

Brazil October 16, 2014

The ability of a seller to provide POP at a certain stage of a transaction varies from industry to industry. Since sugar is the only product our supplier sells, we will try to explain POP options for Brazilian sugar.

During the sales purchase process invariably comes a time when the buyer wishes to know that he/she will receive the sugar they are ordering. It is important for the buyer and his agents to understand what POP is and what can reasonably be expected at various points of the purchase process.

Due to the current low sugar prices, sugar producers in most cases no longer produce sugar to be stored in a warehouse for buyers needing sugar for immediate shipment on a Fast Track basis. Instead production for each order begins after the buyer issues the financial instrument for seller / producer security. Since no sugar has been produced for the order prior to the acceptance of the financial security instrument, no POP can be supplied.

1. There is only one true or full POP. This full POP consists of the complete set of documents detailed in the SPA. These are the documents against which payment for each shipment is made. Full POP is only available after the vessel is loaded and in most cases has left the loading port.
The original documents are mostly sent to the buyer's bank and non negotiable copies are sent to the buyer. Agents or intermediaries do not receive any copies of these documents.
2. Partial POP normally only applies to sugar already in the warehouse. The sugar has already been produced and surveyed. In this case the seller may be able to provide one or several of the following certificates:
 - a.) Quantity or/and Quality survey certificates.
 - b.) Warehouse certificate

For most standard sugar orders, since the sugar has not yet been produced, the buyer should be looking for Proof Of Production Capability (POPC).

POPC may consist of one or more of the following documents:

1. CNPJ Registration / Federal Tax Number of the refinery.
2. CNPJ Registration / Federal Tax Number of the seller.
3. Allocation letter from the refinery to the seller referencing the contract (SPA) of the seller with the buyer.
4. Allocation letter from the refinery to the buyer referencing the contract (SPA) of the seller with the buyer.

POP & POPC documents are potentially valuable. These documents have been misused by some unscrupulous individuals. In order to protect the buyer and the producer / seller, most sellers will only issue POP or POPC after receipt of POF.

POP by SWIFT – Bank to Bank. Many buyers and agents are under the impression that banks are able and willing to exchange POP by SWIFT. This is simply not the case!

1. SWIFT does not lend itself to send documents. The SWIFT system is a "text only" system.
2. Banks are not a Postal Service or a Courier Service. They deal with money and financial instruments. The only other POP banks will process is Full POP if they have to process a payment for the shipped product.

3. Banks will not tell the buyer bank that the producer/seller will produce or deliver the sugar for any order. Since they do not own or operate the refinery or export house, they cannot vouch for the actions of others.
4. One exception is if the bank already has the Full POP documents which they have verified. In this case the sellers bank usually tells the buyers bank that they are in possession of the complete set of document for a specific shipment. The sellers bank will not send copies of any POP to the buyers bank by SWIFT or email. The original negotiable documents are sent to the buyers bank by bank courier, after payment is received.