COFFEE INDUSTRY CORPORATION LIMITED

Standing Conditions for a Registered Coffee Exporter

1.0 INTRODUCTION

1.1 These *Standing Conditions* for Registered Coffee Exporters are issued pursuant to the provisions of the Coffee Industry Corporation (*Statutory Powers & Functions*) Act 1991 ("CIC Act") as amended, for purposes of registering corporate bodies carry out the business of exporting coffee from PNG.

1.2 These Conditions supercede all previous Conditions issued by the Corporation and are amended to protect the interests of Licensees and as well ensure that the policy objectives of the Corporation and the Government are pursued. Key policy objectives being to:

- Improve coffee quality at all trading levels;
- Enhance coffee income to the growers through more direct marketing efforts as an inducement towards further investment in coffee growing; and
- Augment the Government's export led economic growth initiatives.

1.3 Under the CIC Act, no person except the Coffee Industry Corporation ("CIC") has the right to export coffee from PNG in excess of 10 kgs.

1.4 An export license issued by the CIC is therefore a consent to export coffee on behalf of the Corporation and can be terminated at any time in the event of serious breaches of the provisions of the CIC Act or License Conditions.

The Corporation will regard the registered exporter as being responsible for any breach of conditions.

1.5 Reports on progressive achievement of any Special Conditions endorsed by the Corporation must be submitted for annual review.

1.6 An exporting license issued by the Corporation is not transferable.

1.7 Four categories of exporters to be licensed are:

(a) Foreign Companies: Those with 100% foreign shareholding.

(b) Joint-ventures: Companies with a combination of local and foreign shareholding.

(c) National Companies: 100% nationally owned.

(d) Grower-based Foreign Owned Companies: Foreign companies involved in producing coffee.

2.0 FINANCIAL STANDING & CREDIT WORTHINESS

2.1 New applicants and existing licensees must demonstrate adequate financial capacity through evidence of overdraft facilities or cash at the bank for purposes of coffee exporting.

2.2 Any credit arrangements with overseas partners must be approved by the Corporation. The applicant must demonstrate that this is strictly a credit arrangement and provide all supporting documentation.

3.0 CORPORATE DETAILS/SHAREHOLDING

3.1 No new licenses will be issued to 100% foreign-owned companies.

3.2 Foreign companies can however participate in exporting coffee from PNG either by:

(a) Seeking joint-ventures with nationally owned companies involved in coffee production.

(b) Demonstrating their commitment to the industry by growing their own coffee.

3.3 Preference will be given to broad-based grower shareholding.

3.4 Companies who already have shares in existing registered export companies directly or indirectly will be disqualified.

4.0 MANAGEMENT EXPERTISE

4.1 Each exporter must have a qualified coffee trader with proven ability and expertise in international coffee trading, quality control and general marketing of coffee.

4.2 A registered exporter shall within 14 days from the date of receipt of a written request from the Corporation demonstrate to the Corporation that an individual the subject of the request is fully qualified for the responsibility he holds.

4.3 The Corporation may accept a Management Agreement with an overseas partner. Such arrangement must be fully documented and subject to the Corporation's approval.

5.0 TRAINING OF NATIONALS

5.1 It is a prerequisite for each exporter to train PNG nationals in all facets of coffee trading under relevant Government laws.

5.2 A practical, on-the-job training for supervisory and management-level employees in all aspects of the coffee trade including warehousing, quality control, documentation and the operation of the market shall be written and implemented. A summary of the program and its effect is to be submitted to the Corporation together with application for renewal of registration.

6.0 EXPORT PERFORMANCE

6.1 The minimum export volume required for any exporter is 6,000 bags per annum.

6.2 Any exporter not meeting the minimum volume will be required to show cause as to why its license should not be withdrawn.

7.0 WAREHOUSE & FACILITIES

7.1 An export warehouse where coffee is or is to be prepared for shipment shall be well-ventilated, built of impervious materials, be clean at all times.

7.2 Each exporter must have its own grader/cleaner, moister meter and bagging and marking equipment.

7.3 A transit warehouse or bulk loading facility whether owned, leased or operated by an agent shall be secure, clean and well-maintained and will be subjected to periodic inspection.

