Trading and Merchanting

Scheme Year 2012

Gafta Promoting international trade

Code of Practice for Trading and Merchanting

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A.	**Introduction** Traders and Merchants buy and sell goods intended for food and feed and are the drivers of the industry. They are required to perform to the highest standards in the trading and handling of goods that include imports and exports. Traders and Merchants use suppliers of third party services that must meet the high levels of good practice that are required by the trade.
B.	**Scope** This manual provides a set of minimum standards of best practice for companies and individuals operating as Traders or Merchants, who trade and/or handle goods including imports and exports intended for use as food or feed.
C.	**Definitions** "Definitions" relating to this Manual are set out in the Scheme Overview or are available separately in Part 3 of the scheme documentation.
	Code of Practice
1.0	**Trading Operations**
1.1 K	A contract or confirmation of business document must be raised on all transactions. [R] The contract or confirmation should address the following key contract terms: **The Parties to the Contract** **Brokerage** **Description of Goods** **Quantity:** including margins ("tolerances") **Quality:** place and means of ascertainment and allowances, if any **Weight:** place and method of measurement **Shipment/Delivery Position** **Price** **Payment Terms** **Parity: i.e. FOB/CIF/CIFFO** **Applicable Gafta or Other Standard Trade Contract Form**
1.2	**The Parties to the Contract** The parties to the contract (the 'Principals') are the sellers and buyers. The full and correct title of each party and their business address must be clearly identified.
1.3	**Brokerage** The parties are free to engage brokers and agree who shall be responsible for the amount and payment of their commission.
1.4	**Description of Goods** The goods should be accurately described.
1.5 1.5.1	**Quantity** The contractual quantity must be clearly identified in the contract terms.
1.5.2	Any agreed tolerance and which party has the option of using the tolerance, should be clearly identified.
1.6 1.6.1 K	**Quality** Traders who handle goods must have in place a 'Quality Manual' outlining company policies and procedures relating to product and food safety. [R]
1.6.2	Traders must set out in their contract confirmations precise quality specifications, including any acceptable allowances.
1.6.3	The assessment of the quality of goods supplied under this Code of Practice for Gafta contractual purposes must be established by using Analysts who are registered as Gafta Approved Analysts.

1.6.4 K	The assessment of the quality of goods supplied under this Code of Practice for any other purpose must be established by using a testing facility which is GTAS Assured or equivalent and/or has accreditation for the services provided. [R]
1.6.5 K	A record must be kept of all rejections and claims for deliveries out of specification along with the action taken. [R]
1.7	**Standard Trade Contract Terms** Where standard trade contract terms, for example Gafta standard trade contract forms, are to be incorporated into the contract these must be clearly recorded in the contract.
1.8 New K	**Customer Requirements** Within the trade there are a number of safety schemes for food and feed in operation into which goods may be sold and delivered. Requirements of food/feed safety schemes may vary in relation to specific conditions under which the supply of goods must take place. Traders and merchants must ensure that they understand and comply with any specific requirements of the relevant food/feed safety scheme into which the goods are being delivered. For some assurance schemes it is a requirement that the goods originate only from assured sources and from producers certified by that scheme. It is the responsibility of the principal in a contract for the delivery of goods to give precise instructions to their suppliers or to suppliers of third party services, e.g. transport by road and/or storage, regarding any specific requirements that exist if these are not already covered by this Code of Practice.
1.9	**Fumigation of goods** Where a party to a contract agrees to undertake fumigation of the contracted goods the requirements should be agreed in writing by the parties. Gafta Rules No. 132 are available for this purpose. Parties adopting these rules are required to appoint fumigators that are approved by Gafta and/or by the appropriate national authorities and therefore meet a set of minimum standards. GTAS certified companies must be used whenever possible.
1.10	**Licences** The responsibility for the obtaining of any required export or import licences, certificates of origin or other licences or certificates, must be clearly set out in the contract and the time within which such licences are to be obtained must be identified.
2.0 2.1 K	**Assured Goods** Where goods have assured status (i.e. have been produced under a recognised assurance scheme) this must be clearly stated on the contract/delivery note.
2.2 K	The assured status of supplier(s) must be confirmed. [R]
2.3 K	Assured and non-assured commodities must be identified as such and kept separate at all times. [R]
2.4 K	The assured status of the goods must be passed on to the buyer with evidence where required. [R]
2.5 K	Where assured and non-assured goods are combined, the entire bulk must be classified as being non-assured. [R]
3.0 3.1 K	**GM Goods (EU only)** Goods that have been genetically modified or have been produced from GM sources must be notified by the sellers to the buyers in a document accompanying the goods, or where agreed on the contract. The information regarding GM events must be provided from seller to buyer in accordance with the applicable legislation.
3.2 K	GM and non-GM goods must be identified and kept separate at all times.
3.3 K	Where GM and non-GM goods are combined, the entire bulk must be classified as being GM. [R]
4.0 4.1 K	**Organic goods** Goods with 'Organic' status (i.e. have been produced under a recognised organic scheme), must be identified accordingly and kept separate at all times from non-organic goods. [R]

