



TANZANIA COFFEE BOARD

TRADING MANUAL FOR COFFEE AUCTION MARKET

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- 1.0 This manual aims to elaborate coffee auction market procedures. The process conducted by the Tanzania Coffee Board and all Rules provided in this manual and subsequent additions and alterations, shall be in accordance with Tanzania Coffee Industry Act no. 23 of 2001 as amended in 2009, and the Coffee Industry regulations of 2013.

Interpretation and definitions

In this manual, unless the context requires otherwise, the following terms shall have the following meaning when used in this Auction Rules:-

“**The Act**” shall mean the Coffee Industry Act number 23 of 2001 as amended in 2009.

“**Catalogue**” shall mean the sales catalogues as prescribed in regulation 42 (2) of the Coffee Industry Regulations 2013.

“**Moshi Coffee Auction**” shall mean the central national coffee sales market which is the trading floor for all coffees produced in the country as prescribed in section 5 (3) (d) of the Coffee Industry Act.

“**Auctioneer**” shall mean a person employed by the Board for purpose to conduct the business of coffee auction and a custodian of auction coffee samples as stipulated in the regulation 42 (4).

“**Warehouse**” shall mean a designated storage facility for green coffee approved and licensed by the Board which is specifically designed to guarantee safety and quality of coffee as per 10th schedule of the Coffee Industry regulations 2013.

“**Coffee Storage Warrant**” shall mean a negotiable document prepared by a licensed coffee warehouseman and the person named therein, or the last endorsee thereof, named in the endorsement to the goods specified therein and the goods so specified shall for all purposes of deemed to be his property.

“**Prompt Date**” shall mean the date specified in the sales catalogue on which coffee sales proceeds are to be received by Tanzania Coffee Board.

“**Trading Floor**” shall mean the physical bench allocated to registered buyer/trader in coffee auction room at Moshi Coffee Auction .

“Sales committee” shall mean members of management who are responsible for approving market price trends, reserve prices for auctioning of coffee and auction participants .

“Regulations” shall mean the Coffee Industry Regulations, 2013;

“the Board” shall mean the Tanzania Coffee Board established under Section 3 of the Coffee Industry Act, 2001 as amended in 2009.

2.0 PARTICIPATION

2.1 Buyers/Traders

2.1.1 Participants of the auction trading floor shall be prior determined by legal registration through licensing procedure as provided in the coffee regulations 27 (1).

2.1.2. Suspension to participate.

2.1.3. Non-payment of previous purchase within the prompt date shall be considered a valid reason for an eligible buyer or trader to be suspended to participate at an auction sale, unless otherwise notified in writing by the Board and stating reason(s) prior to the sale

2.1.4. Licensed coffee buyers shall be required to register the name(s) of their traders in writing with the Board.

2.1.5. Auction samples

All registered Auction buyers will be provided with coffee samples for quality analysis prior to each auction upon payment of samples fee of USD 1500 (one for season)

2.2 Seller/supplier

2.2.1 Shall include all millers on behalf of coffee suppliers such as (Estate growers, Co-Operative Union, Primary Societies, AMCOS, etc).

2.2.2 All of the above producers shall have to submit their prior identification like Sales Permit issued by the Board before supplying their coffee for auction. No coffee will be included in the auction catalogue without owner legal identity.

2.3 There shall be the following deductions at every auction at a specific rate as agreed by coffee stakeholders from time to time as follows:-

- (i) Research cess at 0.375% of total value depends on availability of contracts between parties.
- (ii) Export Levy at 1% of total value

2.4 The rates shall be reviewed from time to time at the discretion of the coffee stakeholder and any changes thereof shall be advised in goodtime.

2.5 Sample fee

All registered coffee exports are requires to pay samples fee of USD 1500 for one season, failure to do so no samples will be provided for quality analysis.

3.0 AUCTION COFFEE SAMPLES

3.1 All coffee samples shall originate from suitable warehouses licensed by the Tanzania Coffee Board.

3.2 Warehouse keeper shall issue warehouse warrants in respect of all coffees in their custody for each consignment. The warrant shall be certified by' the owner of the coffee and 'deliverable to' the Tanzania Coffee Board together with amount of sample of each lot as shall be specified bt the Board

3.3 A warrant shall show the following information:

- a) A serial, rotation, or identification number.
- b) The date of entry of the coffee.
- c) The location of the coffee /warehouse name
- d) By whom it was delivered/supplied .
- e) On account of whom it was delivered .
- f) To whom the warrant is deliverable.
- g) The day on which the rental charge start to accrue.
- h) The marks borne by the bags.
- i) The grade of the coffee.
- j) The number of bags and their total warranted gross weight, as weighed in by the warehouseman.
- k) The type of bag in which the coffee is packaged.
- l) The total tare weight of the bag.
- m) The total net weight of coffee.
- n) The district where the warehouse is located
- o) The financier of the crop e.g. Bank or Warehouse receipt system

3.4 Every warrant shall be signed over a revenue stamp by an authorized signatory of the Warehouse.

3.5 The Warehouseman shall maintain a register showing all the warrants they have issued and all the particulars of the coffees covered by those warrants in sufficient detail to reproduce any warrant that may be lost or destroyed and such register shall confirm in all respects to a legislation affecting Public Warehousemen.

