This manual has been prepared by Doraliz Aranda, based on her experience in South America working in International Export Logistics for grain exports (sesame, soya, etc.), in developing textile markets in South America, on research and reviews of the literature, and results from workshops and conferences about this sector.

It has been written to try and provide a clear and concise summary of the main requirements and procedures for those lacking experience in negotiation, logistics or the documentation required for selling in the international market. It is meant to be a practical guide to introduce you to exports in as friendly a manner as possible.

This guide will help you find ways to make your company more visible, to help buyers find you, to organize the first delivery of goods, prepare and organize the documents required and the best ways to negotiate and manage your payments and costs.

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PART I – PREPARATION

1.1. National Regulations

It is important to begin by researching the rules and regulations in your own country concerning exporting products, and specifically to find out if your product categories have sub-regulations of their own. When we decide to sell goods in the international market there are basic things we have to know. First are the regulations in our own country about the products we are selling: taxes, special procedures, and documents required by customs, and all rules and regulations that exist at the moment of sale. Having this information will allow us to be prepared to meet all the requirements and to plan the time required to undertake the operation.

Usually the government requires that a company or individual trader be registered as an exporter, issues an official invoice, declares trading accounts for tax, and has a warehouse and/or office open for inspection. For food products there will be requirements such as registration and control by the health authority, and requirements of the country of origin.

Becoming up to date with these conditions can take time, but it allows you to be able to send products to another country without a lot of inconveniences. Requirements can vary from country to country; some are stricter or have more regulations than others.

It is important to be part of a Chamber of Commerce or similar association or trade body, where advice is available and where price and other information can be found.

1. Research regulations
2. Join Chamber of Commerce
3. Explore information bodies and subscribe.

1.2. The Customers

It is possible to find intermediaries, brokers, and traders in the market, but sometimes the best way to sell is through direct contact with the customer. To do this, you need to know where they are, how to find them and how to deliver to them in the right manner.

In international marketing, one of the most useful tools is a website with very clear information and pictures illustrating your production and capacity. Information about deadlines, minimums and shipment times is vital to include.

It may be easier to identify customers and targets by direct contact with an organization that has expertise in the same area or sector. They can provide information about companies or contacts that could be interested in your product. It is not always possible to find someone who will provide honest and reliable information free of charge, therefore, consider memberships in organizations that are working in the field and that can provide vital information about the best trade shows, suggest conferences and keep you updated about the sector.

Participating in conferences and having displays in key exhibitions and trade fairs in your sector are crucial to finding clients with the profiles that you need for your company. Many potential customers will go to exhibitions to learn about trends and innovations offered in the market and to find new suppliers for their stores.
1.3. The Competition

Before quoting prices for products, it is worthwhile to see how the market is working in the areas where business will be conducted. Information on the market might be available from NGOs or trade bodies working in the sector or through local institutions that offer services or provide databases about the export sector. Using these can help identify your direct competitors, their prices or the volumes they are selling. Looking at your competitor’s prices, and the way they are offering the same products, will allow you to review your own capacity compared to others in the same country or even overseas.

Another strategy is to become a member of a Chamber of Commerce. This allows you to network with other members and to exchange important information about the market. Sometimes, differentiation through price is not the most important issue if we are able, for example, to offer the same product with extra values or quality thanks to new technology, a better processing system or better packaging. Of course, this could mean a differentiation in the price if the customer recognizes and gives value to the extra work but all these points are negotiable when you research the market continuously and identify the differences with your products.

Consider increasing your ability to negotiate by gaining access to global market information and identifying problems such as weather or shortages in other regions. Being a member of an international organization could allow you receive regular information about the market in general.

Another aspect to be considered is the logistics service you could give to your customers. For example, being able to deliver before others could be crucial in the high season for your client, or being able to avoid problems in connections compared to your competitors. If you might be affected by these issues, careful planning and knowledge of these problems is also essential.

be able to meet them. If you will be able to offer a higher specification, you might be able to ask for a better price.

