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## NYSE Liffe Robusta Coffee Futures

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ICO, Private Sector Consultative Board  
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## 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
  - introduction of a revised screen test
  - inclusion of an "olfactory" (smell) test
  - adoption of a single grading result combined with introduction of revised age discounts
  - introduction of "grouped lots" i.e. samples for up to 5 lots 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

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## 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
Other quality factors	Olfactory test for off-flavours
Packaging	Delivery in original jute bags or re-bagged bulk coffee in jute bags or FIBCs
Age allowance	13 – 48 months from the date of grading - \$5 pt per calendar month 49 months plus from the date of grading - \$10 pt per calendar month
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)
Validity of grading results	Grading results valid for an unlimited time i.e. no re-grading permitted
Deliverable coffees	All Robusta Coffee from all origins
Delivery months	January, March, May, July, September, November (up to 10 delivery months listed)
Minimum price movement	\$1 per tonne (\$10 tick value)
Tender period	Any business day during the delivery month
Trading hours	08.00 to 17.30 (London time)

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## 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) subject to the option expiring before the underlying future
Minimum price movement	\$1 per tonne (\$10 tick value)
Expiry day	12.30 on the 3 <sup>rd</sup> Wednesday of the calendar month preceding the expiry month
Trading hours	08.02 to 17.30 (London time)

- Robusta Coffee options are "American" style i.e. fully tradeable and may be exercised at any time prior to expiry
- 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

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## Packaging

- Bagged Coffee
  - Original jute bags maximum 80kg gross weight per bag
- Bulk Coffee
  - Re-bagged in jute bags
    - Maximum 80kg gross weight per bag
  - Re-bagged in one tonne FIBCs (flexible intermediate bulk containers) defined as:
    - "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"

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## 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

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## 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

	Maximum defects by weight	Max foreign matter by weight	Screen per 300g	Allowance (per tonne)
Class P (Premium)	0.5%	0.2%	Min of 90% over screen 15 and min of 96% over screen 13	\$30 premium
Class 1	3.0%	0.5%	Min of 90% over screen 14 and min of 96% over screen 12	Contract Price
Class 2	5.0%	1.0%	Min of 90% over screen 13 and min of 96% over screen 12	\$30 discount
Class 3	7.5%	1.0%	Min of 90% over screen 13 and min of 96% over screen 12	\$60 discount
Class 4	8.0%	1.0%	Min of 90% over screen 12	\$90 discount

## Defect and Foreign Matter Definitions

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

## 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

Lot Type	Grading fee per Lot	Grading fee per tonne (£)
Single (10 tonnes)	£72.50	£7.25
Grouped (20 tonnes)	£87.50	£4.28
Grouped (30 tonnes)	£87.50	£2.92
Grouped (40 tonnes)	£87.50	£2.19
Grouped (50 tonnes)	£87.50	£1.75

- 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 fulfil timely requirements)



## Contacts at NYSE Liffe

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