3.6 The warehouseman shall be entitled to decline or defer the acceptance of any instructions unless and until the warrant is lodged.

- 3.7 Warehouseman shall draw samples on demand. Such samples shall be drawn from as many bags as possible and shall not in any case, be drawn from less than 10% of the bags they represent.
- 3.8 A weight warranted by the Warehouseman is a minimum nett weight guaranteed at the time of weighing after deducting the required samples. A weight note issued by the warehouseman is an exact gross weight correct at the time of weighing.
- 3.9 A warehouseman is responsible for the accuracy of any shipping marks placed on a bag from the warehouse.
- 3.10 A warehouseman shall not accept any instructions which would entail the misrepresentation of a coffee or the contravention of any Law of Legislative provision or any rule, regulation.

4.0 AUCTION PROCEDURE /PROCESS

4.1 DRAWING SAMPLES

- a) Samples shall be drawn by the miller under supervision of Coffee Board, from the warehouse where the coffee is stored and will be fully representative of the lots offered at the auction and will be under the custodian of the auctioneer.
- b) Pre-Auction samples are to be presented by the Auctioneer to the buyers at least seven (7) working days prior to the date of the auction.

4.2 DISTRIBUTION OF SAMPLES

- a) An offer sample shall be distributed, by the Coffee Board to each licensed coffee exporters and shall be approximately 300 grams for every lot. If offer samples are exhausted, the exporters are required in writing to request fresh samples from the Coffee Board.
- b) Reference sample for each lot of approximately 250 grms shall be kept at TCB's sample room for not less than a period of six (6) months after the auction.
- c) In case of a dispute samples shall be drawn to the following scale;
- 1) A sample shall be approximately 250 grms from any one bag.
 - 2) Not less than 10 bags to be sampled if the lot is less than 100 bags.
 - 3) In the event of a marked irregularity a sample shall be drawn and each bag will be numbered individually, such numbers corresponding to the individual sample numbers.
 - 4) The instructions to draw each sample shall be lodged with coffee exporters to Tanzania Coffee Board and the owner of the coffee/warehouse manager may witness the sampling exercise
- d) A buying sample shall be of approx 800 grms for each lot of any coffee bought by the Coffee Exporter.

4.3 CREATING AUCTION CATALOGUE

- a) Auction sales catalogue which contain the clause “term and condition of sale” shall be deemed to have been issued subject to these Rules.
- b) A draft of the sale catalogues shall be made available to licensed coffee exporter a minimum of seven (7) working days prior to the date of sale, together with the samples.
- c) The auction results catalogue shall be made available to coffee exporters, warehouses and factories a minimum of three (3) working days prior to the date of sale.
- d) A catalogue must state the following information;
 - 1) Sale number and season.
 - 2) Date, time and venue of the sale.
 - 3) Total quantity offered as well as details per grade.
 - 4) Warehouse storing the coffee.
 - 5) Packaging used detailing jute or sisal bags for lot or season.
 - 6) Prompt date.
 - 7) Net weights as per warehouse warrant weights.
 - 8) The outturn number, bulking number, grade, and number of bags offered in each lot.
 - 9) A specific lot of coffee must be uniformly packed in only one type of bag either sisal bags or jute, failure to comply will result in that lot is being withdrawn. Usually Arabica is packed in Sisal bags and Robusta in Jute bags

4.4 CONDITION OF SALES

- a) Tanzania Coffee Board shall have the power to arrange dates, times and conditions for holding all auctions.
- b) Coffee shall be sold lying in licensed warehouse and packed in bags fit for export as stated in the catalogue.
- c) Certified and Premium specialty coffees shall have separate sales catalogue.
- d) Withdrawn lots must be declared, in writing, to all exporters in advance of future sale.

4.5 SETTING RESERVE PRICES

- a) Tanzania Coffee Board shall have the right to set reserve prices for each lot, through the Sales Committee. Estate suppliers with the long term contract will register their contract with TCB and quoted contract price will be used as reserve price.

- b) Terminal market for Arabica and Robusta will be used to determine the reserve price for the particular auction.