4.2 K	Where organic and non-organic goods are combined the entire bulk must be classified as non-organic. [R]
5.0	**Transport by Sea, Waterway, Rail and in Containers** **General:**
5.1	**Loading Compartment Inspection**
5.1.1 K	A Loading Compartment Inspection (LCI) of the cargo spaces must be undertaken prior to the commencement of loading by a recognised superintending firm registered on the GTAS and/or Gafta Approved Superintendents Scheme.
5.1.2 K	Before loading commences, the interior of the cargo spaces must be empty, clean, and dry, without any unsuitable odours and in every way be suitable for loading and transport of the goods. They must be free of any residues of the preceding load, any cleansing activities, smell, insects or vermin.
5.1.3 K	The results of the LCI, together with the information concerning the three preceding loads carried by the vessel, and records of any cleansing operations must be recorded and retained by the trader arranging the transport. [R].
5.2	**Cleaning Requirements**
5.2.1 K	Means of transport presented for carriage of goods under this Code of Practice must be clean, dry, free from smell and generally in a fit condition to carry the goods. This requirement extends to any part of the vessel or rail wagon that the goods will come in contact with during loading or discharge.
5.2.2 K	The goods must not be loaded until the cargo spaces have been inspected to establish that they are in a suitable condition to receive the goods. Where necessary, further cleaning and drying must take place.
5.2.3 K	Once loaded, loading hatches should be securely closed and sealed if appropriate.
5.2.4 K	It is prohibited to load goods covered by this Code of Practice into a cargo space which has previously carried any of the goods or materials listed in the Exclusion List (See Appendix 1 of the Transport Code). Exceptionally, the parties may agree to the loading of goods in such circumstances after conducting a HACCP Risk Assessment.
5.2.5 K	If any goods or materials listed on the Contaminant Sensitive List (See Appendix 2 of the Transport Code) have been carried in the three previous cargoes, then the cargo spaces must be cleaned and sanitised before carrying goods under this Code of Practice. [R]
5.3	**Carriage by Sea**
5.3.1	Vessels fixed to transport goods under this Code of Practice by sea must be mechanically self-propelled vessels of steel construction suitable for the carriage of the contract goods, excluding tankers and vessels classified in Lloyds Register or Lloyds Shipping Index as Ore/Oil vessels.
5.3.2	Vessels must be classed with a Classification Society which is a member of the International Association of Classification Societies (www.iacs.org.uk). Where vessels are engaged exclusively in the coastal trading of that nation (including trading on an inter-island route within an archipelago of which that nation forms part) vessels may be classed by a National Flag Society (defined as a Classification Society which is domiciled in the same country as the owner of the vessel in question which must operate under the flag of that country).
5.3.3	**Fumigation** In the event that fumigation of goods is (or may be) required, it is the responsibility of the principal to ensure that that the suitability of the carrying vessel and the appropriate permissions regarding the operation of fumigation on board a vessel are agreed and acceptable to the Master/Owners by incorporating suitable terms in the contract of affreightment (Charter Party) [R].
5.4	**Carriage By Rail**
5.4.1 K	LCI – where goods are being carried by rail wagons the LCI may be undertaken by a Loading Inspector approved for the purpose.

