

CIS PANDL Services Ltd

P & I REVIEW – RUSSIAN FEDERATION
Prepared by Denis Shashkin
Deputy Manager of Novorossiysk Branch
CIS Pandl Services Ltd
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CONTENT

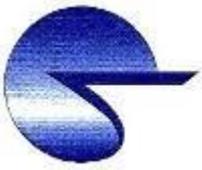
- 1. Aspects of quality and conditions the vessel should pay attention during loading of bulk agricultural products.*
- 2. Points to consider while arrangement of steel surveys in South Russian ports of Black sea.*

HEAD OFFICE

P.O.Box 54189.
Suite 102, 118 Anexartisias Str.,
3040 Limassol,
Cyprus
Tel: +357 (25) 763 340
Fax: +357 (25) 763 360
Email: ho@cispandi.com
Web: www.cispandi.com

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1. ASPECTS OF QUALITY AND CONDITION THE VESSEL SHOULD PAY ATTENTION TO DURING LOADING OF BULK AGRO PRODUCTS.

There are certain number of cases within the season of bulk grain products (barley, wheat, corn, etc.) loading from ports of Southern Russian Black Sea coast. In all of them the crew (Master and Chief officer) expresses concern upon quality of cargo based on their visual examination of a visible part of it. These are mostly foreign matters and impurities – components, becoming visible during loading on the top part (surface) of stacks of cargo in holds. Once the cargo in this case may look “bad” being “heavily contaminated” on appearance, in majority of the cases, in reality, it is not the case. While any concern of crew regarding, loaded cargo is appreciated and quite needed to establish and prevent risk of potential losses, they must still understand correct approach to such estimation of cargo. Especially, in this respect, difference between condition and quality parameters of this type of cargo must be clearly understood. The points which should be taken into consideration while any evaluation of risks are listed below.

Bulk Agricultural Cargo Condition.

Condition of cargo may become fundamental problem for vessel and this issue should be a first vessel’s concern. This parameter of cargo is usually easy and distinctive for determination visually. The cargo can be affected by vessel herself during carriage and therefore receivers of the cargo will then be able to prove the vessel’s fault while claiming for loss.

Most common damage in this case is the cargo affected by water and consequently mould and rot came into lumps, fermented/sprouted with distinctive intensive smell attributed to such cargo condition.

Examples of cargo affected by mould; sprouting and fermentation.



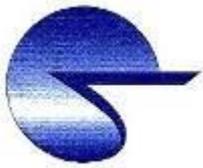
In case of the grains, affected cargo has its temperature excessively higher than usual (40 – 60°C against 8 - 25). It is understood that if consignees detect such condition of cargo in holds in disport, while the Bill

of Lading is marked as “clean on board”, they have ground to blame the vessel and claim accordingly.

Therefore, visual control for the condition of cargo with periodic measurement of its temperature and moisture content should be required from the vessel’s side. It is recommended to arrange onboard simple distance temperature measuring tool and moisture meter. This enables the crew to control important parameters of cargo for prevention of consequent claim. Brief assessment of moisture content can be done by hand as well. The testing cargo must be grasped in the palm and squeezed in fist forcedly and after the palm opening, normally dry cargo will flow out of palm freely, while the wet cargo (with moisture content more than 15%) will be remained in hand in clod - fully or partially.



Portable moisture meter showing excessive moisture content



Bulk Agricultural Cargo Quality.

Such issue is a set of parameters of cargo quality stipulated usually by contract between seller and buyer (in common: shippers and consignees). Such parameters determination requires equipment of a different complexity and cannot be determined visually. Most common list of them is: foreign matters content, broken kernels, admixtures, gluten, test weight, hardness, protein; impurities, immature/shriveled grains, weevilled grains, other edible grains, chemical composition (including aflatoxin), GMO and also moisture content. Tens of other parameters not listed above could be required/included in Certificate of Quality depending on sale contract. Such Certificate is issued by stipulated by contract superintending company (surveyors). A correspondence of actual quality of the cargo indicated in the Certificate are their responsibility in this respect.

View of the visible excessive contamination by foreign matters visible on top layer of the stack.



However, once the vessel's Administration may still be concerned upon the appearance of cargo, it must be understood that, quality itself for the cargo can be determined on the sample which should represent all the consignment. Details of sampling and quality determination particularly described in Rules issued by Grain and Feed Trading Association (GAFTA) based in London.

Such matter of representation of whole consignment is very important as usually the cargo is accumulated from different local producers and may vary at its quality in storage either at silo of the loading terminal or during loading directly from trucks.