4.6 **BIDDING**

- a) Bidding shall be on USD currency and in 50 kgs.
- b) In Event that the highest bid is equal to or higher than the reserve prices they shall be “confirmed” and if lower, the bid shall be “noted”.
- c) Should any dispute arise during the course of the bidding at the auction the relevant lot shall be re-offered.
- d) In the event of noted bids not being accepted by the grower, a reserve price should be declared to the highest bidder not later than 4.30 pm of the same day of the auction, this reserve price shall release the highest bidder from this noted bid.
- e) If no agreement is reached by 10.00 am of the day following the auction, the highest bidder loses the option to confirm at the reserve price and the lot is withdrawn to be offered in a subsequent auction.
- f) The coffee cannot be offered to any other exporter at a price below the reserve price.
- g) A no-bid lot shall mean a lot that has not attracted any bids at the auction.
- h) A no-bid lot shall be re-offered to all exporters on a first come first reserved basis until 10.00 am on the day following the auction.
- i) Tanzania Coffee Board shall report in full by electronic mail all final sales of noted and no-bid lots, including the exporters names, no later than 4 pm on the second working day following the auction sale.

4.6 **CONCLUDING SALES**

- a) All payments arising from coffee sales shall be paid to the Coffee Board as per prompt date as per the **Tax Invoice**.
- b) The Board will remit all the proceeds to the coffee suppliers as soon as payment has been received from the buyers and all the deductions have been made as per the **Account Sale**.
- c) For the case of Primary Society/AMCOs/Unions, the payments shall be made to the account stated as per their initial application permit submitted to the Board at the beginning of the season. The same account will also be shown in the Account Sale.
- d) The Board will not conform to any changes of the bank account requested by the Primary Societies/AMCOs at the mid-season.
- e) The change of account number **may** only be considered if there is a proof of full AGM of the society and the resolutions to change the account have been attached to the **Change of Particulars** document provided by the Board.

- f) Prompt date shall be specified on the Sales Catalogue and shall not be sooner than seven (7) working days following the date of the sale. All coffees shall be paid for within the prompt date, against an invoices presented by the Tanzania Coffee Board.
- g) Bank charges, if any, incurred by the exporters upon making payment shall be for the exporter's account, whilst those incurred by the Coffee Board upon receipt of funds shall be for the Coffee Board Account.
- h) An exporter who will not have settled his payments in full by the prompt date shall be considered as a defaulter. Interest on outstanding payments will then begin to accrue form day five (5) at the existing commercial bank rates, charged by the Tanzania Coffee Board.
- i) An exporter shall also receive form a Tanzania Coffee Board a notice in writing of his default together with the amount of interest to be charged on the outstanding payments. (The notice shall be copied to the Tanzania Coffee Association (TCA)).
- j) If an exporter has failed to pay the outstanding payments, inclusive of interest, within fourteen calendar days from the prompt date, that exporter shall be suspended, in writing for participating in any subsequent auctions. In this event the coffee shall be withdrawn and re-offered for sale.
- k) In the event, during the reselling of the coffee, of any shortfall in value from the original bid, the Tanzania Coffee Board shall recover, in its entirety, the shortfall in value, and any other related expenses and losses, form the defaulting exporter and pay the grower in full.
- l) A suspension may be lifted upon written confirmation from the defaulted party, to the Coffee Board, confirming recovery of all outstanding.
- m) Habitual defaulters, to be determined by the Coffee Board Sales Committee, may result in cancellation of their licences.

5.0 RELEASE OF COFFEE WARRANTS

- 5.1 The coffee warrants, issued by a licensed warehouseman and endorsed by the Coffee Board to the Exporter, shall be released to the exporter by the Coffee Board once paid for in full.
- 5.2 If coffee warrants are not released to the fully paid up exporter within 48 hours of receipt of payment, then the Coffee Board shall be deemed to be in default.

6.0 CLAIMS

- 6.1 a) In the event of a quality difference between the offer and buying samples, and the actual coffee lot, the exporter must make an immediate claim to the Coffee Board within 14 working days.
- b) If, following sampling, irregularity of coffee is confirmed, then, by mutual consent, a re-negotiated settlement may include sorting, bulking or price adjustment.

- c) In the event the dispute remains unresolved, arbitration rules will apply.
- d) Incorrect information on the packaging material used for a specific lot gives right to a exporter to charge the warehouse for all the costs of rebagging.

6.2 Failing amicable settlement, any dispute of quality difference shall be referred to arbitration in accordance to the relevant laws on mediation and arbitration applicable in Tanzania and in the case of international transactions provisions of relevant international conventions on mediation or arbitration.

- 6.3 a) Net weight of coffee at the point of sale should be 60 kgs for every bag after allowing for all required samples. All coffees are sold as per net warrant weights.
- b) Underweight claims shall be considered valid only when lots are weighed in full by a licensed warehouseman at time of movement of the coffee to the Exporter and limited to within 30 calendar days of the date of sale. All coffee lots shall be weighed out and signed weight notes provided by the licensed warehouseman to exporters. Exporter's representative may be present to witness the weighing. Underweight claims shall be presented by the exporter to the Tanzania Coffee Board.

7.0 SCHEMATIC DESCRIPTION