5.4.2 K	On completion of loading operations the discharge slide of each rail wagon must be sealed.
5.5 5.5.1K NEW	**Containers** Where goods are being transported in containers, traders and merchants must keep a record of all containers owned and/or acquired second hand or hired and/or leased. Records must include the container ID Number, date of use and/or hire period. Dates of entry and removal from the scheme must also be recorded. [R]
5.5.2K NEW	Traders and merchants must keep a documented Risk Assessment. [R] This may be produced by the trader or merchant or obtained where appropriate from another source. The Risk Assessment must include: • Previous use of the container • Construction of the container • Inspection required prior to loading • Details of cleaning/disinfection required before loading • The use of container liners for protection of the goods being carried • Any customer specific requirements A copy of the completed Risk Assessment must be forwarded to the storekeeper or handling facility responsible for loading and/or receiving the container. [R]
5.5.3K NEW	Before loading an empty container an inspection must take place by the trader or merchant, or by another competent person, to establish that the loading space is clean and dry, free of any residues of the preceding load, any cleansing activities, smell, insects or vermin, or is properly lined. Evidence of the appropriate cleaning and inspection of the load space must be kept. [R]
5.5.4K NEW	Where a customer provides a trader/merchant with containers to be loaded, a record of the customer requirements detailing the controls required for inspection, cleaning, disinfecting, lining and loading of the container, must be obtained and recorded. [R]
6.0 6.1	**Sampling** An agreed set of sampling rules must be incorporated in the contract. Where goods are traded on Gafta contracts the Gafta Sampling rules are incorporated. Where other types of contract are used, rules for sampling must be in accordance with methods laid down in internationally recognised rules (See Gafta Sampling Rules No.124).
6.2	Where goods are traded on Gafta contracts, traders are required to appoint superintendents to undertake sampling from the list of Gafta Approved Superintendents (See Manual Supervision, Sampling and Weighing and Part 3 – 'Rules', for the Sampling Rules No. 124).
6.3	Where other types of contracts are involved, traders are required to appoint superintendents from the list of Gafta Approved Superintendents or the list of Superintendents who comply with the GTAS Code of Practice for Superintendents.
7.0 New K	**Monitoring of undesirable substances** Monitoring and control procedures for biological, physical and chemical contamination must be established. Biological, physical and chemical contamination must be in accordance with Maximum Residue Limits fixed by the legislation in country of destination. Where no national limits have been set the Maximum Residue Limits set by the Codex Alimentarius Commission shall apply.
7.1 Rev K	**Salmonella** The monitoring, sampling and testing procedures for salmonella in all goods stored, transported and handled under this scheme must be followed in accordance with the relevant national guidelines. In the UK the Defra Code of Practice for the Control of Salmonella applies. Where no such national guidelines exist the Gafta Salmonella Monitoring Code of Practice shall apply (see Part 3 Guidance).
7.2 New	**Other undesirable substances** In EU legislation undesirable substances are any substance or product, with the exception of pathogenic agents,