Therefore, the cargo, visually looking "bad" and appeared to be not corresponding to required percentage by certain moment, will finally be in specification after the full consignment composite is analyzed.

Obviously, the vessel's crew is not able to check cargo quality

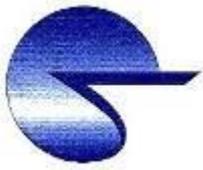
parameters and vessel's liability is limited for this issue by a standard Bill of Lading remark stating that the quality is not known to the vessel.

2. BASIC MOMENTS THE MEMEBERS SHOULD BE AWARE WHEN CONSIDERING SCOPE OF FINISHED STEEL INSPECTION IN RUSSIAN PORTS AT SOUTH RUSSIA.

Steel Cargo Condition.

While the correctly arranged cargo condition inspection is useful tool assisting Members to prevent a potential loss in disport, there is still point Members must be aware when concluding C/P for the carriage of steel from large Russian ports (Tuapse and Novorossiysk) on the Black sea.

There are number of cases when appointed surveyor acting on ship's Owner's behalf, while the cargo inspection, must ensure obligation of ship's Administration to arrange rejection of unsuitable cargo. Such operation is stipulated by C/P in respect of cargo determined as "non-conditional" or "unsuitable" cargo. While it can be theoretically possible under C/P, it is difficult to execute on practice. In case certain cargo unit is not to be loaded, Terminal operator require shipper's instruction in this case and will not accept Master request only. The description of damages of cargo which is not accepted (i.e. "unsuitable" or "not conditional") is not provided by charterers in details and therefore, factually, there is unlimited field for



endless disputes when shippers will insist that the cargo is in order, while the vessel wish to reject it. Shippers themselves, will never simply agree on such rejection, as in this case, these are their direct expenses connected with further storage of the cargo in the terminal's premises and its handling. Moreover, a commercial contract with consignees may limit possibility for shippers to reduce cargo quantity and therefore obviously, shippers will be hardly resisting in leaving part of consignment at the port premises. Therefore, if shippers will not simply issue any instructions to Terminal operator, the cargo will be loaded in any condition.

The Terminal in a meantime is, in most cases, not independent. In accordance with the Terminal's guiding documents* it accepts each cargo unit in appropriate condition from shippers (mill; producing plant, etc...) and if cargo is not in sound condition on arrival into Terminal's premises, the Terminal has a right to reject it. However, once the cargo has not been rejected by Terminal, it is considered sound and there are no grounds for vessel to reject it.

Therefore, the rejection of cargo for a vessel is time consuming with no guaranteed practical success, having said that this procedure is as well difficult for undertaking.

In this case Members are left with the only chance to correctly describe condition of each cargo unit and surveyor's assistance in such case is utmost required.

From our experience, there were no practical cases when the vessel left some cargo units unloaded at terminal's premises.

Based on the above, Members are recommended to consider the a.m. facts when entering into a C/P and provide such information for reference of their Partners on carriage.

Steel Cargo Quantity.

Another aspect of avoiding potential losses for a vessel in disport is a correct cargo quantity assessment. This becomes actual for ship's Administration from the beginning of loading of first cargo unit onboard. In accordance with Terminals guiding documents*, it is clearly advised that the vessel is to accept quantities of cargo (count per unit results) provided by terminal to the vessel each day of loading and finally upon its completion. Therefore, the vessel's crew should either arrange their own counting of cargo in order to be aware of the quantity loaded by each moment, and further compare figures submitted by Terminal with the ones received by crew or otherwise to accept loaded quantity declared by Terminal without any remarks or conditions.

The practice exists that Terminal's representative visit the vessel under loading operations each day (between 0730 and 1230) and require signing Terminal's daily set of originals of tally sheets (for cargo loaded within 24 hrs.) and summary of loaded cargo. Remarks on these documents are not accepted.

In case ship's Owners appoint independent surveyor to assist the ship's Administration determination quantity, the surveyor (or any other his representative, participating in tally counting process) should:

- provide ship's Administration with such daily quantity of cargo prior to the submission to Master the Terminal's documents (tally sheets and summary for loaded cargo);
- sign all Terminal's tally sheets during loading tally counting;

Terminal does not accept remarks into any documents (Bill of Ladings; Tally sheets ...) regarding quantity of units such as: "quantity as per shore tally"; "quantity said to be", "quantity per shippers declaration" ... or similar.

*Reference of Terminal is made to guiding documents "Code of Customs Novorossiysk port" and to "General Code and Conditions of Service of port of Novorossiysk".

Novorossiysk, March 2017