The basic points to agree on first are the price, the deadline, the quality specifications, the payment mechanisms and timing, the packaging and the total volume. These items need to be very clear to both sides. Before signing a contract it is advisable to check all the items again to see if everything is correct.

Regarding the contract, it is often not possible for both parties to agree on all the points immediately. The customer might make a “Counter Offer”, and if the seller agrees it is called “Acceptance.”

The following points are the contract or Confirmation of Order.

Conclusion

In deciding to sell a product on the international market, it is convenient to analyse and know the national regulations, the advantages and disadvantages you will have to face during the shipment, tax payments, registration and the demands or legislation for your product in the receiving country. This is possible when you research regulations or you are part of a Chamber of Commerce.

Evaluating the competition in terms of location, price, quality and packaging is always strategic and you must plan carefully where and how to contact the buyer. This is easier when you have clear ideas of your profile, your strengths and weaknesses in order to offer your product and negotiate possible contracts. A good negotiation does not mean saying YES to the first opportunity. It is better to make counter offers when you disagree with some terms. This will provide you with better information on the needs of your customers and your own capacity to meet the requirements.
PART II – TRADE TERMS

Incoterms 2000 (International Commercial Terms)

Incoterms are the international commercial terms that define and clearly allocated responsibilities, costs and risks of international transport and insurance, for both the exporter and the buyer.

Each contract contains what is referred to as Incoterms (international rules for the interpretation of trade terms). The Incoterm selected by the merchant for the transaction, determines who will pay the cost of each segment of the transport, who is responsible for loading and unloading of the goods and who bears the risk of loss in a given time for international shipment. The Incoterms also influence the value of goods imported through a customs office.

Incoterms are overseen and administered by the International Chamber of Commerce in Paris and are accepted by the major trading nations of the world.

Revisions have been published in 1953, 1967, 1976, 1980 and 1990. The INCOTERMS 2000 are the current modification of the standard.

2.1. Four Important Components of the Incoterms

Delivery: The terms of delivery of the goods specifying when and where they are delivered and how verification will be made that good have been delivered.

Risks: The Incoterms eliminate any uncertainty regarding the point when the risks are passed from the seller to the buyer.

Expenses: The seller must bear the costs incurred by the goods until such time as, under the contract, delivery of the goods is verified.

Documents: The Incoterms’ specific provisions with regards to obtaining the necessary documentation for export and for receipt at destination (certificates of origin, consular invoices, etc.).

2.2. Trade Conditions and Definitions

There are 4 groups: E-Terms, F-Terms, C-Terms, and D-Terms.

The E-Terms: The seller, at their warehouse, makes the goods available to the buyer.

EXW - Ex-Works: In Factory.

The F-Terms: The seller delivers the goods to the means of transport determined by the buyer, without payment of the main transport.

FCA – Free Carrier: The seller delivers the goods, cleared for export, to the carrier named by the buyer. If the buyer desires a different person than the carrier to receive the goods, it is considered that the seller has fulfilled their obligation to deliver the goods when they were delivered to that person.

FAS – Free Alongside Ship: This means that the seller delivers when the goods are placed alongside the vessel at the port of shipment. The buyer bears all risks and expenses from that moment; this clause requires the seller to ship the goods to customs for export.

FOB - Free On Board: This means that the seller is considered to have delivered the goods when the goods pass the ship’s rail at the port of shipment, and from that point responsibility is passed to the buyer. The seller must clear the goods for export at customs. This is used for maritime transport or the term FCA should be used.

CIF - Cost, Insurance and Freight: The seller is considered to have delivered the goods when they pass the side of the ship at the port of shipment. The seller must pay for the costs and freight necessary to bring the goods to the port of destination, but the risks of loss or damage to goods, as well as any additional cost due to events occurring after the time of delivery, are transmitted from the seller to the buyer. This term is used for maritime transport; otherwise the term CPT is used (see below).
the seller or arrange their own additional insurance. This is the term used in shipping. If the parties do not intend to deliver the goods at the time they pass the ship’s rail, the term CIP should be used (see below).

