



Organización Internacional del Café  
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European Coffee Contract

Private Sector Consultative Board  
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London, England

**European Coffee Contract -  
Communication from VICOFA**

### **Background**

The attached communication concerning the terms of the European Coffee Contract has been received from the Vietnam Coffee and Cocoa Association (VICOFA), a member of the Private Sector Consultative Board.

### **Action**

The PSCB is requested to consider this document.

## **1. As for European contract for coffee (ECC) 2002 edition**

Vietnam has been exporting its coffee to many countries, mainly in Europe. When concluding the contract with international traders we are normally required to accept the term 'this contract is referred to the European contract for coffee'.

Obviously the ECC with general conditions adopted by the European coffee federation is meticulously compiled and scientifically expounded. However during its implementation in practice some problems and issues have occurred. Some articles and clauses need to be further discussed, negotiated and modified to make it conform to the fact and guarantee common interests for both sellers and buyers.

Most of the contracts signed by Vietnamese exporters are based on Free on board (FOB) term. However it is clearly stated in the ECC that 'even if the price is express "Free on Board port of shipment", the contract is in fact to be considered as an ill-defined Cost & Freight contract, the freight being for account of the buyers. Consequently, Free on Board sellers will not only have to reserve space but are equally responsible for the actual shipment of the coffee. Therefore their responsibilities end only at the moment the coffee crosses the ship's rail, precisely as in a Cost & Freight contract". It is in fact constitutes a deviation from general trade practice.

**Related to Article 3: Weights (where coffee is sold "shipped weight").** ECC stipulated that any loss in weight, as ascertained in accordance with Article 4(c) or 4 (d) in excess of 0.5% of the shipped weight shall be refunded by the sellers. In fact when we ship coffee the quantity is established at the time and place of stuffing by an independent supervisor. However since coffee is hygroscopic, which means that it attracts or loses moisture depending on climatic conditions. It may therefore lose a little weight during storage and transport. It happens beyond the Seller's control. Please take in to account that it is very far and takes long time to transport coffee from Vietnam to European ports and also for on-carriage of containers to inland destination.

Because of such stipulation, Vietnamese sellers are generally to suffer the loss unfairly. We therefore propose to keep weight franchise at 1% as previously stipulated.

### **Related to FCA or FOB:**

Although most of the contracts signed by Vietnamese coffee exporters based on FOB term, the coffee is to be delivered in containers at the place nominated by the buyers. This is similar to FCA terms "Risk of loss is transferred when the coffee is delivered to the freight carrier at place of embarkation as explained in the invaluable ITC handbook "Coffee - An exporter's guide". We therefore propose that FCA term to be commonly used in the daily trade of coffee instead of FOB.