E. L. Johnson's Sons & Mowat

John Williamson

The **ROUGH GUIDE** to

Commodities

Presented by *J. Williamson*
Of
E.L. Johnson's Sons & Mowat

Who are we?

- Independent Cargo Surveyors
- Founded 1885
- Work for International Insurance Markets
- Clients in:

What is a Commodity?

A commodity is:

- a useful item
- an item of trade

- The trading of agricultural commodities represents one of the civilisation's oldest commercial activities

The Simple Chain (1)

Wheat

Coffee Tree

Cocoa Tree

Soya Beans

Cotton Plant

The Simple Chain (2)

Crop / Seeds

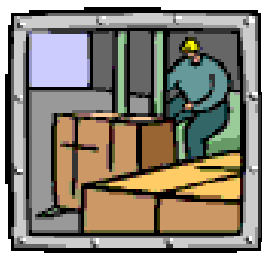
Sewn / Grows

Harvested

Dried / Cleaned

The Simple Chain (3)

Sorted



Stored / Packed

Finally Shipped…

Trade Associations

To represent the interests of both seller and buyer…

IUMI 2007 Copenhagen

E. L. JOHNSON'S SONS & MOWAT 1885

Gafta

FEDERATION OF COCOA COMMERCE

FOSFA INTERNATIONAL

The Sugar Association of London
&
The Refined Sugar Association

Coffee Trade Federation

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NEW YORK BOARD OF TRADE

Chicago Board of Trade INTERNATIONAL

THE INTERNATIONAL COTTON ASSOCIATION LIMITED

INTERNATIONAL COTTON ASSOCIATION LIMITED

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The Association of the International Rubber Trade

Terms of Sale of Commodities

- **FOB** = Free On Board
- **C&F** = Cost + Freight
- **CIF** = Cost, Insurance, Freight

Contracts

For Example:

- FOSFA Number 4 Oilseeds on FOB basis
- FOSFA Number 11 on CIF basis

- GAFTA Number 64 – Grains on FOB basis
- GAFTA Number 100 – Grains on CIF basis

Typical Contract Terms

- Seller
- Buyer
- Product & Quality
- Price
- Quantity & Tolerance (*eg. 10% more or less)*
- Shipment Date
- Load/Discharge Rate
- Load/Discharge Port
- Form of Payment
- Payment Terms

Other Terms of Contract

- Maximum Moisture Content
- Weight and quality final at port of loading
- Weight and quality final at port of discharge
- Age of vessel (not more than 20 years)

Other Documents

- Certificate/Report of Quality
- Certificate/Report of Weight
- Certificate/Report of Fumigation
- Phytosanitary Certificate
- Confirmation of vessel's cleanliness/suitability
- Certificate of (Non) Radioactivity

Superintendence

- Can be nominated by either buyer *or* seller

- Buyer and seller may agree upon common superintendent acceptable to both parties

Superintendence (2)

Verifies:

- state of vessel,
- condition of cargo holds,
- condition of cargo itself,
- drawing and sealing of representative samples (prior to, during and after loading/discharge)

  - in accordance with contract terms

- Reporting of problems

  Eg: Cargo work to be suspended during rainfall

- Verifying quantity loaded/discharged

Superintendence (3)

For GAFTA / FOSFA / FCC:

- …the superintendence must be an approved superintendent, i.e. a member of the superintendence scheme of that trade body.
- This is mandatory within the contract.

Purpose of Superintendence?

- To fairly establish the condition & quality of the commodity – by an agreed method of sample for that particular commodity.