**CPT - Carriage Paid To:** The seller delivers the goods when available to the carrier they have appointed. The buyer must pay the costs of transportation necessary to bring goods to the destination. This means that the buyer bears all risks and any other costs incurred after the goods have been delivered. The risk is transferred when the goods have been delivered to the first carrier.

**CIP - Carriage and Insurance Paid To:** The seller delivers the goods when available to the carrier they appoint and must pay the costs of transport to the final destination. The seller must also obtain insurance against the risk to the buyer for any loss or damage of goods during transport. The seller pays the insurance premium and, under this term, should get only minimal insurance coverage, leaving the buyer responsible for supplementary insurance against higher risks under explicit agreement with the seller.

**The D-Terms:** Seller assumes all responsibility for the goods to destination.

**DAF - Delivered At Frontier:** This means that the seller delivers the goods cleared for export and available to the buyer in the means of transport required, not unloaded, but without import clearance at an agreed border point and before the customs border check of the neighbouring or entry country. The term “border” may be used for any frontier, including the country’s export border. Therefore, it is vitally important to define exactly what the border is and to always designate the point and place in the terms of the contract.

**DES - Delivered Ex Ship:** This means that the seller delivers when the goods are placed at the disposal of the buyer on board the ship, not cleared for import into the port of destination agreed upon. The seller must bear the costs and risks incurred by carrying the goods to the port of destination and this must be agreed on prior to discharge. If the parties wish the seller to bear the costs and risks of unloading the goods, then the term DEQ should be used (see below).

**DEQ - Delivered Ex Quay:** This means that the seller delivers when the goods are placed at the disposal of the buyer, ready for import but without dispatching, to the quayside at the port of destination agreed upon. The seller must bear the costs and risks caused by delivering the goods at the port of destination and agree to unload the goods on the quayside. The term DEQ requires the buyer to clear the goods for import and to pay all formalities, duties, taxes and other charges relating to import.

**DDU - Delivered Duty Unpaid:** This means that the seller delivers the goods to the buyer, but not cleared for the value of the goods, and not unloaded from the means of transport used at the country of destination. The seller must bear all the costs and risks caused by delivering the goods to that place, where relevant, and pay any “duty” including: liability and the risks of carrying out customs formalities and payment procedures, customs duties, taxes and other charges due for import into the country of destination. Such “duty” lies with the buyer as well as any cost and risk caused by failure to clear the goods for import in time.

**DDP - Delivered Duty Paid:** This means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from the means of transport used at the agreed destination.

The seller must bear all the costs and risks incurred by carrying the goods to that place, including, where appropriate, any “duty” (a term that includes the responsibility and risks of carrying out customs formalities and the payment of formalities, customs duties, taxes and other charges) for import into the country of destination.

While the EXW term represents the minimum obligation for the seller, DDP represents the maximum obligation. This term should not be used if the seller cannot, directly or indirectly, obtain the import license.

**Conclusion**

There exist a number of “Terms of Trade” that allow you to plan the best way to deliver the products to your customer and plan for the costs. The “Terms” could end your responsibility at the warehouse or see you assume all the responsibilities until the destination warehouse, but these Incoterms depend basically on the trust that both sides have in each other. Usually the “Terms of Sale” and the “Terms of Payment” are negotiated together. It is convenient to share the risks and, when the negotiation is new, to begin with an FOB sale. Depending on the profile and how the customer meets their payments the next sale could use another Incoterm but, it is important to know each other for at least a year before taking more risks with the costs.
3.1. The Contract

A contract is an agreement or an exchange of promises between two or more parties to do or refrain from actions which are enforceable in a court of law. The contract is the main part and result of all negotiations. It has many items where agreements and promises are made and which buyers and sellers must fulfill. These will include all the customers’ requirements regarding the goods and products as well as shipping dates. The document must be agreed to by both sides, and you should make sure you are not asked, and that you do not agree, to anything you know you cannot fulfill.

