Digital Strategies for eCommerce: Exploring the eCommerce Sales Channels
Learning Objectives

- Have an understanding of ecommerce sales channel mechanics
- Understand the importance of having a digital strategy for the ecommerce sales channel and online marketing
- Identify resources available to help you organize your ecommerce sales channel strategy
eCommerce is a sales channel that crosses all industries that sell or promote brand awareness online. eCommerce as a sales channel is part of a businesses’ digital strategy.

A digital strategy addresses the basic needs of a business required to succeed in cross-border ecommerce sales channels.

Digital Transformation, the act of positioning your company for long term success in the online virtual environment.

Online metrics allows businesses to understand where their digital efforts are paying off & identify areas for improvement so they can realize their ROI in the ecommerce sales channels.

Business to business (B2B) ecommerce transactions are made between businesses, where a supplier sells in bulk.

Business to consumer (B2C) is where a business sells its product directly to a customer, either directly from a company website or an online marketplace.

Read more about ecommerce here https://www.export.gov/article?id=eCommerce-Definitions
What Is An eCommerce Platform?

An ecommerce platform is:
- a series of software technologies
- integrated into a business’s website
- allows a business to solicit products or services from website
- to complete a sales cycle
The B2B Sales Flow

B2B companies can significantly reduce the cost to serve clients by moving them into an online self-serve ecommerce environment.

Understanding International Consumers

Percentage of Population Using The Internet

Global Figure
2016, % of population
42.9

Regional Comparison
2016, % of population
- Asia Pacific
- Australasia
- Eastern Europe
- Latin America
- Middle East & Africa
- North America
- Western Europe

Source: Euromonitor Digital Consumer Dashboard
Understanding International Consumers

Remote Purchases

Source: Euromonitor Digital Consumer Dashboard

U.S. Department of Commerce | International Trade Administration | U.S. Commercial Service
Site Visitor Statistics

• Of the people that actually conduct business purchases, 89% of those online researching for a business transaction are using search engines as a part of their job

• For those 89% of business consumers who conduct online research prior to a purchase, they will spend less than a minute on your site before they decide to leave

• B2B follows B2C trends, even if it is a business buying, there is still a human behind the screen

You have less than one minute for your site to:

➢ immediately establish your reputation,
➢ allow them to find what they came to look for,
➢ and leave them with a positive impression of your site, and therefore your business.
Online retail shopping is increasing as a habit and norm in overseas markets, but it is not just a retail/b2c phenomenon!


Source: Shopify Global eCommerce
# eCommerce as a Percentage of Total US Shipments/Sales/Revenues: 2014-15

## Online sales by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>2015 B2B e-commerce sales¹</th>
<th>2014 B2B e-commerce sales</th>
<th>Growth</th>
<th>No. of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace/Defense</td>
<td>$35,202,836,000</td>
<td>$31,124,700,000</td>
<td>13.1%</td>
<td>11</td>
</tr>
<tr>
<td>Apparel/Accessories</td>
<td>$15,844,224,783</td>
<td>$13,218,413,608</td>
<td>19.9%</td>
<td>22</td>
</tr>
<tr>
<td>Automotive Parts/Vehicles</td>
<td>$51,079,124,594</td>
<td>$44,152,677,162</td>
<td>15.7%</td>
<td>12</td>
</tr>
<tr>
<td>Chemicals</td>
<td>$34,726,264,000</td>
<td>$31,755,800,000</td>
<td>9.4%</td>
<td>9</td>
</tr>
<tr>
<td>Computers/Electronics</td>
<td>$108,873,808,500</td>
<td>$92,910,159,025</td>
<td>17.2%</td>
<td>38</td>
</tr>
<tr>
<td>Food/Beverage</td>
<td>$42,791,520,496</td>
<td>$37,081,708,023</td>
<td>15.4%</td>
<td>16</td>
</tr>
<tr>
<td>Hardware/Home Improvement</td>
<td>$10,567,393,480</td>
<td>$8,670,625,110</td>
<td>21.9%</td>
<td>42</td>
</tr>
<tr>
<td>Health Care Products</td>
<td>$8,047,800,000</td>
<td>$6,903,000,000</td>
<td>16.6%</td>
<td>6</td>
</tr>
<tr>
<td>Housewares/Home Furnishings/Appliances</td>
<td>$22,013,588,768</td>
<td>$19,423,539,614</td>
<td>13.3%</td>
<td>13</td>
</tr>
<tr>
<td>Machinery</td>
<td>$18,215,380,000</td>
<td>$16,218,500,000</td>
<td>12.3%</td>
<td>13</td>
</tr>
<tr>
<td>Mass Merchant</td>
<td>$4,081,540,000</td>
<td>$3,186,718,100</td>
<td>28.1%</td>
<td>9</td>
</tr>
<tr>
<td>Materials</td>
<td>$14,925,215,000</td>
<td>$13,720,400,000</td>
<td>8.8%</td>
<td>11</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>$17,561,196,263</td>
<td>$16,483,706,660</td>
<td>6.5%</td>
<td>32</td>
</tr>
<tr>
<td>Petroleum Products/Energy</td>
<td>$125,208,542,000</td>
<td>$114,869,400,000</td>
<td>9.0%</td>
<td>15</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>$36,500,820,000</td>
<td>$31,794,000,000</td>
<td>14.8%</td>
<td>14</td>
</tr>
<tr>
<td>Software/Services</td>
<td>$227,901,850</td>
<td>$194,319,000</td>
<td>16.9%</td>
<td>4</td>
</tr>
<tr>
<td>Specialty</td>
<td>$927,966,798</td>
<td>$814,400,325</td>
<td>13.9%</td>
<td>27</td>
</tr>
<tr>
<td>Sporting Goods</td>
<td>$320,240,000</td>
<td>$264,925,000</td>
<td>20.9%</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$547,114,862,532</strong></td>
<td><strong>$482,787,081,627</strong></td>
<td><strong>13.3%</strong></td>
<td><strong>300</strong></td>
</tr>
</tbody>
</table>