Sampling

- Green Coffee Beans – Sample from at least 50% of all bags
- Cocoa – Sample from at least 30% of all bags
- Bulk Cargo – Sample from the ”moving stream” of the conveyor on an incremental basis, eg: of each 250 metric tonne quality

Methods of Shipment

Most commodities traditionally shipped in bags

• Cocoa Beans	60-65kgs	per bag
• Coffee Beans	60-65kgs	per bag
• Rice	25-50kgs	per bag
• Ground Nuts	25-50kgs	per bag

All of these are now also shipped in bulk and big bags

Moisture Contents *

Typical optimum moisture contents are:

• Green coffee beans	11-13%
• Cocoa beans	7– 8%
• Soya beans	10 –13%
• Rice	11 – 14%
• Ground Nuts	7 – 8%

*Original moisture contents vary widely

Important factors to bear in mind

- Type of bag – handling & stowage
- Type of vessel
- Adequacy of dunnage
- Stowage
- (Allow for) Ventilation

Rice

Rice (2)

Cocoa / Sampling of bags (1)

Cocoa / Sampling of bags (2)

Cocoa / Sampling of bags (3)

Cocoa / Sampling of bags (4)

Cocoa / Sampling of bags (5)

Cocoa / Sampling of bags (6)

Cocoa / Sampling of bags (7)

Cocoa / Sampling of bags (8)

Sealed Sample Bag

Cocoa in bags

Cocoa in bulk (1)

Cocoa in bulk (2)

Cocoa in bulk (3)

Cocoa in DV container

Vent Container

Dri bags in container

Pre-slung Cocoa

Storage for Exchange Trading

- LIFFE Robusta Coffee – 5 tonne lots
- NYBOT Arabica Coffee – Approx. 17 MT Lots
- LIFFE and NYBOT Cocoa – 10 tonne lots
- Sugar LIFFE and NYBOT – 50 tonne lots
- NYBOT Cotton – 50,000lbs (approx 22.7 tonnes)

Storage Under Warrant

Problems in Transit which may occur

- Sweat/condensation
- Water damage
- Contamination
- Shortages
- Infestation

Fumigation

~~Methyl Bromide~~

Phosphene

Health Considerations

- Aflatoxin
- Ochratoxin A
- Traceability
- Maximum Residual Values (MRL's)

Bulk Latex in Container

Bagged Sugar

Who's Counting?

Bulk Cocoa Beans

Heated Cocoa Butter in Container

Heating Animal Feed

Bulk Soya Beans (1)

Bulk Soya Beans (2)

Bulk Soya Beans (3)

Bulk Soya Beans (4)

Bulk Rice – Barge (1)

Bulk Rice – Barge (2)

Bulk Rice – Barge (3)

Bulk Rice – Barge (4)

Coffee in Store - Antwerp

Coffee in Store – Antwerp (2)

Coffee in Store – Antwerp (3)

Coffee in Store – Antwerp (4)

Coffee in Store – New Orleans

Coffee in Store – New Orleans (2)

Coffee in Store – New Orleans (3)

Russian Plywood (1)

Russian Plywood (2)

Far Eastern Plywood (Hospital Area)

Far Eastern Plywood (2)

Containerised Brazilian Plywood (1)

Containerised Brazilian Plywood (2)

Commodity Values

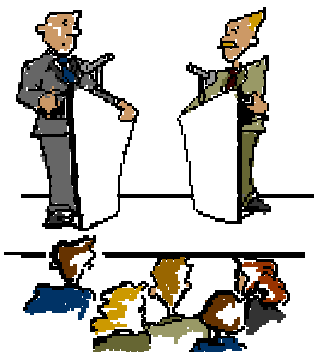
- 1 barge Cocoa Beans – 500MT – USD 1,000,000
- 1 barge USA Rice – 500MT – USD 400,000

- 1 container Cocoa Butter – 20MT – USD 100,000
- 1 container Arabica Coffee – 20MT – USD 50,000
- 1 container Robusta Coffee – 20MT – USD 35,000
- 1 container Plywood – 15MT – USD 10,000

Commodity Values (2)

- 1 bulk cargo Soya Beans – 30,000MT – USD 11,000,000
- 1 bulk cargo Cocoa Beans– 7,000MT – USD 13,000,000
  *(Known as "**Megabulk**")*

Any Questions?



That's only the beginning of a long story….!

Thank you for listening!

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