

Module 5: Trade Operations and Documentations

Online Session 4/6

Getting tuned to Operational issues in international business

Six Months Certificate Training Program on “Agri-Export and Import Management”

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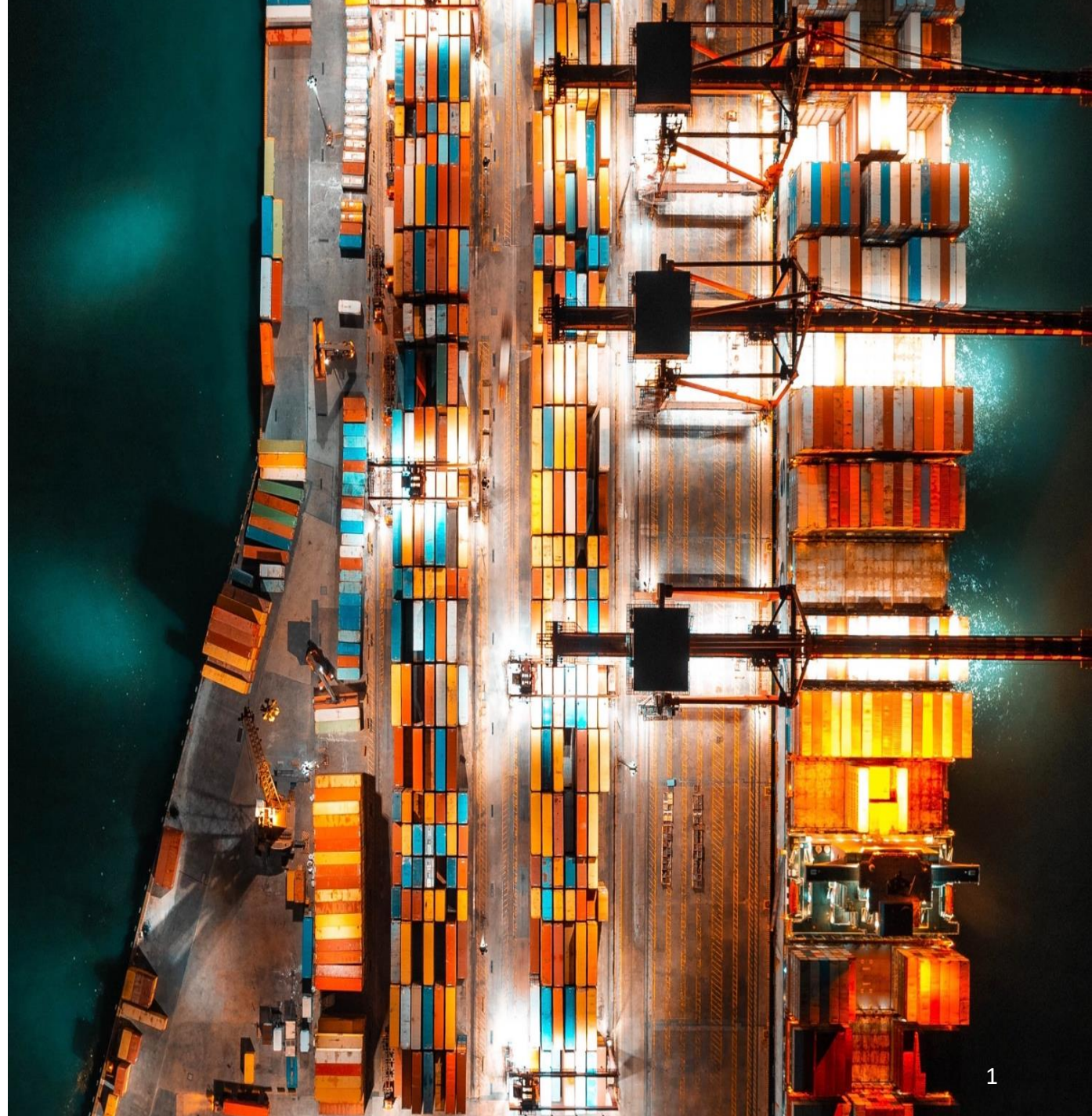
Organized By: “Indo-German Cooperation Project on Agricultural Market Development”