8.0 QUALITY CONTROL

8.1 Each exporter must have its own tasting/liquoring facilities and must demonstrate expertise in this area.

8.2 Coffee for export must be graded, marked and packed according to the specifications provided in the *Papua New Guinea Standard for Green Coffee – 1626 –1993* as amended. The specification of any shipment of coffee must match the description as marked upon the bags and in the shipping documents relevant to it.

8.3 Exporters trading in certified organic coffees must supply copies of certification documents as to coffee origins. Similar documents covering all factories and warehouses through which such coffee has passed must also be submitted. Copies of such documents should be lodged with the CIC Export Control Office, Lae. Coffee declared as organically produced will not be cleared for export unless authentication is available.

9.0 SALES OBLICATION

9.1 Each exporter must observe tier contractual obligations both to local suppliers and to overseas buyers.

9.2 Serious breaches of domestic and overseas contractual obligations will result in the termination of the license.

9.3 All Uniform Purchase Contracts must be sent to the Corporation.

10. INTERNAL TRADE IN COFFEE

10.1 A registered coffee exporter shall not deal in unprocessed coffee.

10.2 A registered coffee exporter shall only buy coffee from a registered processor. A copy of such purchase contract shall be submitted to the Corporation within 14 days from the end of each month.

10.3 A registered coffee exporter shall not buy coffee from another registered coffee exporter without first obtaining permission from the Corporation.

10.4 Every purchase of coffee by a registered coffee exporter shall be governed by a written contract of purchase as authorized by the Corporation stipulating the contractual obligations of both parties.

11.0 EXPORT PRICES/CONTRACT REGISTRATION

11.1 All registered exporters are required to register export contract details such as quantity, grade, price, purchaser, destination etc on the prescribed form. Contracts not registered will not be allowed for shipment.

11.2 Each exporter must maximize prices for all coffee exports. The CIC reserves the right to refuse a contract registration that is significantly lower than prevailing market prices.

11.3 An exporter may carry over up to 10 per cent of its annual contracts to the following coffee year.

12.0 MONIES DUE TO THE CORPORATION

12.1 Any monies due to the Corporation from an exporter shall be settled within 28 days commencing from the date of demand in accordance with the CIC Act.

12.2 Unjustified delays or refusal to repay such monies may result in licenses being cancelled or withdrawn.

13.0 REGISTRATION FEES

13.1 A non-refundable Application Fee of K500.00 shall be paid when an application for an export license is lodged with the Corporation.

13.2 License fees shall be paid based on the category of applicants as defined in 1.7 as follows:

(a) Foreign owned (existing companies) – K20,000;

(b) Joint-ventures – K10,000

(c) Nationally owned – K5,000

(d) Grower-based Foreign-owned – K8,000.

13.3 A non-refundable Late Application Fee of K500 shall be payable to the Corporation if an application is received after the closing date.

13.4 Any incomplete application shall be subject to a non-refundable fee of K300 in addition to the Late Application Fee in the event the completed application is received by the Corporation after the closing date.

14.0 <u>EXPORTING ON COMMISSION BASIS</u>

14.1 The Corporation will <u>not</u> issue one-off permits or licenses to export coffee of any volume or form.

14.2 Individual coffee growers or grower groups who would like to export their own coffee can do so only through registered nationally owned exporting companies.

14.3 Exporters shall lodge with the Corporation all documentation covering agency arrangements with growers in accordance with the Conditions applicable.

15.0 <u>TRADING IN STOLEN COFFEE</u>

15.1 Export Licensees are prohibited from trading in stolen coffee. Penalties for trading in or being in possession of stolen coffees are:

(a) First Offender – K5,000

(b) Repeated offence will result in cancellation or withdrawal of the license held by the offending exporter.

16.0 <u>REVIEW OF CONDITIONS AND REVOCATION OF LICENCE</u>

16.1 All exporting licenses issued by the Corporation are due for renewal by 31st December each year.

16.2 An exporter not complying with any of the conditions imposed on its license must justify why its license should not be withdrawn.

16.3 The Corporation shall revoke an export license issued to a registered exporter, if the exporter is proven to have supplied false, incomplete, inaccurate or misleading information when an application for a license was first lodged.

17.0 LICENSE CONDTIONS

17.1 All Export Licensees are required to comply fully with the License Conditions which shall be imprinted at the back of the Registration Certificate.

R M MITIO
<u>Chief Executive Officer</u>