



Basic Guide for export shipping.

Shipping Your Product

When shipping a product overseas, the exporter must be aware of packing, labeling, documentation, and insurance requirements. It is important that exporters ensure that the cargo is:

- Packed correctly so that it arrives in good condition;
- Labeled correctly (clearly identifiable) to ensure that the goods are handled properly and arrive on time at the right place;
- Documented correctly to meet foreign government requirements, as well as proper collection standards; and
- Insured against damage, loss, pilferage and delay.

Most exporters rely on an international freight forwarder to perform these services because of the multitude of considerations involved in physically exporting goods.

Freight Forwarders

An international freight forwarder is an agent for the exporter in moving cargo to an overseas destination. These agents are able to assist in determining import rules and regulations of foreign countries, (although it is recommended that the consignee is fully versed in their requirements at the destination), the methods of shipping, and the documents related to foreign trade.

Freight forwarders assist exporters in preparing price quotations by advising on freight costs, port charges, consular fees, costs of special documentation, insurance costs, and their handling fees. They recommend the packing methods that will protect the merchandise during transit or can arrange to have the merchandise packed at the port or containerized. Freight forwarders reserve the necessary space on a vessel, aircraft, train, or truck. The cost for their services is a legitimate export cost that should be included in the price charged to the customer.

Once the order is ready for shipment, freight forwarders should review all documents to ensure that everything is in order. This is of particular importance with letter of credit payment terms. They may also prepare the bill of lading and any special required documentation. After shipment, they can route the documents to the seller, the buyer, or to a paying bank. Freight forwarders can make arrangements with customs brokers overseas to ensure that the goods comply with customs export documentation regulations if directed to do so. A customs broker is an individual or company that is licensed to transact customs business on behalf of importers. Customs business is limited to those activities involving transactions related to the entry and admissibility of merchandise; its classification and valuation; the payment of duties, taxes, or other charges assessed or collected; or the refund, rebate, or drawback thereof. All countries have their own specific requirements and procedures for importation. It is important that your buyer is aware of the local requirements and charges for importing product into their country (failure to do so could result in fee, charges and even re export or destruction of goods).



Packing

Exporters should be aware of the demands that international shipping puts on packaged goods. Exporters should keep four potential problems in mind when designing an export shipping crate: breakage, moisture, pilferage and excess weight.

Generally, cargo is carried in containers internationally. During the voyage, goods may be stacked on top of or come into violent contact with other goods. Overseas, handling facilities may be less sophisticated than in Australia and the cargo could be dragged, pushed, rolled, or dropped during unloading, while moving through customs, or in transit to the final destination. Forklifts are used in handling cargo and human error does happen.

Moisture is a constant concern because condensation may develop in the container (especially as cargo travels from a cool climate to a warm / hot climate). Another aspect of this problem is that cargo may also be unloaded in precipitation, or the foreign port may not have covered storage facilities. Theft and pilferage are added risks.

Buyers are often familiar with the port systems overseas, so they will often specify packaging requirements. If the buyer does not specify this, be sure the goods are prepared using these guidelines:

- Pack in strong crates, adequately sealed and filled when possible.
- To provide proper bracing in the crate, regardless of size, make sure the weight is evenly distributed.
- Goods should be palletized.
- Packages and packing filler should be made of moisture-resistant material (not straw).
- To avoid pilferage, avoid writing contents or brand names on packages. Other safeguards include using straps, seals, and shrink wrapping.
- Observe any product-specific hazardous materials packing requirements.

Normally, air shipments require less heavy packing than ocean shipments, though they should still be adequately protected, especially if they are highly pilferable. In many instances, standard domestic packing is acceptable, especially if the product is durable and there is no concern for display packaging. In other instances, high-test cardboard or tri-wall construction boxes are more than adequate.

Many countries now subscribe to the packing guidelines of ISPM15. It is important to ensure that your cargo is packed to the standards of ISPM15 if exporting to a participating country. In very basic terms, ISPM15 means that all wooden packaging has to be treated (usually fumigated) and stamped by an approved AQIS treatment provider. Failure to comply with the ISPM15 packing guidelines may result on additional cost for your customer and in some countries refusal to accept cargo in the country (meaning re export or destruction of shipment). Your freight forwarder can assist in guiding you through this protocol and also advise of the countries to which subscribe to ISPM15.