¹ Source: US Census eStats 2015: Measuring the Electronic Economy

**Note:** Data includes the 2014-15 fiscal year projections.
eCommerce is a Sales Channel that Crosses All Industries

Most Companies Don't Know They are Already Selling Through B2B eCommerce:
- Wholesale
- Distribution relationships with large chain/retailers
- Selling to organizations
- Supplier selling to resellers with strong online presence

Key Take Away:
Non-retail businesses are more and more involved in ecommerce

Big 10: Manufacturers with the most B2B web sales

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ExxonMobil Corp.</td>
<td>$43,449,144,000</td>
<td>$39,861,600,000</td>
<td>9.0%</td>
<td>Petroleum products/Energy</td>
</tr>
<tr>
<td>Chevron Corp.</td>
<td>$22,331,048,000</td>
<td>$20,487,200,000</td>
<td>9.0%</td>
<td>Petroleum products/Energy</td>
</tr>
<tr>
<td>Apple Inc.</td>
<td>$21,935,400,000</td>
<td>$18,279,500,000</td>
<td>20.0%</td>
<td>Computers/Electronics</td>
</tr>
<tr>
<td>General Motors Co.</td>
<td>$18,087,764,000</td>
<td>$15,592,900,000</td>
<td>16.0%</td>
<td>Automotive parts/Vehicles</td>
</tr>
<tr>
<td>Phillips 66</td>
<td>$17,617,343,000</td>
<td>$16,162,700,000</td>
<td>9.0%</td>
<td>Petroleum products/Energy</td>
</tr>
<tr>
<td>Ford Motor Co.</td>
<td>$16,712,932,000</td>
<td>$14,407,700,000</td>
<td>16.0%</td>
<td>Automotive parts/Vehicles</td>
</tr>
<tr>
<td>General Electric Co.</td>
<td>$16,641,968,000</td>
<td>$14,858,900,000</td>
<td>12.0%</td>
<td>Housewares/Home furnishings/Appliances</td>
</tr>
<tr>
<td>Valero Energy Corp.</td>
<td>$14,261,996,000</td>
<td>$13,084,400,000</td>
<td>9.0%</td>
<td>Petroleum products/Energy</td>
</tr>
<tr>
<td>Dell Inc.</td>
<td>$14,000,000,000</td>
<td>$13,000,000,000</td>
<td>7.7%</td>
<td>Computers/Electronics</td>
</tr>
<tr>
<td>Hewlett-Packard Co.</td>
<td>$13,374,480,000</td>
<td>$11,145,400,000</td>
<td>20.0%</td>
<td>Computers/Electronics</td>
</tr>
</tbody>
</table>

Total for Top 10 manufacturers: $198,412,075,000


Key Take Away:
Non-retail businesses are more and more involved in ecommerce
Share of eCommerce Shipments by NAICS

Source: Census eStats 2016 Measuring the Electronic Economy
The Top Five Customs and Trade Issues for 2018

(For a more in-depth discussion of these issues, [click here](http://example.com) for my On Demand webinar.)

**E-Commerce – Develop Your Strategy**

As online sales continue to skyrocket, so too does U.S. Customs and Border Protection’s interest in stanching the resulting increase in illicit small-package trade while facilitating legal shipments. As a result, CBP and other government agencies are expected to start establishing a framework for the automation, data, processes, and liabilities pertaining to e-commerce handlers and fulfillment enablers.

Companies should place a priority on developing and implementing an e-commerce strategy that will address importer of record/right to make entry requirements, data and information receipt and dissemination, filing opportunities and restrictions, and terms and conditions with business partners.

[Read the full article here](http://example.com)
5 STEPS TO A DIGITAL STRATEGY & SUSTAINABLE ONLINE GROWTH

1. Define your objectives.

2. Internationalize your website through SEO best practices.

3. Examine your internal needs around your backend digital infrastructure.

4. Choose the right channel mix.

5. Establish KPIs to maximize dmROI and conversion rate.
Step 1: Defining Your Objectives & Strategy

Objectives: what do you want your website to achieve?

* Will it be informational to generate sales by promoting corporate awareness? Ex. http://processbarron.com/
* Will it be transactional and able to conduct full end-to-end transactions via the website. Ex. http://www.earthcreations.net/
* Or will it be an Online Marketplace/Auction platforms bring buyers and sellers together to facilitate transactions. Ex. Claudia’s Canine Cuisine

1. Resources: what are your contingency options? ROI may be a while off.

2. Target Market and Audience: key audiences that would like to visit your site.

Step 2: WEBSITE Search Engine Optimization “YOUR DIGITAL CORNERSTONE”

• **Keywords**
  • “Value” of keywords is low; monthly search volume should be ~1k+
  • Placement of keywords- missing in meta tags, only on homepage

• **Backlinks**
  • Affects your “domain authority” for SERP ranking
  • Linking domains are more valuable- as are links to authoritative sites

• **Meta Tags**
  • For pages, images, and the site
  • Tags tell crawlers what is on the site for indexing on the SERP

• **Internationalization Best Practices**
  • This exercise focuses on the international mindset and perspectives
Step 3: Invest in Your Backend Digital Infrastructure

B2B Companies 2016 Technology Investment Plans

“What are your technology investment priorities for 2016”

- E-commerce platform: 58%
- Back-end integration (including order management, ERP, financial reporting): 51%
- