The Revised Liffe Robusta Coffee Contract

- Increase from 5 tonnes to 10 tonnes, better reflecting activity in the physical market and reducing costs for customers
- The ability to deliver Robusta Coffee from all origins
- The ability to deliver a broad range of Robusta Coffee qualities
- Enhancements to the grading process include:
  - Measurements of defects and foreign matter by weight
  - Inclusion of an "olfactory" (smell) test
  - Adoption of a single grading result combined with introduction of revised age discounts
  - Introduction of "grouped lots" - re-bagged bulk coffee can be submitted for grading with the same result
- Option to deliver re-bagged bulk coffee as well as coffee in original bags
- Revised sampling procedures to include sampling of re-bagged bulk coffee

Liffe Robusta Coffee Futures Contract

- Unit of trading: 10 tonnes
- Pricing basis: US $ per tonne in an Exchange nominated warehouse in Europe or the U.S.A.
- Quality basis:
  - Class 1 Robusta Coffee deliverable at Contract price
  - Other qualities deliverable at set premiums and discounts
- Quality factors:
  - Olfactory test for off-flavours
- Packaging:
  - Delivery in original jute bags or re-bagged bulk coffee in jute bags or FIBCs
- Weight allowance:
  - 13 – 24 months from last date of weighing – 0.75% pt for any part of the period
  - 25 – 36 months from last date of weighing – 0.0625% pt per calendar month
- Grading samples:
  - Samples may be submitted in groups of up to 5 lots (grouped lots)
- Sampling:
  - Bagged Coffee
    - Minimum 30% sampling with approximately 30g incremental samples from each selected bag to give 1.5kg grading sample
  - Bulk Coffee
    - Re-bagged in one tonne FIBCs (flexible intermediate bulk containers)
      - Sound FIBCs which must be sealed, are in external good order, are constructed using woven material such that they prevent condensation occurring during storage, are of sufficient strength to withstand transit and storage, are previously unused, clean and suitable for food contact use and meet such other criteria as may be prescribed by the Board from time to time; each FIBC shall have a Gross Weight of no less than 900 kilograms and no more than 1,100 kilograms
- Options on Liffe Robusta Coffee Futures Contract

- Unit of trading: One Robusta Coffee futures contract
- Pricing basis: US $ per tonne
- Expiry months:
  - January, March, May, July, September, November (up to 10 expiry months listed)
- Minimum price movement: $1 per tonne ($10 tick value)
- Expiry day:
  - The contract price (premium) is not paid at the time of purchase. Option positions (as with futures positions) are marked-to-market daily giving rise to positive or negative variation margin flows

Sampling

- Based on ISO requirements
- Sampling from bags:
  - Minimum 30% sampling with approximately 30g incremental samples from each selected bag to give 1.5kg grading sample
- Sampling from FIBCs (3 options):
  1) Sampling from the conveyor, minimum of 50 increments of 250g to give minimum 12.5kg bulk sample
  2) Sampling from the neck of each FIBC using a compartmentalised sampling iron, to give 12.5kg bulk sample
  3) Sampling using a long standard sampling iron, with a minimum of 5 samples taken from each FIBC, to give 12.5kg bulk sample
  - 12.5kg bulk samples then quartered to 1.5kg grading sample
Grading Process – 300g laboratory sample

• Olfactory test
  – Checking for mould and other off-flavours (based on ISO 4149)

• Visual examination
  – Checking for botanical origin (based on ISO 4149)

• Defects
  – Checking for defects in coffee beans (based on ISO 4149), based on weight

• Foreign Matter
  – Checking for material other than coffee beans (based on ISO 4149) using the weight of the foreign matter

• Screen test
  – Checking size (based on ISO 4150)

