Cocoa warehousing

Improving the quality of warehousing services

Abidjan 23rd November 2012
Stefan Poppe
Molenbergnatie / EWF
Overview of the presentation.

☑ European Warehouse Keepers Federation
☑ Challenges for the warehouse keeper in the cocoa supply chain
☑ Best practices and efforts of the warehouse keepers
☑ EWF quality seal
European Warehouse Keepers Federation.

Organisation was founded in 2005 through an initiative of Belgian, German and Dutch warehouse keepers.

The EWF is a growing organisation. Actually we can count on 37 members spread over 6 countries.

Members to the Federation are regional associations of warehouse keepers in the main European centres for coffee and cocoa.
Structure of the EWF.

General Assembly: the highest decision making body meets twice a year.
Management board: to whom executive power is delegated.
Committees: have been set up for the most important fields of activities.

Terminal Markets Committee

Objective: to represent the interests of warehouse keepers with the terminal markets Euronext LIFFE and ICE.

Standards Committee

Objective: To provide a tool for quality control for associated warehouse keepers in order to achieve and maintain reliable, sustainable and economically viable warehouse keepers’ services.
Goal of the EWF.

- To promote the interests of the warehouse keepers
- To unify and improve the quality of warehousing services throughout Europe.
- Creating a European level playing field in legislation concerning the warehousing sector.
- Develop recommendations and / or standards for the quality of services for the members of participating associations.
- Stimulate the exchange of experiences and best practices between members of participating associations.
- EWF acts as a single voice “spokesman “ for the sector in European and other international matters, relevant for the soft commodity warehousing.
Challenges for the warehouse keeper
Challenges for the warehouse keeper

Changes of the Industry Business Model
Changes of the business model

Over the last decade relation between warehouse keeper and producing industry has changed significantly.

- more outsourcing from non-core activities.
- involvement of the industry quality dept in the warehouse - supply chain.

The warehouse keeper delivers new services and is adding value.

- vmi concepts.
- faster in and outbound handling of the beans.
- financing of stocks.
- compliance with higher quality standards.

**Challenge of the warehouse keeper:** the warehouse keeper has a wider responsibility and becomes an integrated partner of the industry.
Challenges for the warehouse keeper

Changes of the Industry Business Model

Traceability & Sustainability
Traceability & sustainability

- Over the last 10 years Traceability and Sustainability became “key” words.
- In the beginning the focus was merely
  - At the beginning of the chain: from farmer to exporter
  - At the end of the chain: from factory to final consumer
- Now we notice that the “warehouse keeper” become an integrated part of the traceability and sustainability programmes.
  - Guarantee that criteria of the certification bodies are met.

Challenge for the warehouse keeper:

Minimalising the impact of the yield in the warehouse caused by a different storage mode, imposed by the certification bodies.

Develop a control system, enabling to demonstrate full traceability through the whole logistic chain.
Challenges for the warehouse keeper

Changes of the Industry Business Model

Traceability & Sustainability

Supply & Demand
Volatile market place
Supply & Demand / Volatile Market Place

Demand:
- Growing demand for sustainable cocoa
  - Mature markets – more demand for premium cocoa and cocoa products
  - Emerging markets – strong growth, particularly in Asia.
- Consumer awareness (sustainability / certified, traceable / ...)

Supply:
- Not growing at the same pace
- Volatile Market

Challenge for the warehouse keeper: Warehouse keeper has to adapt his business model over the years to a flexible model, enabling to cope with peak storage / volatile inbound and outbound, but maintaining the sustainability of his model.
Challenges for the warehouse keeper

Changes of the Industry Business Model

Traceability & Sustainability

Supply & Demand
Volatile market place

Global Economic Outlook
Global economic outlook

• Since 2008, the world got hit by a financial crisis.
• Result: Less access to financing for soft commodities.
• Working Capital becomes key in the company.
• This results in reduced buffer stocks, and more just in time deliveries.

• **Challenge for the warehouse keeper:**

• The warehouse keeper provides finance possibilities for stocks as a new services.
• The warehouse keeper has to adapt his business model, as industry stocks are lower, and requested delivery services are speed up.
Challenges for the warehouse keeper

Changes of the Industry Business Model

Traceability & Sustainability

Supply & Demand
Volatile market place

Global Economic Outlook

Bag Quality
Bag Quality

• Over the years we have noticed a clear deterioration of the quality and the strength of the jute bags used for cocoa beans.
• The FCC rules states in their rules that the bags should be of sufficient strength to withstand the transportation and storage of cocoa.
• Poor quality bags are resulting in additional spillage and are responding badly to sampling holes due to a growing demand of quality checks throughout the supply chain.
• As this is a matter of significant importance to the quality of cocoa and the work of the warehouse keepers, the FCC and the EWF have joined forces to analyse cocoa bags from the major origins.
• A report with the findings will be published in the course of 2013.
Challenges for the warehouse keeper

