

Real World Experience:
An overview of trading lumber in China

THE LOGISTICS PERSPECTIVE

Services

1. Complete transport management

We can be your outsourced transportation department, providing end-to-end services like strategy, procurement of options, negotiation of rates, booking, oversight, and invoicing.

2. Component services

We offer transportation a la carte: from booking single truckloads, to developing new shipping options, negotiating prices, interfacing with new modes and companies, rail waybilling, and tracking.

3. Project modeling

We provide accurate transportation strategies and price estimates for complex shipping projects that allow you to quote aggressively with confidence.



Rail



Truck



Intermodal



Transload



Ocean



AGENDA

1. Complexities of conducting trade with China
2. Three steps to exporting successfully
 - i. Defining Your Logistics Strategy
 - ii. Ensuring Compliance With Regulations
 - iii. Payment / Transfer of Ownership
3. Tips for selecting the right partner
4. Challenges
5. Summary



Shipping to China is a complex process and can appear confusing to new exporters

A successful export strategy requires knowledge of shipping procedures, regulations and understanding of business practices

COMPLEXITIES OF CONDUCTING TRADE IN CHINA

- 1) Business practices and cultural barriers
- 2) Issues surrounding grading and dimensions
- 3) Errors or omissions in trade documentation
- 4) Financial risk
- 5) Requirements and restrictions of wood products



Three steps to exporting successfully

1. DEFINING YOUR LOGISTICS STRATEGY

SHIPPING METHODS

1. Breakbulk
2. Containerization
3. Chartering



BREAKBULK



Loaded into ships as individual packages, unitized on pallets or in bundles

Eliminates container dray charges.

CONTAINER



Containers provide better protection

Ability to ship smaller orders and access to more destinations.

SELECT THE BEST DISTRIBUTION MODEL

1. End-to-end multimodal network

- I. How can you reach the nearest port, by rail or truck?
- II. Are Transloads involved prior to the port?
- III. Which destination ports does your shipping carrier service?

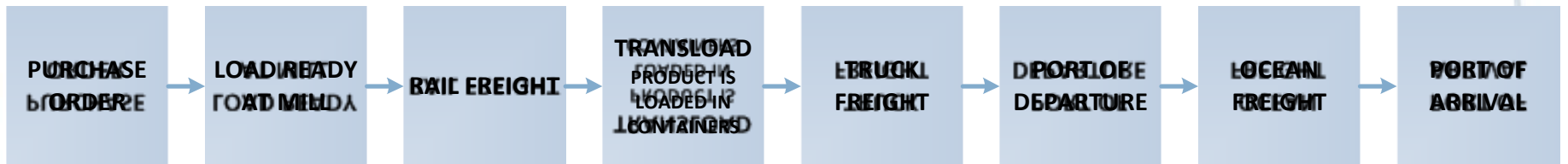
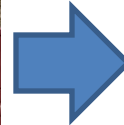


SELECT THE BEST DISTRIBUTION MODEL

2. Break Bulk or Container shipping
3. Total cost of shipping
4. Costs vs. Timelines
5. Freight Flow vs. Cashflow
6. Availability of equipment



WHAT WILL YOUR SUPPLY CHAIN LOOK LIKE?



HOW WILL YOU MANAGE THE DISTRIBUTION?

- A. In house
- B. Outsourced
 - I. Freight Forwarder
 - II. Broker



Three steps to exporting successfully

2. ENSURING COMPLIANCE

DOCUMENTS REQUIRED

- 1) **Pro forma invoice / Purchasing contract / Bill of exchange**
- 2) Certificate of Origin
- 3) Phytosanitary Certificate
- 4) Fumigation Certificate
- 5) Log exports permit
- 6) Customs documentation: Export / Import
- 7) Packing slip
- 8) Commercial Invoice
- 9) Bill of Lading
- 10) Insurance Certificate



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3) PHYTOSANITARY CERTIFICATE



Responsibility of the exporter

Certifies that product is free from pests

USA – USDA/ United States Department of Agriculture

Canada- Canadian Food Inspection Agency

DOCUMENTS REQUIRED

- 1) Pro forma invoice / Purchasing contract / Bill of exchange
- 2) Certificate of Origin
- 3) Phytosanitary Certificate
- 4) Fumigation Certificate (Logs)**
- 5) Export permit
- 6) Customs documentation: Export / Import
- 7) Packing slip
- 8) Commercial Invoice
- 9) Bill of Lading
- 10) Insurance Certificate



DOCUMENTS REQUIRED

- 1) Pro forma invoice / Purchasing contract / Bill of exchange
- 2) Certificate of Origin
- 3) Phytosanitary Certificate
- 4) Fumigation Certificate
- 5) Export permit (Logs or unmanufactured timber)**
- 6) Customs documentation: Export / Import
- 7) Packing slip
- 8) Commercial Invoice
- 9) Bill of Lading
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10) INSURANCE CERTIFICATE



COMMON ERRORS IN DOCUMENTS

1. Inconsistent description of goods, volumes, quantities
2. Changes in invoice not authorized in the Letter of Credit
3. Expired documents
4. Bill of Lading shows delivery prior/after date stated in Letter of Credit
5. Parties are incorrectly identified

Inaccuracies or omission in the completion of trade documentation can lead to fines or shipment delays



THREE STEPS TO EXPORTING SUCCESSFULLY

3. PAYMENT AND TRANSFER OF OWNERSHIP

THE INCOTERMS

INCOTERM	LOAD AT MILL	EXPORT DUTY & TAXES	TRANSPORT TO PORT	UNLOAD AT EXPORT'S PORT	ORIGIN TERMINAL CHARGES	OCEAN FREIGHT	DESTINATION TERMINAL CHARGES	UNLOADING	TRANSPORT TO DESTINATION	INSURANCE	CUSTOMS CLEARANCE	IMPORT DUTY & TAXES
EXW												
FCA	✓	✓	✓									
FAS	✓	✓	✓	✓								
FOB	✓	✓	✓	✓	✓							
CFR	✓	✓	✓	✓	✓	✓						
CIF	✓	✓	✓	✓	✓	✓				✓		
CPT	✓	✓	✓	✓	✓	✓						
CIP	✓	✓	✓	✓	✓	✓				✓		
DAF	✓	✓	✓	✓	✓	✓						
DES	✓	✓	✓	✓	✓	✓				✓		
DEQ	✓	✓	✓	✓	✓	✓	✓			✓		
DDU	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
DDP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



Seller's responsibility



Incoterms used where transportation is solely

Incoterm = Liability & Risk

LETTER OF CREDIT

- i. Facilitate payment and reduce your risk
- ii. Fees subject to credit worthiness and size of transaction
- iii. Time of delivery is a key factor



HOW TO ENSURE THAT YOU ARE SELECTING THE RIGHT PARTNER?

- Service portfolio and added value
- Can the provider prove to "understand" China?
- Can the provider understand your product and industry?
- Good customer references
- Are the rates beneficial?



CHALLENGES



1. Available railcars
2. Rail congestion at transload facilities
3. Inventory issues
4. Difficulty meeting container cutoffs
5. Access to empty containers
6. Fluctuating ocean prices

SUMMARY



1. Research and develop your distribution plan
2. Define the terms under which you sell
 - FOB/CIF
3. Select the right partners
4. Define your vendors responsibilities
 - Insurance, documentation, schedule
5. Assign ownership for the documentation process
6. Continually revisit your supply chain processes