Knowledge Partner: CCS National Institute of Agricultural Marketing

Supported by: Agricultural and Processed Food Products Export Development Authority

Date: 11 February 2023 | Time: 10:00 – 11:30 Hr

11 Feb 2023



Module 5: Session 3: Drafting an export sales contract; Negotiating suitable INCO Terms



Session 1	Step by Step Process of getting started in Export – Import
Session 2	Clear understanding of export – import documentation
Session 3	Drafting an export sales contract; Negotiating suitable INCO Terms
Session 4	Getting tuned to Operational issues in international business
Session 5	Procedure for clearance of export – import cargo; Duty assessment and payment of import cargo
Session 6	Export clearance and Incentive assessment

Getting tuned to Operational issues in
international business
(अंतरराष्ट्रीय व्यापार में परिचालन संबंधी
मुद्दों के साथ तालमेल बिठाना)

Brief Outline of Module 5: Session 4

1. Challenges in International Business and Overcoming the same
 - A. Common Challenges in International Business
 - B. Challenges faced by Small Export Businesses
 - C. Case study of 'nuances' in exporting to the Kingdom of Saudi Arabia*
2. Inco term related Challenges

International Challenges

International Business is extremely exciting and at the same time it can also be 'risky'.

It has potential to gain large consumer base, new customers and increased revenue



Common Challenges of International Business

1. Language Barriers
2. Cultural Differences
3. Managing Global Teams
4. Currency Exchange and Inflation Rates
5. Nuances of Foreign Politics, Policy and Relations

Source: Catherine Cote, 2020, 5 Common Challenges of International Business you should consider, HBS

1. Language Barriers

- Consider languages spoken in the countries
- Translate well – hire translator – consult native speaker and resident of that country
 - Mercedes Benz brand – Mandarin Chinese name was chosen – ‘Bensi’ similar to Benz
 - The name when translated meant ‘rush to death’ – wrong impression. Soon changed to ‘Benchi’ – which translates into run quickly, speed or gallop.
- Consider the languages spoken by company’s team

1. Cultural Differences

- Holidays,
- Arts,
- Traditions,
- Foods and
- Social Norms
- Working Hours
 - USA – 9 am to 5 pm
 - Spain – 9 am to 1.30 pm and 4.30 to 8.30 pm with Siesta break

3. Managing Global Teams

- Language barriers
- Cultural differences
- Time zones
- Various degrees of technology access and reliance
- More video conferencing

- Currency Exchange and Inflation Rates

- Familiarize with currencies and inflation rates in the importing countries
- Fluctuations will affect the bottom line
- Inflation rate in a country can affect buying power and in turn spending on imported goods
- Together with Exchange rate and Inflation can affect imports (and in turn the exporters prospects)

5. Nuances of Foreign Politics, Policy, and Relations

- It is important to follow closely the above as they can influence trade (exports)
- Policies and politics can affect taxes, labour laws, raw material costs, transportation infrastructure, educational systems etc

Challenges faced by Small Export Businesses

1. Identifying the export market
 - A. Screen – Identify - Select
2. Finding Buyers and Diversifying Client base
 - A. Diversifying client base mitigates risk
3. Creating Brand Awareness
 - A. Brand creation and first impression (website with good graphics)
4. Supply Chain Issues
 - A. Shipping rates
5. Changing foreign policies
 - A. Do own research and revisit every source used to collect information and see if they have updated or changed
6. Communication gap
 - A. Finding and connecting in non-English speaking countries may be difficult

Source: Webinar on Foreign Trade by Dr Rajendra Prasad Sharma, IIFT, Kolkatta

A case study of Exports of Agricultural Products to Saudi Arabia

India's Exports of Agricultural Products to Saudi Arabia

Source: APEDA website

Country: Saudi Arab	Qty In MT	
	Value in Rs Lacs	
	2021-22	
Product	Qty	Value
Basmati Rice	674,851.09	482,457.14
Buffalo Meat	51,635.41	117,748.52
Non Basmati Rice	132,071.25	51,440.03
Processed Fruits, Juices & Nuts	43,730.23	31,609.78
Cashew Kernels	4,769.82	28,692.48
Dairy Products	5,031.01	18,579.99
Mango Pulp	24,539.37	14,176.07
Miscellaneous Preparations	10,173.21	11,155.21