	which are present in product intended for animal feed which presents a potential danger to animal or human health or to the environment or could adversely affect livestock production. Reg 2002/32 EC applies. A principal in a storage or handling contract may require that storekeepers or operators of handling facilities, undertake sampling and to submit for analysis samples for the testing for undesirable substances. A number of Feed Safety Assurance Schemes operating in the trade incorporate requirements for testing for contaminants. Where such testing is required a monitoring plan should be drawn up between the parties involved in the storage or handling contract. Sampling and analysis is generally influenced by risk assessment and product data sheets are required. Risk assessment of commodities for storage and handling are likely to be affected by material and origin specific risks. The monitoring plan should include: a) The procedure for and frequency of the sampling (see also Gafta No. 124 Sampling Rules). b) The analysts which are chosen for the analyses in question. c) The frequency of analyses, checks and inspections.
8.0	**Loading and/or Discharging of the Goods** Loading and/or discharge operations can take place at one or more of the following facilities: port installations, primary processing plants, storage facilities, and elevators (including floating elevators, tank terminals and ship-to-ship transfers). The operators of these facilities will be primarily responsible for the movement of the goods and the maintaining of their quality, condition, safety and security, during either the loading or discharge operation. Operators of loading and discharge facilities are required to provide the cargo superintendent with evidence of the cleanliness of the handling equipment prior to the commencement of loading and/or discharge operations.[R]
8.1	The parties should agree and identify clearly the intended place of loading and/or discharging of the goods.
8.2	Where more precise information is to be provided after the conclusion of a contract, the date and time by which any additional information should be provided, and by which party, should be clearly agreed and stated.
8.3	As a matter of best practice, traders are advised to familiarize themselves with the port facilities and operations for loading and discharge - as the case may be - to identify the method and equipment used at the port, before making transport arrangements.
8.4	Unless otherwise agreed, the loading and discharging operations of goods by road or rail are expected to be as fast as practically possible in accordance with the method customarily used in the port or facility.
9.0	**Weighing** The parties can agree the method of weighing and may incorporate into their contract the appropriate rules for weighing. Gafta standard contract forms incorporate the Weighing Rules Form No. 123 (See Manual Supervision, Sampling and Weighing and Part 3 – 'Rules', Gafta Weighing Rules Form No.123).
10.0	**Insurance** The parties should identify at the time of negotiating the contract who is responsible for taking out insurance cover and insuring the goods, at any given stage.
10.1 10.1.1	**Marine Insurance** Gafta standard contract forms stipulate the minimum marine insurance cover required, the detail terms of which are set out in the Gafta Insurance Clauses in Form No.72. (See Part 3 – 'Rules' for Form 72 and Part 3 – 'Annexes' for the Gafta A to Z of Insurance).
10.1.2	The party responsible for insuring the goods in transit will provide insurance cover for loss or damage to the goods whilst in transit.
10.2	Product Liability Insurance – the parties should assess the risks within their daily business to determine whether product liability insurance is required and if so the level of product liability insurance cover required.

10.3 10.3.1	**Public Liability Insurance** Where a trader is responsible for premises, vehicles, machinery and equipment etc., public liability insurance cover must be taken out.
10.3.2	In any event all traders should consider public liability risks and the need to carry product liability insurance for all their operations.
11.0	**Arbitration** In the parties' own short form of contract it is good practice to set out an arbitration agreement for the settlement of any disputes which may arise out of the sale/purchase of the goods. (See Gafta Arbitration Clause).
12.0 12.1	**Records** An [R] in the text indicates the requirement to keep a record.
12.2 K	Comprehensive records must be kept showing information regarding the purchase and sale of contract goods; in particular from whom the goods were bought and to whom they were sold - also known as the 'one up, one down' system. This is especially important in the event of a product recall or withdrawal. Records should include details of all loads/consignments collected and delivered against a contract and must enable any load or consignment to be traceable back to its source. [R]
12.3	Internally produced records must be signed by the person carrying out the task/activity.
12.4	Records must be legible and kept in suitable conditions that allow ready retrieval and prevent deterioration.
12.5	Records must he kept for a minimum of three years unless there are additional requirements.
13.0 K	**Hazard Analysis and Critical Control Point (HACCP)** Traders must demonstrate an awareness of the principles of HACCP and have an HACCP plan in place covering the movement and storage of goods. (See Part 3 – 'Guidance Notes')
14.0 14.1	**Procedures and Instructions** A designated person must have responsibility for the implementation of the requirements of this Code of Practice.
14.2	The designated person must ensure that all staff covered by the scope of the Code of Practice are provided with written instructions that confirm their duties and the procedures. Procedures must be periodically reviewed, amended where necessary and re-issued to ensure that they remain current and effective.
15.0 15.1 K	**Suppliers, Services and third party Contractors** A list of approved suppliers, service companies and third party contractors to the trader must be made available along with current evidence of certification/inspection/audit status. [R]
15.2 K Rev	Any supplier [or trading partner] of goods under this Code of Practice must be GTAS Assured or must be assured under an assurance scheme approved by Gafta. [R]
15.3 Rev K	Any owned, managed or contracted store or handling facility for the storage or handling of goods supplied under this Code of Practice must be GTAS Assured or must be assured for the storage and handling of goods under an Assurance Scheme that has been approved by Gafta. [R]
15.4 K	Any owned, managed or contracted means of transport for the carriage of goods by road under this Code of Practice must be GTAS Assured or must be assured for the transport of goods by road under an Assurance Scheme that has been approved by Gafta.
15.5 K	Where goods are traded on Gafta contracts, the quality of the goods supplied under this Code of Practice must be established by a Gafta Approved Analyst and evidence made available. [R]

