



## Kenya Coffee Traders Association

Certificate of registration no. 21314

# Guiding Principles and Procedures for sale of Certified Coffees through the Auction:

## Issues:

Two questions arise when one is selling or buying certified coffees at the Nairobi Coffee exchange (NCE), these are;

What are the buyer's obligations?

What are the grower's obligations?

The main issues as far as trading in certified coffees is concerned are:

- a) For the Grower: - Invests in certification and desires a chance to make a return on the investment.
- b) For the Exporter: - buys the coffee and needs to understand what he/she is paying for.
- c) Is the certificate valid?
- d) How to ensure that the transfer of the quantity specific certificate is not messy?
- e) How to handle certified coffees that are traded as not certified?

## Proposed solutions:

### Growers / Marketing Agents Obligations and Procedures:

1. At the auction level, growers and exporters have no guarantee that the coffee will be sold as certified. Neither Growers nor Marketing Agents can insist that their coffee must be sold as certified implying that there is no solution at NCE for those who insist that they must get a premium.
2. Growers are obliged to update production volumes during annual reporting and report any bumper crops to the certifying organization
3. Marketing agents must ensure that all certificates are valid before offering certified coffees for sale at the auction
4. Marketing Agents must state payable premiums on their catalogues and ensure that the catalogues clearly state the terms and conditions for sale of certified coffees (what does it take for the certificate to be transferred? Any additional charges must be clearly stated i.e. Certificate is available at this cost

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5. The Marketing Agent shall be responsible for ensuring that the premiums go to the correct beneficiary and that no additional demands are made on the buyer.
6. Marketing Agents are responsible for periodically checking the portals for declarations.
7. The Marketing Agents shall declare the sale within one week after payment of premiums.
8. The certificate must be transferred to the Exporter by the Marketing Agents within two weeks after payment of premiums & declaration.
9. Marketing Agents are responsible for providing transparency documents.

### **Exporters Obligations and Procedures:**

1. Exporters need to beware of internal procedures and other requirements set by each certifying organization before making any commitments. For some of the labels, the additional requirements may include but are not limited to: minimum price payable to the grower, trader registration, compliance awareness, what fee (if any) is payable to the label and by whom?
2. Auction bids are based on quality and any other intrinsic value; therefore, such bids do not include any premiums.
3. The exporter is obliged to check on the validity of the certificate either in advance, immediately after purchase, or before sale.
4. Premiums are payable only for coffees that are declared and sold as certified.
5. The exporter shall pay premiums to the certificate holder either before or upon declaration of sale; all premiums invoices must be settled within two weeks from the date of invoice.
6. For premiums, Exporters must ensure that cheques are drawn in the name of the Certificate Holder; Payments shall be remitted via the certificate holder's Marketing Agent. When payments are remitted via electronic transfer, the dealer shall notify the marketing agent in writing whence the payment is transferred to the certification holder.
7. In the event the invoice remains unpaid after the expiry of the two week period, the exporter will be considered a defaulter and the relevant provisions of NCE Trading Rules 37 & 39 (or any amendment thereof) dealing in default shall apply.

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### 8. Premiums:

a) The fixed premium (FLO Fairtrade) is;

Label	Main Grades (AA,AB &PB)	Other Grades
FLO Fairtrade	20cts/lb	20cts/lb

b) Agreed premiums are shown on the table below, unless exceptionally having been negotiated between grower and exporter at different levels;

Label	Main Grades (AA,AB &PB)	Other Grades
4C	No premium	No premium
UTZ	5cts/lb	3cts/lb
RA	5cts/lb	3cts/lb

### Note:

Disputes shall be handled in accordance with the certifying organization procedures, these guidelines and the NCE Trading rules, specifically rule 34 (9) (or any amendment thereof) which states "Certified coffees shall be declared by the commercial marketing agent in the sales catalogues and sold in accordance with Guidelines for the Sale of Certified Coffees as provided by the Exchange Committee".

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