Labeling

Specific marking and labeling is used on export shipping cartons and containers to:

- Meet shipping regulations;
- Ensure proper handling;
- Conceal the identity of the contents;
- Help receivers identify shipments; and
- Insure compliance with environmental and safety standards.

The overseas buyer usually specifies which export marks should appear on the cargo for easy identification by receivers. Products can require many markings for shipment. For example, exporters may need to put the following markings on cartons to be shipped:

- Shipper's mark;
- Country of origin;
- Weight marking (in kilograms);
- Number of packages and size of cases (centimeters);
- Handling marks (international pictorial symbols);
- Name and address of buyer;
- Cautionary markings, such as "This Side Up" or "Use No Hooks" (in English and in the language of the country of destination);
- Port of entry;
- Labels for hazardous materials (universal symbols adapted by the International Air Transport Association and the International Maritime Organization); and;

Packages should be clearly marked to prevent misunderstandings and delays in shipping. Letters are generally stenciled onto packages and containers in waterproof ink. Markings should appear on three faces of the container, preferably on the top and on the two ends or the two sides. Any old markings must be completely removed from previously used packaging.

In addition to the port marks, the customer identification code, and an indication of origin, the marks should include the package number, gross weights. If more than one package is being shipped, the total number of packages in the shipment should be included in the markings. The exporter should also add any special handling instructions. It is not always practical, but it is a good idea to repeat these instructions in the language of the country of destination and use standard international shipping and handling symbols.

Customs regulations regarding freight labeling are strictly enforced. For example, many countries require that the country of origin be clearly labeled on each imported package. When requested, freight forwarders can research and supply the necessary information regarding specific regulations.



Documentation

Exporters should seriously consider having the freight forwarder handle the formidable amount of documentation that exporting requires as forwarders are specialists in this process. The following documents are commonly used in exporting; but which of them are necessary in a particular transaction depends on the requirements of the buyer and the government of the importing country.

- Air freight shipments are handled by **air waybills**, which can never be made in negotiable form
- A **bill of lading** is a contract between the owner of the goods and the carrier (as with domestic shipments). For vessels, there are two types: a straight bill of lading which is nonnegotiable and a negotiable or shipper's order bill of lading. The latter can be bought, sold, or traded while the goods are in transit. The customer usually needs an original as proof of ownership to take possession of the goods. An Express Release (or telex release) can be made when written instruction is given to the freight forwarder and the Bills of Lading are surrendered at the origin port.
- A **commercial invoice** is a bill for the goods from the seller to the buyer. These invoices are often used by governments to determine the true value of goods when assessing customs duties. Governments that use the commercial invoice to control imports will often specify its form, content, number of copies, language to be used, and other characteristics. The INCO term is a very important aspect of the commercial invoice and should be determined in its entirety prior to shipping.
- A **consular invoice** is a document that is required in some countries. It describes the shipment of goods and shows information such as the consignor, consignee, and value of the shipment. Certified by the consular official of the foreign country stationed here, it is used by the country's customs officials to verify the value, quantity, and nature of the shipment.
- A **certificate of origin** is a document that is required in certain nations. It is a signed statement as to the origin of the export item. Certificate of origin are usually signed through a semiofficial organization, such as a local chamber of commerce. A certificate may still be required even if the commercial invoice contains the information.
- **Inspection certification** is required by some purchasers and countries in order to attest to the specifications of the goods shipped. This is usually performed by a third party and often obtained from independent testing organizations.
- A **packing declaration** is a document that confirms the type of packaging used and can make statement as to the use of ISPM15 packaging (this document can save lengthy delays at the buyers port as is highly recommended).
- A **Shipper Letter of Instruction** (SLI) is used to control exports and act as a source document for official Australian export statistics. This document will determine the value reported to the Department of Statistics and will also be the template for the Bill of Lading. Statements are made on the SLI as to determine the requirements of the amount of services provided by the freight forwarder to the shipper (if original Bills Lading are required, is insurance required, exact notify details at destination and so on). The freight forwarder can assist to complete this document with the aid of the commercial documentation (IE: commercial invoice and Letter of Credit) but the SLI as provided by the shipper is the document that guides the freight forwarder.
- An **export license** is a government document that authorizes the export of specific goods in specific quantities to a particular destination. This document may be required for most or all exports to some countries or for other countries only under special circumstances.
- **AQIS Documentation** could vary between a phyto cert (declaring cleanliness of cargo by Australian Quarantine) or permits relevant to specific commodities. Your freight forwarder can check with AQIS for permit and certification requirements when directed to do so.



