European Bank
for Reconstruction and Development

Sub-sectoral Environmental and Social Guidelines: Warehouse Receipts Commodity Trading

PROCESS DESCRIPTION

Warehouse receipt programmes involve short-term renewable bank loans primarily to traders and processors of agricultural products in different countries of operations. The loans are intended for the temporary storage of agricultural commodities. Warehouse receipts allow agricultural producers and processors to obtain working capital by using agricultural products stored in licensed warehouses as collateral. The producer takes their goods to the warehouse which provides them with a receipt; the producer can then take that receipt to a financial institution in order to provide collateral for a loan. By storing the goods, the producer is able to ensure that they can gain the best market price for the goods rather than selling when there is available stock and the prices are low.

Warehouse receipt programmes are geared toward financing traders and processors of agricultural commodities such as grain, seeds or sugar (see separate dedicated guidelines e.g. Grain Mill Products, Sugar Processing, Animal Feed Processing). Goods are stored in secure, registered warehouses.

Commodity trading is an activity where the purchaser does not actually take physical receipt of the goods. Speculators will purchase the commodity based on the expected value of that commodity when it is produced and sold. This provides producers with money to invest in the commodity but the speculator retains any increase or decrease in value in the commodity between the time of purchase and the sale. Commodities are typically goods such as corn, soya beans, gold, crude oil.

The environment, health and safety impacts around commodity trading relate to the ability of any particular commodity producer to avoid the impacts associated with their commodity, such as, poor weather in the form of droughts, heat waves and frosts all of which can impact the quality and quantity of a grain harvest. In manufacturing sectors, avoidance of the impacts is likely a result of good environmental and health and safety management systems being adopted, implemented and maintained.

KEY ENVIRONMENTAL AND HEALTH AND SAFETY RISK/LIABILITY ISSUES

Handling and storage of materials

- Storage facilities may include silos, bulk storage tanks and drums, sacks and bags;
- Pollution risks to watercourses arise from spillages of chemicals used for preserving goods, and from oils and fuels used on site for heating and driving processes.

Flood and water ingress

Goods will be spoiled if water enters into a warehouse. Therefore, it is essential that any warehouse is secured against water ingress and flooding.

Pests and vermin

Storage of goods can attract pests and vermin and measures need to be in place to

ensure that warehouses are secure against pests to reduce the likelihood of goods being spoiled.

Collision Risks

In a warehouse environment with moving vehicles and people combined it can be common to have injuries where people are struck by moving or falling objects, such as, crates, boxes, equipment, and fork lift trucks, all of which can lead to injury.

Slips and Trips

There is a high risk of slips, trips and falls where poor housekeeping exists.

Dust and Aerosols

Dust may arise from storage, handling of goods:

- Workers may inhale or ingest the dust and aerosols exposing them to biological and microbial agents presenting a risk of occupational lung disease or asthma. When combined with high levels of humidity they may give rise to skin irritation or allergic reactions such as conjunctivitis and rhinitis;

- Dust clouds from any flammable material (such as grain or flour) may cause explosions where:

    - The concentration of dust in air falls within the explosive limits;

    - A source of ignition is present.

Dust emissions can be controlled by enclosing processing and transport equipment, which also reduces product losses and the installation of extraction equipment.

As well as potential explosions there is also the potential for fire if the commodities stored are flammable and/or there is poor housekeeping on site.

Manual Handling

Lifting, repetitive work and posture injuries occur as a result of lifting and carrying heavy or awkward shaped items (especially crates and sacks).

OTHER ENVIRONMENTAL AND HEALTH AND SAFETY RISK/LIABILITY ISSUES

Polychlorinated Biphenyls (PCBs) and Asbestos

- PCBS are a group of substances which are good electrical insulators and typically PCBs may be present as constituents of hydraulic oils or dielectric fluids in electrical switchgear and transformers. PCBs are an environmental and health and safety hazard and present a risk where PCBs if thy leak from equipment.

- Asbestos is a hazard to health. Asbestos has been used on a large scale for many years as fire proofing and insulation material and may be encountered in a wide range of forms including asbestos cement boards, as fire retardant gaskets in pipe work and as fire retardant insulation around boilers and furnaces. Particular attention should be paid to facilities constructed prior to the 1980s.

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Waste

In the warehouse receipts business, typical wastes are those that relate to spoiled product and discarded packaging. If not managed appropriately this waste may be a fire hazard; if it is not removed, it may contaminate product.

Working at Height

Storage warehouses will entail working at height which is a hazard.

Confined Space

Asphyxiation of employees can occur if employees enter confined spaces such as in silos storing grain. The grain will give rise to gases like carbon dioxide, potentially leading to employees losing consciousness.