Contracts can take different forms, for example, in the case of grains, sometimes the price is agreed in advance, but in other cases it is fixed on the market price at the time of shipping.

All the items in the contract must be examined very carefully by both sides according to the capacity of the supplier and according to the needs of the customer.

In the contract it is very important to clarify and define the “Trade Terms,” prices and price changes, “Deadline Terms,” “Breach of Contract” issues, “Settlement of Dispute” mechanisms, “Applicable Law,” and so on. These terms should be agreed to and clarified clearly by both sides. They are usually listed on the reverse of the contract document.

### Examples 1

**CONTRACT**

Name of the Buyer, Address, Contact Person, Phone no., email

…… Buyer confirms the purchase from ‘Name of the Seller’ of the following:

<table>
<thead>
<tr>
<th>Seller Name and more details</th>
<th>Date: Oct 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact Person:</td>
<td>Contract No.</td>
</tr>
<tr>
<td>Product Description: Organic Soybeans Food Grade</td>
<td></td>
</tr>
<tr>
<td>Quantity: 18 MT</td>
<td>Price: CFR Madrid USD 23.910</td>
</tr>
<tr>
<td>Total Amount: 23.910</td>
<td>Packing: Container Bulk</td>
</tr>
<tr>
<td>Technical Specification</td>
<td></td>
</tr>
<tr>
<td>Admixture Max %</td>
<td>Moisture %</td>
</tr>
<tr>
<td>Other Items %</td>
<td></td>
</tr>
<tr>
<td>No Residue of the following pesticides ....................................under detect</td>
<td></td>
</tr>
<tr>
<td>Time of Shipment: March 2009</td>
<td>Por of Load</td>
</tr>
<tr>
<td>Inspection: Weight and Quality by Independent Surveyor</td>
<td>Por of Dest</td>
</tr>
<tr>
<td>Insurance: To be cover by the buyer</td>
<td>Other Terms and Cond</td>
</tr>
<tr>
<td>Documents Required for Payment</td>
<td>Confirmation of samples</td>
</tr>
<tr>
<td>Invoice 1 Original</td>
<td>Payment Term:</td>
</tr>
<tr>
<td>Packing List 1 Original</td>
<td>Cash Against Document</td>
</tr>
<tr>
<td>Signature of the Seller</td>
<td>Bank Details for the wire</td>
</tr>
</tbody>
</table>

Signature of the Buyer
In the case of sales of small volumes or value a document called “Confirmation of Sale” will be required that the seller sends with all the basic details of the “Purchase Order” sent by the buyer.

None of these documents are valid without a signature by both parties: the buyer and the seller.

**Confirmation of Sale or Purchase Order.**

<table>
<thead>
<tr>
<th>NAME OF THE COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document No.</td>
</tr>
<tr>
<td>Mr.………</td>
</tr>
</tbody>
</table>

We confirm your order of good with the following conditions and terms:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity</td>
<td>Quality</td>
</tr>
<tr>
<td>Unit Price</td>
<td>Total Amount</td>
</tr>
<tr>
<td>Lot No.</td>
<td></td>
</tr>
</tbody>
</table>

Shipping Date  Destination

Terms of Payment

Insurance

Conditions: FOB, CIF

Accepted by……….  

None of these documents are valid without a signature by both parties: the buyer and the seller.
3.2. Bill of Lading (BL)

A transportation company or carrier issues this document to a shipper. The Bill of Lading shows that the goods have been received by the carrier on the date specified in the document, and it acts as proof of title and ownership of the goods. It is transferable by endorsement. A Bill of Lading indicates the particular vessel on which the goods have been placed, their intended destination, and the terms for transporting the shipment to its final destination.