Deliverable Classes

<table>
<thead>
<tr>
<th>Class</th>
<th>Maximum defects by weight (%)</th>
<th>Max foreign matter by weight (%)</th>
<th>Screen per 300g</th>
<th>Allowance (per tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class P (Premium)</td>
<td>0.5%</td>
<td>0.2%</td>
<td>Min of 50% over screen 15 and min of 90% over screen 13</td>
<td>$30 premium</td>
</tr>
<tr>
<td>Class 1</td>
<td>3.0%</td>
<td>0.5%</td>
<td>Min of 50% over screen 14 and min of 90% over screen 12</td>
<td>Contract Price</td>
</tr>
<tr>
<td>Class 2</td>
<td>5.0%</td>
<td>1.0%</td>
<td>Min of 50% over screen 13 and min of 90% over screen 12</td>
<td>$20 discount</td>
</tr>
<tr>
<td>Class 3</td>
<td>7.5%</td>
<td>1.0%</td>
<td>Min of 60% over screen 13 and min of 90% over screen 12</td>
<td>$60 discount</td>
</tr>
<tr>
<td>Class 4</td>
<td>8.0%</td>
<td>1.0%</td>
<td>Min of 60% over screen 12</td>
<td>$90 discount</td>
</tr>
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</table>

Defect and Foreign Matter Definitions

<table>
<thead>
<tr>
<th>DEFECT CATEGORY</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td>Black Bean</td>
<td>means a coffee bean of which more than one-half of the external surface and interior is black (endosperm)</td>
</tr>
<tr>
<td>Bean Fragment</td>
<td>means a fragment of a coffee bean of volume less than half a bean</td>
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<tr>
<td>Cherry</td>
<td>means the fruit of the coffee plant</td>
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<tr>
<td>Mouldy Bean</td>
<td>means a coffee bean showing mould growth over half or more of the bean visible to the naked eye</td>
</tr>
<tr>
<td>Foreign Matter</td>
<td>means any object which is not a coffee bean or a cherry including but not limited to sticks, stones, soil and husks</td>
</tr>
</tbody>
</table>

Grouped Lots

• “Grouped Lot” means between two to five individual 10-tonne Lots coming from the same:
  • Origin
  • Vessel
  • Bill of Lading
  • and stored in the same Warehouse,
  • with all the individual Lots under the control of the same Warehousekeeper

• Samples from which may be graded together and the grading result applicable to those individual Lots

Grading Fees

<table>
<thead>
<tr>
<th>Lot Type</th>
<th>Grading fee per Lot (£)</th>
<th>Grading fee per tonne (£)</th>
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<tbody>
<tr>
<td>Single (10 tonnes)</td>
<td>£72.50</td>
<td>£7.25</td>
</tr>
<tr>
<td>Grouped (20 tonnes)</td>
<td>£87.50</td>
<td>£4.38</td>
</tr>
<tr>
<td>Grouped (30 tonnes)</td>
<td>£87.50</td>
<td>£2.92</td>
</tr>
<tr>
<td>Grouped (40 tonnes)</td>
<td>£87.50</td>
<td>£2.19</td>
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<tr>
<td>Grouped (50 tonnes)</td>
<td>£87.50</td>
<td>£1.75</td>
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</table>

• Grading fees for the revised Robusta Coffee Futures contract are as little as £1.75 per tonne, if 5 grouped lots are submitted (assuming they are homogeneous)

Comments from a Senior Robusta Grader

Grading procedure is a physical analysis of the sample to try best to reflect the possible cup result.

Part of the purpose of this presentation is to receive feedback from the industry on ways the system might be improved.

Procedure allows inclusion of a wider range of qualities which makes sense for the more generic robusta species, especially in view of the ability of the industry to more easily use lower grades achieving required cup results.

The ability to tender grouped lots that are homogeneous increases another aim that is to reduce the cost in $ per metric tonne to the trade and industry.
Comments from a Senior Robusta Grader II

Additional enhancement for graders and the grading room administration is the introduction of the digital NYSE Liffe Guardian system of entry of the lots graded, the screening results by weight, olfactory test, foreign matter and physical defects by weight, automatically deciding a pass with grade or fail result.

The 409 grading system does not include moisture because of statistically inconsistent quick test moisture meters tried so far; moisture is one of the most important for quality analysis and consistency; also sour beans or immature beans are not considered as defects; they were included in the previous 406 grading system.

Grading process can take a longer time for lower grade coffees with a lot of husk and broken plus small beans (but to try offset this, there are now a significant number of new graders under the 409 Contract, as well as most of the experienced 406 graders to fulfill timely requirements).

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