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- An **export packing list** considerably more detailed and informative than a standard domestic packing list. It itemizes the material in each individual package and indicates the type of package, such as a box, crate, drum, or carton. It also shows the individual net, legal, tare, and gross weights and measurements for each package. Package markings should be shown along with the shipper's and buyer's references. The list is used by the shipper or forwarding agent to determine the total shipment weight and volume and whether the correct cargo is being shipped..
- An **insurance certificate** is used to assure the consignee that insurance will cover the loss of or damage to the cargo during transit.

Documentation must be precise because slight discrepancies or omissions may prevent merchandise from being exported, result in nonpayment, or even result in the seizure of the exporter's goods by foreign government customs. Collection documents are subject to precise time limits and may not be honored by a bank if the time has expired. Most documentation is routine for freight forwarders and customs brokers, but the exporter is ultimately responsible for the accuracy of its documents.

- The number and kind of documents the exporter must deal with varies depending on the destination of the shipment. Because each country has different import regulations, the exporter must be careful to provide all proper documentation.

Shipping

Exporters would find it useful to consult with a freight forwarder when determining the method of international shipping. The freight forwarder is a provider of shipping services and has made it their business to be aware of shipping options ex the exporter's port. Further, the freight forwarder has agency or office arrangements directly or indirectly with every port in the world, so they are better placed to coordinate shipping accordingly.

The cost of the shipment, the delivery schedule, and the accessibility to the shipped product by the foreign buyer are all factors to consider when determining the method of international shipping. Although air carriers can be more expensive, their cost may be offset by lower domestic shipping costs (for example, using a local airport instead of a coastal seaport) and quicker delivery times. These factors may give the exporter an edge over other competitors. Therefore, consider the different options prior to committing to shipping.

Before shipping, the exporter should be sure to check with the foreign buyer about the destination of the goods. Buyers often want the goods to be shipped to a free-trade zone or a free port where they are exempt from import duties.



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Insurance

Damaging weather conditions, rough handling by carriers, and other common hazards to cargo make insurance an important protection for exporters. If the terms of sale make the exporter responsible for insurance (IE: CIF), the exporter should either obtain its own policy or insure the cargo under a freight forwarder's policy for a fee. If the terms of sale make the foreign buyer responsible, the exporter should not assume (or even take the buyer's word) that adequate insurance has been obtained. If the buyer neglects to obtain adequate coverage, damage to the cargo may cause a major financial loss to the exporter.

Shipments by sea are covered by marine cargo insurance.

Air shipments may also be covered by marine cargo insurance or insurance may be purchased from the air carrier.

Export shipments are usually insured against loss, damage, and delay in transit by cargo insurance. Carrier liability is frequently limited by international agreements. Additionally, the coverage is substantially different from domestic coverage. Arrangements for insurance may be made by either the buyer or the seller, in accordance with the terms of sale. Exporters are advised to consult with international insurance carriers or freight forwarders for more information.

Although sellers and buyers can agree to different components, coverage is usually placed at 110 percent of the CIF (cost, insurance, freight) or CIP (carriage and insurance paid to) value.

Tariffs

Finally, it is very important to consider the effects of tariffs, port handling fees, and taxes when determining your product's final cost as they can be high. Typically, the importer pays these charges. However, these costs will influence how much the buyer is willing to pay for your product.