The most frequently used terms are:

a) **Shipped on Board**: This means that the goods have been received on board and are ready to be delivered.

b) **To the Order**: The owner of the goods, namely the keeper of the BL, can transfer by endorsement, in name, to the order of another firm.

c) **BL to the Bearer**: The document does not indicate the consignee, the holder of the BL is considered, for all legal purposes, as the owner of the goods.

d) **Consigned to a Company**: “To order of Shipper”. In this case, the shipper can transfer the goods by a simple endorsement.

e) **Through BL**: This is used when the shipping is undertaken by more than one carrier. Then one of the documents can cover the whole expedition and is called, Through the BL.

d) **Local BL**: Used in the case of domestic maritime transport.

e) **BL Without Transhipment**: When transhipments are unlikely.

   a) **Transhipment Bills**: If the entire route is carried out by sea.

   b) **Through Bills**: When transportation by sea is only one part of the trail (the other can be waterway). These are used as an alternative to the Combined BL.

3.3. Invoice

An invoice is a commercial document sent by the seller to the buyer. In this document you specify, according to the payment terms and in the currency agreed, the FOB cost and the total cost according to the conditions of the shipment. The total cost is where you specify the kind of Incoterm negotiated and the port of destination, for example, CFR Alicante, followed by the amount of money owed.

In this document are also indicated the products shipped, their quantities, packing per bale or bag and net and gross weight.

![Invoice Example](image-url)
3.4. Packing List

This is a document sent by the exporter which specifies all the information detailed in the invoice, such as the goods, numbers of bags or boxes or packaging types, and the full description of the products inside the packages and the weight or average weight of each package.

This document is extremely important for those cases where customs agents need to make a physical check of the containers or packages or to help the customer to check the goods once they arrive at the warehouse.

The packing list layout and dating should be similar to the example below:

Examples 4

![Packing List Example](image-url)
3.5. Certificate of Origin

The Certificate of Origin must be completed by the exporter through the customs agent or the institution dealing with official registration. This is the document that certifies the country of origin of the goods.

Certificates of origin are documents used to substantiate the origin of the goods manufactured in the country, while confirming that they meet the origin criteria set by the countries you are going to export to, with the goal of obtaining tariff preferences or reductions to importers in the countries of destination. They contain almost the same information detailed in the invoice.

**Examples 4**

![Certificate of Origin Example]

**Conclusions:**

It takes time to become accustomed to the documents necessary for trading. It is possible the first delivery or two will take more time as you learn the uses and the best way to complete these forms, including the way to send to documents to customers to ensure timely payment.

Basically, the main documents are: Invoice, Packing List, Bill of Lading, Certificate of Origin and for organic crops, Transaction Certificate.

In the contract the customer specifies how many copies and originals will be required for payment. If the customer asks you for more than one original please make sure it is possible for you to fulfill this requirement, especially where payment is done through a Letter of Credit.
PART IV - LOGISTICS

4.1. The Condition of Containers or Trucks

The quality and cleanliness conditions required for the transport of food are always very high in terms of cleaning and protecting against the external environment and contamination by other products. When booking containers or transport it is extremely important to demand the following requirements:

1. Completely clean and dry inside.
2. Properly painted.
3. All the parts of the doors to be clean and safe.
4. Properly closed and without holes.
5. It should not have previously contained citrus fruit, rubber or certain chemicals.
6. The number of the container clearly visible outside.
7. Container should not be flattened, as this could cause accidents.
8. The container should not be old.
9. No rust.
10. It is recommended to put paper at least on the floor to protect the product.

4.2. Container Sizes

There are three sizes of containers most commonly used, but the weight and the sizes of the container will depend on the kind of products to be shipped, the volume you are planning to send and also depending on the buyer’s capacity to unload the container. The freight cost is variable depending of the size of the container you contract for. It is very important that bales, packages or containers are well organized inside in order to make the most of available capacity.