KEY SOCIAL, LABOUR AND COMMUNITY RISK/LIABILITY ISSUES

Price Volatility

Nearly a third of the global population is dependant on the production of primary commodities, e.g. rice, cotton and copper. Commodity prices are highly volatile in the short term, sometimes varying by as much as 50% in a single year. Over the long term, prices for primary commodities have been falling relative to the prices of manufactured goods, making it increasingly expensive to invest in technology and purchase other finished goods. This price uncertainty complicates financial planning and environmental management for commodity-dependent countries and producers, deepening commodity dependence and widening existing inequalities.

OTHER SOCIAL, LABOUR AND COMMUNITY RISK/LIABILITY ISSUES

Dust

Movement of dry goods can result in the creation of dust which can be a nuisance to neighbours.

Transport

Delivery vehicles may cause traffic congestion or excessive noise.

FINANCIAL IMPLICATIONS

- Leaks to buildings could result in goods being damaged and their value impaired. This may result in claims against the company;
- Fire at warehouses could result in loss of storage and goods and commodities;
- Injuries may lead to increased payroll costs to replaced skilled workers;
- Fines, penalties and third party claims may be incurred for non-compliance with environment, health and safety regulations.

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IMPROVEMENTS

- Provide hard standing for vehicles, should be designed to prevent or contain oil or fuel leaks;
- Carry out handling of dust-generating materials in enclosed areas, with filter equipment where necessary;
- Upgrade storage arrangements to ensure leaks do not occur;
- Install secondary containment of tanks (bunds, for example) to prevent spills reaching the wider environment or the goods;
- Regular inspection of secondary containment facilities and fitting of alarms, where not regularly inspected;
- Segregate and recycle wastes;
- Seal buildings to determine pests and vermin and to prevent water ingress.
- Separation of people from moving equipment;
    - Ensure that the warehouse layout reduces opportunities for process activities to cross paths;
    - Install walkways to separate people from vehicle movements to reduce risk of collision;
- Maintain walking areas to ensure they are clean and dry and prevent slips and trips;
- Install mechanical lifting aids where possible and rotate work tasks to reduce repetitive activities;
- Provide personal protective equipment where people have to enter noisy areas;
- Restrict access to working at height or around the top of shelving. Ensure correct fall arrest systems are in place, such as, (guarding and harnesses);
- Install filter equipment to reduce the likelihood of explosion associated with dust build up;
- Ensure fire alarms are fitted to protect buildings and potentially fit sprinklers to buildings.

GUIDE TO INITIAL DUE DILIGENCE SITE VISTIS

- Look for signs of poor housekeeping, such as spillages and piles of empty packaging or spoiled goods;
- Check for evidence of leaks into the building or from bulk storage tanks;
- Check for evidence of vermin or vermin deterrents;
- Check security levels;
- Check whether people are wearing personal protective equipment;
- Check the signage around the site, does it convey what health and safety risks might exist in areas?

- Is fire fighting and first aid equipment available? Do management have an emergency response plan;
- Note the location and condition of oil and chemical storage areas. These should be located away from storage areas and have measures to contain spillages (for example, bunding);
- Have there been any recent incidents on site such as fatalities, fires/explosions, spills?
- Have there been any claims recently against insurance policy for damages and losses. What were the circumstances which led to these claims?
- Is the facility subject to any audits by customers? What was the outcome of these audits?
- Does the business plan have line items for Environment, Health and Safety improvements?
- Does the organisation have insurance in place to cover the recall of contaminated products? Have there been any recent product recall incidents? What other insurances does the company have in place?

Social, Labour and Community

- Check that labour standards, contracting and remuneration are in line with national law and are consistent with the average for the sector;
- Check that hours worked, including overtime, are recorded and staff should receive written details of hours worked and payment received;
- Check that wages and working hours are consistent with the average for the sector and national standards;
- Has the Company received inspections from the local labour inspectorate in the previous three years? Have these resulted in any penalties, fines, major recommendations or corrective action plans?
- Does the organisation have a grievance mechanism which allows employees to raise workplace concerns?
- Are employees free to form, or join, a worker's organisation of their choosing?
- Consider installing product traceability systems that facilitate tracing and recall of products once released for sale.

Take note/ask questions relating to any activities that address the improvements listed in the improvements section of this document.

ACTION PLANS

Dependent on the individual business, select appropriate improvements from the list above to include in the action plan. As a minimum any business should be required to have the following in place:

- Operational procedures to manage environmental, health and safety risks;
- Monitoring programmes for EHS;

- Improvement objectives, targets and project plans;
- Training for personnel;
- Regular inspections, checks and audits with records to demonstrate achievement of the required level of performance against legal requirements and improvement action;
- Emergency plans for environment, health and safety accidents;
- Management review/demonstrated involvement in environment, health and safety management.

REFERENCES AND ADDITIONAL SOURCES

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