Country: Saudi Arab		Qty In MT
		Value in Rs Lacs
		2021-22
Product	Qty	Value
Cereal Preparations	7,751.38	11,051.31
Processed Vegetables	10,533.22	8,833.75
Other Fresh Fruits	15,928.91	7,630.67
Cocoa Products	936.98	7,380.87
Pulses	7,208.35	6,401.28
Milled Products	18,765.78	6,108.98
Fresh Grapes	5,782.28	5,457.68
Millet	20,154.19	4,957.46
Other Fresh Vegetables	16,223.49	4,944.83
Casein	711.00	4,392.74
Natural Honey	2,475.43	3,707.36
Fresh Onions	15,156.12	3,380.48
Groundnuts	2,333.85	2,275.73
Jaggery & Confectionery	2,645.41	2,165.73

Cucumber and Gherkins(Prepd. & Presvd)	1,674.35	1,259.12
Guargum	718.20	951.58
Sheep/Goat Meat	194.64	757.58
Fruits & Vegetables Seeds	134.04	504.88
Floriculture	164.15	428.25
Fresh Mangoes	337.37	376.56
Maize	997.00	245.48
Wheat	867.20	233.55
Poultry Products	19.04	78.54
Others (Betel Leaves & Nuts)	6.77	36.34
Other Cereals	25.83	15.05
Albumin(Eggs & Milk)	0.00	0.12
Alcoholic Beverages	0.00	0.00
Walnuts	0.00	0.00
Total	1,078,546.37	839,435.14

Key steps in exports

Negotiate contract

- At the contract signing stage with an importer, who is interested in the order and ready to sign a export sale contract – the exporter engages in negotiations – discounts/ exclusions – inclusions etc.
- Thereafter the importer is provided with a proforma invoice including breakup of prices, as required.
- Next, the offered prices should be accepted by the importer.
- It is suggested that at least 20% of total value of the export order be given to the exporter as ‘advance payment’, at the time of signing or after the signing of the contract.
- At the end of this step, a sales-purchase order (PO) is signed by the exporter (contract signed) with the importer.

Key steps in exports

Export License

- The export license is proof of legitimacy - allowing of the country's goods and services to be traded internationally.
- Hence it is essential that the exporter has a license issued by the responsible authorities, if one does not have an export license then apply for it. (PS: In some cases, depending on the regulations of the country, some products may not need an export license or even need to apply for an export license).
- Also important, to bear in mind, that the original set of documents must be enclosed.
- And if required, in some countries the documents must be translated into the importing country's language (for instance in Arabic in Middle East)
- Certain products, such as animals, or ancillary products, antiques, may require special export licenses and permits.

Key steps in exports

Book shipping

- After receiving export orders, you need to proceed with the delivery.
- There are many shipping services you can choose from to ensure your customers receive goods quickly and conveniently.
- Also, some manufacturers can provide you a drop-shipping service*.
- Before selecting the shipping company, get offers from many shipping companies/ service providers and get the best prices and conditions possible
- Make a reservation (booking) with an international shipping line (a carrier carrying import and export goods) or forwarding company, well in advance.
- Sometimes even no need to book a full container.

*When a drop shipping retailer sells a product, it purchases the item directly from a third party (a manufacturer, wholesaler, or another retailer) that ships the product directly to a customer.

Key steps in exports

Check before delivery

After the signing of the order & receiving of the advance payment plan the delivery and produce or outsource goods according to the quantity and quality promised in the contract.

- Before delivery, carefully check as below:
 1. Do goods need a permit for export? Is cargo allowed to unload at the port of destination?
 2. Although the buyer places an order, regarding the delivery there can be some extra costs, you shall agree on all with the customer.
 3. Is your product dangerous? Do you have an MSDS (Material Safety Data Sheet)?
 4. Is the packing list correct or not? Does the net weight match?
 5. In case of an OOG (Out of Gauge viz., any cargo that is too large to fit in standard container), get a permit.
 6. Make sure that the words are correct in every document when exporting any shipment - the mistake of documents can waste lots of money and time.
 7. If the customer need a certificate of origin (COO) – include the same.