Some organic products are transported in refrigerated containers to protect them from insect reproduction. The temperature that this container must be cooled to depends on the kind of product.

On the next page you will find some very important information about the sizes and the capacity of each kind of container.

Many grains are fumigated after loading to protect them during the transport. When the product is organic it is best to ask the vessel to transport the container under the water line in order to protect the product from humidity, rain or heat, as this part of the vessel has a temperature that is more stable.
**LOGISTICS: Container Sizes, continued...**

### STANDARD CONTAINERS:

<table>
<thead>
<tr>
<th>Standard 20'</th>
<th>inside length</th>
<th>inside width</th>
<th>inside height</th>
<th>door width</th>
<th>door height</th>
<th>capacity</th>
<th>tare weight</th>
<th>maxi cargo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19'4&quot;</td>
<td>7'8&quot;</td>
<td>7'10&quot;</td>
<td>7'8&quot;</td>
<td>7'6&quot;</td>
<td>1.172CuFt</td>
<td>4.916lbs</td>
<td>47.900lbs</td>
</tr>
<tr>
<td></td>
<td>5.900m</td>
<td>2.350m</td>
<td>2.393m</td>
<td>2.342m</td>
<td>2.280m</td>
<td>33.2CBM</td>
<td>2.230Kg</td>
<td>21.770Kg</td>
</tr>
<tr>
<td>Standard 40'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>39'5&quot;</td>
<td>7'8&quot;</td>
<td>7'10&quot;</td>
<td>7'8&quot;</td>
<td>7'6&quot;</td>
<td>2.390CuFt</td>
<td>8.160lbs</td>
<td>59.040lbs</td>
</tr>
<tr>
<td></td>
<td>12.036m</td>
<td>2.350m</td>
<td>2.392m</td>
<td>2.340m</td>
<td>2.280m</td>
<td>67.7CBM</td>
<td>3.700Kg</td>
<td>26.780Kg</td>
</tr>
</tbody>
</table>

### HIGH CUBE CONTAINERS:

<table>
<thead>
<tr>
<th>HIGH CUBE 40'</th>
<th>inside length</th>
<th>inside width</th>
<th>inside height</th>
<th>door width</th>
<th>door height</th>
<th>capacity</th>
<th>tare weight</th>
<th>maxi cargo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>39'5&quot;</td>
<td>7'8&quot;</td>
<td>8'10&quot;</td>
<td>7'8&quot;</td>
<td>8'5&quot;</td>
<td>2.694CuFt</td>
<td>8.750lbs</td>
<td>58.450lbs</td>
</tr>
<tr>
<td></td>
<td>12.036m</td>
<td>2.350m</td>
<td>2.697m</td>
<td>2.338m</td>
<td>2.338m</td>
<td>76.3CBM</td>
<td>3.970Kg</td>
<td>26.510Kg</td>
</tr>
</tbody>
</table>

### REFRIGERATED CONTAINERS:

<table>
<thead>
<tr>
<th>Reefer 20'</th>
<th>inside length</th>
<th>inside width</th>
<th>inside height</th>
<th>door width</th>
<th>door height</th>
<th>capacity</th>
<th>tare weight</th>
<th>maxi cargo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17'8&quot;</td>
<td>7'5&quot;</td>
<td>7'5&quot;</td>
<td>7'5&quot;</td>
<td>7'3&quot;</td>
<td>1.000CuFt</td>
<td>7.040lbs</td>
<td>45.760lbs</td>
</tr>
<tr>
<td></td>
<td>5.425m</td>
<td>2.275m</td>
<td>2.260m</td>
<td>2.258m</td>
<td>2.216m</td>
<td>28.3CBM</td>
<td>3.200Kg</td>
<td>20.800Kg</td>
</tr>
<tr>
<td>Reefer 40'</td>
<td>inside length</td>
<td>inside width</td>
<td>inside height</td>
<td>door width</td>
<td>door height</td>
<td>capacity</td>
<td>tare weight</td>
<td>maxi cargo</td>
</tr>
<tr>
<td></td>
<td>37'8&quot;</td>
<td>7'5&quot;</td>
<td>7'2&quot;</td>
<td>7'5&quot;</td>
<td>7'0&quot;</td>
<td>2.040CuFt</td>
<td>10.780lbs</td>
<td>56.276lbs</td>
</tr>
<tr>
<td></td>
<td>11.493m</td>
<td>2.270m</td>
<td>2.197m</td>
<td>2.282m</td>
<td>2.156m</td>
<td>57.8CBM</td>
<td>4.900Kg</td>
<td>25.580Kg</td>
</tr>
<tr>
<td>Reefer High Cube 40'</td>
<td>inside length</td>
<td>inside width</td>
<td>inside height</td>
<td>door width</td>
<td>door height</td>
<td>capacity</td>
<td>tare weight</td>
<td>maxi cargo</td>
</tr>
<tr>
<td></td>
<td>37'11&quot;</td>
<td>7'6&quot;</td>
<td>8'2&quot;</td>
<td>7'6&quot;</td>
<td>8'0&quot;</td>
<td>2.344CuFt</td>
<td>9.900lbs</td>
<td>57.761lbs</td>
</tr>
<tr>
<td></td>
<td>11.557m</td>
<td>2.294m</td>
<td>2.500m</td>
<td>2.294m</td>
<td>2.440m</td>
<td>66.6CBM</td>
<td>4.500Kg</td>
<td>25.980Kg</td>
</tr>
</tbody>
</table>
4.3. Contracting the Cargo

Each country has many kinds of companies dealing with maritime transport. Before contracting, there are important items to know. For example, the days required to reach the destination, the number of required connections, possible port delays, freight costs, the general service and frequency of sailings, port procedures, the quality of the office service in preparing documents such as the original Bill of Lading, document consolidation, and if the container lots will be shared with other products. It is possible to find out all these things either after a first order or by asking contacts already working with that company. The important thing is to offer the right facilities to the buyer and to pass responsibility to them as soon as possible.

Usually when you agree with a Company to carry the goods, they will have to send you the “Booking Confirmation” with a manifest clearly showing the container number, how many containers are available for you, the port of shipment, the date of shipping, and the time you need to have your goods at the point of loading and ready for customs clearance.

Conclusions

Organizing the goods properly inside the container allows you to increase the weight transported, although the shipping company will specify the maximum weight for every container for security reasons.

Not only size but the quality of the container should be checked. Remember, transporting food or goods may take a long time, and checking the condition of the container is crucial. The quality of the goods on arrival at the port of destination will define the acceptance or the rejection of the product by the buyer.

When the product is organic, fumigation is not usually allowed. You should check with your certification body about what kind of treatment is allowed on the goods to protect them from pest problems that could develop during transport. The same question can be put to the customer, always aiming to protect the quality of the goods.

Try to learn as much as you can about the service provided by the maritime company contracted for the shipment.

PART V – PAYMENT TERMS

Best Payment Systems for Small and Medium Size Companies

5.1. CAD - Cash Against Documents

Once the original documents arrive in the hands of the buyer, they must pay the total value of the purchase. Usually, the documents demanded are the original documents made up during the export procedure such as: invoice, bill of lading or air waybill, certificate of origin, organic certification, quality and weight certification, and packing list.

5.2. Payment In Advance

Depending on the kind of negotiation, or according to the degree of trust on the part of the buyer, it is possible to ask for payment in advance in order to decrease the risk to the seller. The advance payment could be 50% or more depending on the agreement. For those cases where the payment is not 100% in advance, the balance should be paid when the shipment is made.

