partners in friendly, convenient and comfortable settings. This past year's Fall Golf Outing and Holiday Dinner Party attracted more attendance than at any time in recent memory. There are current plans underway for the GCA 2012 convention to be held this May in Atlantic City, New Jersey, and which will include educational sessions and an open Traffic & Warehouse Committee meeting.

So if you have to ask "What has the Green Coffee Association been up to?" the answer is "Quite a lot actually!" and you should find out more by visiting its website at www.greencoffeeassociation.org.

Don Pisano is Vice President of American Coffee Corp. and is a member of the Green Coffee Association Board of Directors.

New Tea Season Opens With High Prices

KOLKATA — Dry weather and high cumulative inventory deficit have ensured better opening prices at tea auctions this year. Good quality tea was quoted higher by Rs 60-80 a kg this year. Last year, good quality Assam tea was quoted at Rs 150-180 a kg and went up to Rs 200 a kg. This year, prices are at Rs 220-280 a kg and may even go up to Rs 300 a kg.

"The new season tea has just come in. We have sold it privately at prices higher by Rs 50-60 a kg," said Aditya Khaitan, managing director of McLeod

Russel India, the world's largest bulk producer.

"Dry weather in the northeast, no carryover stock and a high cumulative deficit aided in getting high opening prices," said Azam Monem, former chairman, Calcutta Tea Traders Association.

While there was shortage in the system, the dry weather resulted in less output at the beginning of the season. According to the Indian Tea Association, member-companies' output in January was lower by almost 30% and in February, too, the crop scenario was not good.

The cumulative deficit for the year was 50 million kg. The pipeline stock, which wasn't much in the first place, was exhausted by the end of February. Though production was a robust 988 million kg, higher by 2.3%, consumption increased 3-3.5%.

More, global tea production till December last year was also lower than the previous year. Excluding China, a green tea producer, output was 26 million kg less. Till December, Kenya, world's leading exporter, had lost five per cent of output.

Tea prices in Kenya are also holding out, with the sector hit by harsh weather conditions early in the year. Indian tea companies are expecting good exports compared to last year, when these dipped about 3%. A strong export market, a huge deficit and increasing consumption in the domestic market is expected to keep tea prices high.

"Normally, the crop picks up in the later half of the year. Hoping that we get better rain in the coming months, prices will stabilise at a level higher by Rs 25-30 a kg over the corresponding period," Khaitan said.

Packeteers are not particularly worried. "For packet tea companies to review rates, high prices will have to be sustained. Normally, packet tea companies don't buy first flush tea and we cannot revise prices every now and then," an official from a packet tea company said. All packet tea companies had revised prices a year ago.