Key steps in exports

Regulatory requirements

- It is recommended that the exporter make sure with the importer/ customer, at the ordering stage, all the required certifications
- For instance, a Certificate of Conformity (CoC)* required for each exported shipment (for specified products)
- For Saudi Arabia, CoC can be issued by only SASO** accredited compliance body who has the authority to issue this certificate.
- **CoC or Certificate of Conformance or Certificate of Conformity, is a document issued by manufacturers or designated personnel with authority to assure importers/ customers or buyers that the product has been manufactured with test results showing compliance to international or regulatory standards.*
- ***SASO (The Saudi Standards, Metrology and Quality Organization) - A SASO CoC is a Certificate of Conformity that is specific to Saudi Arabia. This document certifies that the item has been successfully tested and inspected to meet the country's quality and safety standards.*

Key steps in exports

Regulation for foods imported: Case of Saudi Arabia

- Importers must have a valid Business Registration Certificate (registered food business)
- Exporters, as well as a food product (s) (conditional), must be registered with SFDA*
- Food products must comply with the SFDA regulations and other requirements
- Food products for export to Saudi Arabia must comply with
 - GSO 993 and GSO 1-2055 (slaughtering & processing practices) – for Halal reqts
 - GSO 323 for Chilled and frozen food products reqts
 - GSO Standard (GSO 150) – that addresses the specific reqts related to expiry date and minimum shelf life. for export to Saudi Arabia.

*SFDA = Saudi Food and Drug Administration

Key steps in exports

Labeling & Packing Requirements: Case of Saudi Arabia

- Labelling:
 - Labelling information must be in Arabic and conform to GSO 9 requirements for consumer information and respect for Arabic culture and Islamic values (from images to content).
- Packing:
 - Shipment must have an origin (certificate of origin)
 - Items must be packed carefully and ensure safety
 - Shipping address should be clearly stated
 - Each box, carton, pallet, the container shall be numbered and the numbers shall be presented in the packing list with goods description. Make sure there is total match.

Don't ship the goods without receiving the balance payment.

Key steps in exports

Commercial Invoice & Bill of Lading: Case of Saudi Arabia

- Commercial Invoices:
 - The Saudi customs office requires that commercial invoices issued by the exporter include an accurate description of the goods exported to Saudi Arabia, specifically:
 - For equipment: model number, brand, manufacturer's full name, etc.
 - For other goods: description of the material, manufacturer's full name, brand, etc.
- Bill of Lading (B/L):
 - Three copies of B/L are required, with signatures.
 - The documents must have the vessel name and shipping date, and full address of the manufacturer and or exporter.
 - Origin of each item and components indicated
 - The description of the goods: list of ingredients and origin of each package, with signed declaration saying the information is accurate.

Key steps in exports

Buying Shipment Insurance: Case of Saudi Arabia

- Insurance certificate is a document issued by the insurer to the assured.
- It addresses the risks that may occur during international transshipment.
- It is a necessary document for making a claim against damages that may occur during shipment and also as insurance indemnity in case of disputes or litigation.
- The exporter provides insurance certificates to the importer with following details:
 - Actual insured amount,
 - description and value of insured goods, name of the ship/ carrier
 - the port of loading,
 - The port of discharge, and
 - address.

Key steps in exports

Customs Documentation: Case of Saudi Arabia

Customs documentation for Saudi customs includes:

- Submission of Customs Declaration:
 - A document that shows the lists and detailed description of goods bound for import or export.
 - Through customs declaration, the customs authorities control what types of goods or items are imported or being exported.
 1. For import: to protect the country against harmful or dangerous goods to the economy and environment.
 2. For export: to executive orders restricting certain goods to be exported and to take surveillance measures.

Key steps in exports

Customs Documentation: Case of Saudi Arabia

- Commercial Invoice: 1 copy
- Bill of lading (B/L):
 - 1 photocopy, with the enterprise's seal + shipping carrier/ forwarding company seal
- International freight bill (with Ex-Work, or FOB conditions),
 - CIC surcharge, hygiene, document fee: 1 copy
- Certificate of origin: 1 original (if any)
- Certificate of specialized inspection (if goods are subject to inspection):
 - 1 original with the certification of the specialized agency

CIC is a acronym for Container Imbalance Charge (also known as Container Imbalance Surcharge), This charge is collected because of the imbalance of trade volume or seasonal change – that creates imbalance of cargo flow and containers.