5.3. Letter of Credit (L/C)

A buyer requests this from their bank to guarantee that the payment for goods will be transferred to the seller. This system has advantages such as fast payment and credibility but there are disadvantages. For example, if the seller does not take care of all the details, it could be difficult to receive payment through the bank. In order for payment to occur, the seller has to present to the bank all the necessary shipping documents confirming the delivery of goods. It is always important to check all the details to make sure that it is possible to meet the specified terms and required procedures before opening the L/C. The L/C is used to eliminate risks such as unfamiliarity with the foreign country, customs, or political instability.

The most important points to be read carefully before opening the L/C and confirming it are:

1. Name of the seller and the details.
2. Port of shipment
3. Port of destination
4. Deadline for shipment
5. Documents required (originals and copies) and all the details asked for in every document, the product and quality required, the deadline for presenting the documents and other conditions asked by the buyer.
5.4. Types of L/C

Irrevocable L/C: The most commonly used. This is a letter of credit that can’t be cancelled. It may also be used if the issuing bank is of unknown or of doubtful standing to the seller. This guarantees that a buyer’s payment to a seller will be received on time and for the correct amount. It bears the further payment undertaking of another bank, usually the advising bank, called the Confirming Bank.

Revocable L/C: A letter of credit where payment is guaranteed as long as the seller meets all conditions stipulated.

Confirmed L/C: This L/C is used frequently. If you have reasonable doubts about the bank that opened a letter of credit for your benefit, the letter of credit should be confirmed in a bank and country that are familiar to you.

Unconfirmed L/C: A type of letter of credit bearing the obligation of the issuing bank only, not of any other bank.

Transferable L/C: A document that allows the first beneficiary on a standby bank assurance of funds to transfer all or part of the original letter of credit to a third party.

Revolving L/C: The amount of this L.C. is automatically renewed or received when certain conditions are fulfilled.

There are other kinds of L/C not commonly used such as Escrow L/C, With Recourse L/C, and Without Recourse L/C.

• Depending on the season, the seller can face problems with the transport for political reasons, because of protests, problems with river vessels in dry seasons, road conditions during rainy seasons, and so on. It is important to have an alternate plan for these cases, especially when you have a deadline or if the customer cannot accept delays.

• An important strategy is to agree to special freight costs with two companies. The seller never knows the possible scenarios during a given period or the problems that the transport company could be facing in the future. Agreements with more than one transport company can help avoid delays or other inconveniences.

• The usual documents required are: contract, invoice, BL or AWB, packing list, certificate of origin, quality and weight certificate, organic certificate and transaction certificate. These documents are sufficient to receive payment. However, in the case of a Letter of Credit it is important for the customer to know, before opening the LC at the bank, that the seller is able to provide all documents and has meet quality requirements.

• The contract is the beginning of all negotiations and is essential during the transport process. This document can make the difference on whether the customer accepts or rejects the product at destination. It should be clear and simple to understand and also checked to ensure all clauses can be met. Exports are costly and problems can be avoided if expectations are understood by both parties.

• The Terms of Trade such as FOB, CIR, CFR or others should be according to the capacity of the seller and the transport available to meet each agreed term. The more a seller can offer in terms of understanding in these areas and the capacity of support available, the happier the buyer will be.

• Payment terms are critical to the seller, and the different methods of payment available are outlined in this guide. Usually, the seller can agree to receive partial payment in advance allowing risks to be shared and can facilitate management of the costs of export.

PART VI - CONCLUSIONS AND RECOMMENDATIONS

• Logistics for export can be understood. It is important to have clear communication and understanding with the client and to know in advance the usual requirements of the market where the products are being sold. The best reference is always the customer, who may already be importing, and is best placed to help with questions about the logistics and requirements for their market.

• When export is part of your day to day business it is vital to have a knowledge of the current regulations or laws in the country of origin of the product being transported. Many times there exist special requirements or documents that are important to know in advance in order to avoid delays or extra costs at the port.
SOURCES


Online Sources:


Container Size:  http://www.srinternational.com/standard_containers.htm