

LONDON NOTICE No. 2789

ISSUE DATE: 21 August 2006
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ROBUSTA COFFEE STOCKS IN TRIESTE

Executive Summary

This Notice informs members that as a result of moisture damage the certification of additional Lots of Robusta Coffee stored in the Port of Trieste has been suspended. Members are also advised of the procedures to be adopted in either re-instating undamaged (sound) Robusta Coffee Lots or the formation of new Lots from the sound bags in Lots found to be damaged in these Warehouses in Trieste.

1. London Notice 2785 issued 3 August 2006 advised members that as a result of water damage the certification of 2,021 Lots of Robusta Coffee stored in TRI042 with Henry Bath Italia SRL ("HBI") was suspended.
2. Meanwhile, Exchange staff have conducted a detailed survey of the affected Warehouse and have extended the scope of this survey to the other five Warehouses of HBI in the Trieste port area. A proportion of the Robusta Coffee stored in four of these Warehouses also shows evidence of moisture damage.
3. **Accordingly, pending a full survey of the Robusta Coffee in these Warehouses to confirm each of the Lots where damage has occurred, the Exchange has suspended the Grading Certificates of all of the Lots stored in TRI039, TRI041, TRI043 and TRI044 with immediate effect.**
4. For the time being, the suspension of certification will reduce by a further 3,098 Lots the level of valid certified Robusta Coffee Stocks. This will be reflected in the fortnightly stock figure due to be published on 31 August 2006.
5. Whilst the damage appears to have been caused by excess moisture in certain pallets being absorbed into the bags of coffee in contact with those pallets, the Warehousekeeper and Exchange staff have not yet confirmed a definitive link between each incidence of the damage, i.e. it cannot yet be attributed solely to, for instance, a specific batch of pallets. Consequently, the Exchange and the Warehousekeeper are continuing to investigate the underlying cause of the damage for communication to the market in due course.
6. The Exchange therefore considers that a detailed inspection of each Lot stored in the affected Warehouses is required in order to ascertain whether or not damage has occurred. In order to do so, it is necessary to break down each Lot to examine the condition of all bags in contact

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with the pallets. Such inspection will only occur under supervision by Exchange officials or Exchange-nominated supervisors.

7. Following the detailed inspection, those Lots seen to be undamaged may have the suspension of their certification lifted. The Exchange will regularly inform the market of the re-instatement of any such Lots which will be reflected in the published stock figures.
8. Owners wishing to form new Lots, i.e. from the sound bags contained within those Lots of Robusta Coffee found during the detailed inspection to have sustained some damage, may instruct HBI to undertake this task, subject to the requirements of the Grading and Warehousekeeping Procedures in respect of Cocoa and Robusta Coffee Futures Contracts ("G&WPs"). Such work may only occur under the supervision of Exchange officials or Exchange-nominated supervisors.
9. The Exchange anticipates that a significant number of the suspended Lots are likely to be found to be undamaged or capable of being re-piled to form new Lots from the sound bags. It should be noted that any such new Lots will also need to be weighed, sampled and graded in accordance with the G&WPs. Therefore, the process of creating new Lots will inevitably take some time before impacting on published stock figures, and consequently is unlikely to have significant impact on stock levels for September 2006 delivery. Lots graded as tenderable will be advised to the market in the Grading Report as usual.

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