Changes of the Industry Business Model

Traceability & Sustainability

Supply & Demand
Volatile market place

Infestation

Global economic outlook

Bag Quality
Infestation

• The risk of infestation upon arrival is still substantial.
• Fumigation prior to export has not always the desired result.
• Warehouse keeper should look for a matching solution to:

  Saveguard the quality of the storage service,
  - avoid cross – infestation.
  ( pressure on quality storage requirements )

  Avoid any delay in discharging the cocoa,
  - negative cost effect
  - effect on the quality of the cocoa
  ( pressure on cost reduction )
Temperature controlled storage

- Dedicated cocoa storage temperature controlled warehouse space available in different European Cocoa Ports.
- Temperature at 10 degrees has a positive effect on the infestation control during storage.
- Life circle of infestation is interrupted and temporarily blocked from further development.
- Full 24/24 electronic monitoring of temperature & humidity.
Challenges for the warehouse keeper

Changes of the Industry Business Model

Traceability & Sustainability

Supply & Demand
Volatile market place

Bulk Sampling

Infestation

Global economic outlook

Bag Quality
Bulk Sampling

• Proper sampling is an essential first step to making an assessment of quality.
• Cocoa arriving in bulk is sampled upon discharging: (representative)
• Challenge: Sampling of bulk, already stored in piles for a longer period in the warehouse.
  – Crust formation.
  – Residues are an issue.
  – Breakage

• At this moment: every company has its own vision.
• No real standard is set.
• EWF can be involved to develop a best practise.
Challenges for the warehouse keeper

Changes of the Industry Business Model

- Stricter environmental requirements
- Bulk Sampling
- Infestation
- Bag Quality

+ Traceability & Sustainability
+ Supply & Demand
- Volatile market place
- Global economic outlook
Stricter environmental requirements

- Limitations on the use of toxic chemicals for pest control, as a result of the Montreal Protocol. (ban of Methylbromide)
- Development of insect resistance, especially with phosphine.
- Increasing awareness for residues.
- Increasing awareness regarding labour safety.
- Regulations on the CO2 emissions, Green House Gasses, Global Warming, ...

The responsibility of the warehouse keeper is to keep in place at all times an effective IPM System (Internal Pest Management), focussing on all aspects of business, and complying with actual and future legislation.
Controlled atmosphere treatment

- World-wide present and available systems. (Eco2, B-Cat, ...)
- Safe for people and environmental friendly.
- Controls all life stages of the insects (adult, larvae, pupae, eggs)
- Requires gastight environment but applied at bulk units also.
- 100% non-toxic treatment.
- No residual chemicals. (suitable for organic products)
Controlled atmosphere vacuum packaging

- Applied for safe – insect free storage of post – harvest commodities.
- Based on liner and big bag in which low oxygen is applied.
- System allows natural fumigation ($N_2/CO_2$) inside the vacuum bag.
- Optimum protection of goods against external influences.
- Insect prevention due to low vacuum sealed packaging.
- Prevention of Fungi and growth of Free Fatty Acids (FFA).
- Flexible packaging units (size) and better loading / storage conditions.
- Relatively small investment / mobile easy to use on location.
EWF Quality Seal

- Ewf designed a Quality Seal Self Assessment Tool accessible through internet.
- This Quality Seal gathers the basic criteria in order to meet the standard:
  
  HACCP  Hazard analysis
  LIFFE G&WP’S rules
  ICE Rules
  ISO Standards
  AEO certification ( customs and / or security and safety )

- Guidance system helps WK through the questionnaire. ( pre-qualification )
- External Auditing company will check the results. ( qualification )
- Secretariat EWF grants the Seal.
EWF Quality Seal

The following topics are part of this Quality assessment:

- Good Management Practises (GMP) and Best Practises (BP)
- Standards of integrity and professional conduct
- LIFFE / ICE certification
- Availability of financial resources to provide continuity
- Quality of staff
- Training of staff
- Insurance
- Control and register of warehouse warrants
- Storage requirements (pest control program, cleaning, ventilation, accuracy of scales, maintenance of records, adequate lightning, ....)
The goal of the Quality Seal:

1) To unify the different quality standards over the different countries to 1 general accepted minimum quality standard.
2) To become a reference amongst all warehouse keepers (members AND non members) dedicated to the logistics of soft commodities.
3) The Quality seal should undergo, on a regular basis, upgrades. The EFW quality seal should embrace in the future other criteria
   a) Environmental standards
   b) Standards on Quality of Sampling
   c) Sustainability and traceability standards.
Thanks for your attention