15.6 Rev K	Any owned, managed or contracted testing facilities used to establish the quality of goods supplied under this Code of Practice for any other purpose must be GTAS Assured or must be an assured testing facility under an Assurance Scheme that has been approved by Gafta. [R]
15.7 K	Where goods are traded on Gafta contracts, any third party inspection company employed to control the weight and quality of goods supplied under this Code of Practice must be a Gafta Approved Superintendent and evidence made available. [R]
15.8 K	Any third party inspection company employed to control the weight and quality of goods for other purposes must be from the list of Gafta Approved Superintendents or from the list of GTAS Certified Superintendents or have accreditation for the services provided and the evidence made available [R].
15.9 Rev K	Any contractor employed to undertake fumigation, pest control and/or denaturing operations must be GTAS Assured or must be assured under an Assurance Scheme approved by Gafta.
16.0 Rev K	**Third party suppliers of goods and services** Traders and merchants may only use third party suppliers of goods and services that are certified under GTAS or are certified under an Assurance Scheme approved by Gafta.
17.0 17.1	**Complaints Procedure** A record of complaints against the business must be maintained. [R] This procedure must include systems for:
17.2.1	The prompt documentation and investigation of complaints.
17.2.2	Deciding on internal actions required to prevent re-occurrence.
18.0 18.1	**Personnel and Training** All personnel must have a written job description outlining responsibilities, line management and reporting procedures. [R]
18.2	All personnel must be made aware of the Quality Manual relating to the business. [R]
18.3	All personnel must be aware of the Company policy document relating to Health and Safety. [R]
19.0	**Recall and Withdrawal** Although every effort is made to minimise the risk of the production, or placing on the market, of unsafe goods there are occasions when an accident or mistake occurs, or unforeseen circumstances that might compromise the integrity of goods being supplied under this scheme. For this reason there might be a requirement to withdraw or recall goods in the market where the risk to the consumer is considered to be high. Under EU General Food Law, food and feed business operators that consider (or have reason to believe) that a food/feed which it has imported, produced, processed, manufactured or distributed does not comply with food/feed safety requirements must immediately initiate procedures to withdraw the goods in question and must inform the competent authority. Therefore a product withdrawal or recall system is a fundamental component of a company's safety management system.
19.1 K	A company must have a written system for product recall/withdrawal that can be invoked both within and outside of business hours, and is understood by all employees. The system must include a requirement to keep records of the incident, the assessment of the incident and the resulting remedial action. Where applicable, modification of the operating system should be made to prevent a further occurrence of the problem.
19.2 K	A company must have a simple written recall/withdrawal policy.
19.3 K	The company must appoint a suitably qualified person(s) to be in charge of co-ordinating the process.

19.4 K	Where goods are returned or the movement of goods halted as the result of instigating the recall/withdrawal procedure, those goods must be subject to a further quality control/risk assessment before either being disposed of or being returned to the market.
20.0	**Gafta Dispute Resolution Rules**
	Where the parties to the contract have agreed to refer any disputes to arbitration under Gafta rules, the GAFTA Dispute Resolution Rules are the key documents that the parties must follow. There are four separate dispute resolution rules provided under the Gafta contract terms. There are: - • Gafta Arbitration Rules, No.125 (See Part 3 – 'Rules'). These rules provide for both first tier, and second tier (Appeals) arbitration. • Gafta Simple Dispute Arbitration Rules, No. 126 (See Part 3 – 'Rules'). These rules provide first tier only arbitration, with no provision made for Appeals. • Gafta Arbitration Rules for Use with Charter Parties or Other Forms of Maritime Transport, No.127 (See Part 3 – 'Rules'). • Gafta Mediation Rules No. 128 (See Part 3 – 'Rules'). Note: see Part 3 - 'Annexes' for the Gafta Arbitration Code of Practice.

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