The CIC is levied by the Shipping company to manage transporting empty containers.

Key steps in exports

Customs Documentation: Case of Saudi Arabia

- Other documents (if any, depending on the type of goods):
 - A copy of Quality Certificate (Certificate of Quality – CQ),
 - Certificate of Analysis (Certificate of Analysis – CA),
 - Health Certificate (Health Certificate) ...
- Besides, a copy of other documents for reference or presentation, when needed is to be prepared:
 - Foreign Trade Contract (Sales Contract),
 - Packing List (Packing List), and
 - relevant documents such as catalogs, photos, technical documents of the shipment.

Inco term related Challenges

Incoterms[®] 2020 Rules Responsibility Quick Reference Guide

Inco Docs											
Freight Collect Terms						Freight Prepaid Terms					
Groups	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport				
Incoterm [®]	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
	Ex Works (Place)	Free Carrier (Place)	Free Alongside Ship (Port)	Free On Board (Port)	Cost and Freight (Port)	Cost Insurance & Freight (Port)	Carriage Paid To (Place)	Carriage & Insurance Paid to (Place)	Delivered at Place (Place)	Delivered at Place Unloaded (Place)	Delivered Duty Paid (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place	At Named Place Unloaded	At Named Place
Obligations & Charges:											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	*Seller	Negotiable	**Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

*CIF requires at least an insurance with the minimum cover of the Institute Cargo Clause (C) (Number of listed risks, subject to itemized exclusions)

INCOTERMS 2020



EXW	EX WORKS	AGREED PLACE							
FCA	FREE CARRIER	AGREED PLACE							
FAS	FREE ALONGSIDE SHIP	PORT OF LOADING							
FOB	FREE ON BOARD	PORT OF LOADING							
CFR	COST & FREIGHT	PORT OF DESTINATION							
CIF	COST, INSURANCE & FREIGHT	PORT OF DESTINATION							
CPT	COST PAID TO	PLACE OF DESTINATION							
CIP	CARRIER & INSURANCE PAID TO	PLACE OF DESTINATION							
DPU	DELIVERED AT PLACE UNLOADED	PLACE OF DESTINATION							
DAP	DELIVERED AT PLACE	DESTINATION							
DDP	DELIVERED DUTY PAID	DESTINATION							

SELLER'S OBLIGATION

 TRANSFER OF RISK

 BUYER'S OBLIGATION

Suggestive list of Inco terms and Exporter – Importer Benefits

- New Exporter
 - EXW | FCA | FAS | FoB
- New Importer
 - DAP | DPU | DDP
- Established Exporter
 - CFR | CIF | CPT | CIP
- Established Importer
 - CFR | CIF | CPT | CIP

Questions

Dry Cargo Containers

Type	Container Weight			Interior Measurement				Door Open	
	Gross (kg)	Tare (kg)	Net (kg)	Length (m)	Width (m)	Height (m)	Capacity (m ³)	Width (m)	Height (m)
20 ft	24,000	2,370	21,630	5.898	2.352	2.394	33.20	2.343	2.280
40 ft	30,480	4,000	26,480	12.031	2.352	2.394	67.74	2.343	2.280



Refrigerated Containers

Type	Container Weight			Interior Measurement				Door Open	
	Gross (kg)	Tare (kg)	Net (kg)	Length (m)	Width (m)	Height (m)	Capacity (m ³)	Width (m)	Height (m)
20 ft	24,000	3,050	20,950	5.449	2.290	2.244	26.70	2.276	2.261
40 ft	30,480	4,520	25,960	11.690	2.250	2.247	57.10	2.280	2.205



Open Top Containers

Type	Container Weight			Interior Measurement				Door Open	
	Gross (kg)	Tare (kg)	Net (kg)	Length (m)	Width (m)	Height (m)	Capacity (m ³)	Width (m)	Height (m)
20 ft	24,000	2,580	21,240	5.629	2.212	2.311	32.00	2.330	2.263
40 ft	30,480	4,290	26,190	11.763	2.212	2.311	65.40	2.330	2.263



Thank you

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