



COFFEE INDUSTRY CORPORATION LIMITED

Standing Conditions For A Registered Coffee Processor

1.0 INTRODUCTION

1.1 These Standing Conditions for Registered Coffee Processing Facilities are issued pursuant to the provisions of the Coffee Industry Corporation (*Statutory Functions & Powers*) Act 1991 ("CIC Act") as amended, to regulate the design, construction and operation of facilities for processing unprocessed coffee and to control the quality of the product of such facilities.

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 Coffee processing facilities are defined as premises used for the processing of coffee cherries into parchment where the designed capacity of the facility used for processing is 1 tonne per hour or more of cherry, and/or for the processing of parchment into green bean regardless of designed capacity.

1.4 Certification under the relevant provisions of the Act must be obtained

from the CIC before the owner/operator of a coffee processing facility or a proposed processing facility may proceed to build and/or operate the facility.

1.5 A grant of registration is conditional upon the observance of the provisions of the CIC Act and of the Conditions imposed by the grantee. Where one or more of the provisions of the Act and/or Conditions is not complied with, the CIC may, by written notice to the registered owner/occupier, cancel the registration of the processing facility concerned, whereupon the processing of coffee at the premises must cease immediately.

1.6 Registration is reviewed annually. Applicants who have obtained permission to build must show physical progress during the year and must meet all requirements laid down in these Guidelines. Failure to do so will result in refusal of permission to build or refusal of its renewal.

1.7 Registration as a processor under the CIC Act is not transferable without prior consent from the CIC.

2. CORPORATE DETAILS

2.1 New applicants will be wholly nationally owned PNG registered companies with preference given to broad-based grower shareholding.

2.2 In the event of foreign ownership, either wholly or in part, involvement of the foreign partner in coffee growing must be quantified and detailed

2.3 Corporate details that must be submitted by new applicants are:

- (a) Certificate of Incorporation and Copy of the Constitution.
- (b) List of shareholders and Directors and/or copy of share register.
- (c) Land title or lease agreement for factory site.
- (d) Clan Land Usage Agreement in the case of Customary Land.

2.4 For all existing registered processors with foreign shareholding, the provisions of the Investment Promotion Authority Act as it applies to overseas shareholding shall apply.

2.5 The IPA certification does not confer automatic entry and participation in the coffee industry as an operator without the CIC certification as provided for under the CIC Act.

2.6 Where coffee-processing facilities are leased to an operator, the operator must apply for registration as a registered processor and must comply with all relevant provisions. Full details of leasing arrangements must be submitted with the application.

3..0 FACILITIES

3.1 A building housing processing facilities must be constructed of permanent materials and must have the following features:

- (a) Office space.
- (b) Secure and be weatherproof.
- (c) Designed storage area for parchment and green bean physically separated from areas housing furnaces, dryers and machinery.

3.2 Minimum equipment requirements for Wet Factories shall be:

- (a) Water supply and pump reticulation system adequate for designed plant capacity.
- (b) Weighing bay appropriately built to weigh cherry coffee with internationally accepted scales and/or standard scales.
- (c) Receiving pit, washing and conveying channels and fermenting vats adequate for designed plant capacity.
- (d) Pulper with sieve and repasser adequate for designed plant capacity.
- (e) Kibu-type pump for washing and transferring coffee.
- (f) Drying facilities adequate for designed plant capacity.

3.3 Equipment requirements for Dry Factories shall be:

- (a) Hot air dryer adequate for designed plant capacity.
- (b) Huller-polisher adequate for designed plant capacity.
- (c) Grader-cleaner capable of separating pods and triage adequate for designed plant capacity.
- (d) Catador adequate for designed plant capacity.
- (e) Where smallholder parchment is to be processed, a destoner is to be installed ahead of the huller and densimetric tables at the output end of the line of machines adequate for designed plant capacity.
- (f) An approved combined huller may be substituted for the items specified in (b) and (d) above.

4.0 UPKEEP

4.1 It is essential that registered processing facilities are maintained in a clean, well-cared-for condition at all times. Husk and other debris must be stored or disposed of properly and the interior of factories maintained in a clean and tidy condition at all times.

4.2 Wet factories should be cleaned thoroughly each day whilst in operation and it is recommended that a high pressure water blast cleaner be used on machinery, vats and drains to remove buildup of cherry skin and mucilage.

4.3 Pulpers must be adjusted regularly and overhauled each season.

4.4 Vats and channels, if made of concrete, should be kept properly plastered and free of holes and cracks. It is recommended that these surfaces be kept coated with a heavy-duty epoxy paint. If vats and channels are made of steel then impervious surface coatings must be used and must be maintained in good order.

4.5 All registered processing facilities will be inspected randomly during the year and in November prior to re-registration that the provisions covering maintenance and cleanliness be observed at all time.

5.0 MANAGEMENT EXPERIENCE AND TRAINING

5.1 Management staff of a processing facility must have the necessary skills and experience to manage it. Where an employee is being trained, details of training courses must be provided.

5.2 Where, in the opinion of a Coffee Inspector, a key management staff does not have sufficient knowledge and skills to carry out their responsibilities, such staff must attend a CIC sponsored Certificate Course in Coffee Factory Management before re-registration can be considered.

5.3 It is mandatory for each registered processor to have at least one CIC Coffee Factory Management Certificate holder on staff.

6.0 FINANCIAL STATEMENTS AND CREDIT WORTHINESS

6.1 New applicants must show evidence of finance availability in the form of bank statements or letters of guarantee from bankers/financiers as required by the Corporation.

6.2 Applications for re-registration must show evidence of financial capacity.

7.0 PRODUCTION THROUGHPUT

7.1 New applicants must demonstrate that the proposed factory will have sufficient throughput to be economically viable.

8.0 SALES CONTRACT OBLIGATIONS

8.1 Registered processors must observe contractual obligations with both suppliers and exporters. Serious breaches will lead to immediate review of Registration.

8.2 A registered processor shall only sell to a registered exporter. Such sales must be accompanied by processing dockets specifying details.

9.0 QUALITY CONTROL

9.1 It is a condition of registration that all registered processors must observe the provisions of the PNG Standard for Green Coffee as amended.

9.2 Green bean produced in a registered processing facility must comply with the Standard. It is mandatory for all registered processors to observe the Minimum Quality Standard for Unprocessed Coffee as published from time to time in the National Gazette.

9.3 Coffee processed for a client must be accompanied by a Quality Certificate.

The onus is on the processor to accept or reject parchment brought in by a client in the same way as if the coffee was to be purchased.

- 9.4 Coffee which is of more than 11% moisture content must be dried before hulling.

10.0 POLLUTION CONTROL

- 10.1 Processors must provide on request written evidence of compliance with all requirements of the Department of Environment and Conservation as to pollution control including dust, noise and disposal of effluent/waste, as required.
- 10.2 Registered wet factories must have their skin/pulp separation system approved by the Corporation.

11.0 COMPULSORY RECORDS AND RETURNS

- 11.1 Regardless of whether or not any processing took place during the month, a Pro-forma "F" Return of coffee purchased and processed must be submitted by the 14th day of the following month.
- 11.2 Each month, a Coffee Buyer Record form is to be completed and submitted with the Pro-forma "F".
- 11.3 It is mandatory that an out-turn invoice or docket be issued in respect of any coffee milled for a client.
- 11.4 Exporters are prohibited from purchasing coffee which is not accompanied by such an invoice or docket.

12.0 NOTICE BOARDS

- 12.1 Each registered processor must display prominently at the factory door a strong painted plywood notice board of approximately 2m x 1m size to which CIC posters and information sheets issued from time to time must be firmly affixed.

- 12.2 Part of the notice board is to be used as a blackboard whereon daily buying prices are to be displayed for the information of growers.

13.0 REGISTRATION FEES

- 13.1 The following fees are payable:
- (a) Application Fee of K500 for a Permit to Build Certificate.
 - (b) An application fee of K500 for each "stand alone" processing facility.
 - (c) An application fee of K500 for a combined dry and wet processing facility.
 - (d) A Registration Fee of K1,500 for a dry factory.
 - (e) A Registration Fee of K500 for a wet factory.
 - (f) A Late Application Fee of K1,000 in respect of applications lodged after the closing date.
- 13.2 Application and late application fees are not refundable. Incomplete applications are treated as late applications.
- 13.3 In the event that an application is not successful, the Corporation shall refund registration fees which have been paid by the applicants.
- 13.4 Facilities will only be registered and issued with a processing license after the appropriate fee is paid.
- 13.5 All applications fees must be lodged with the CIC by 31st December each year.

14.0 TRADING IN STOLEN COFFEE

- 14.1 It is part of the condition for registration that licensees do not trade in stolen coffee, whether cherry, parchment or green bean.

14.2 Licensed processors caught trading in stolen coffee will be penalized as follows:

- (a) A fine of K2,000 to be imposed on first offenders by the CIC.
- (b) Repeat offenders will have their licenses withdrawn by the Corporation.

15.0 LICENSE CONDITONS

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

R M MITIO
Chief Executive Officer

October 2005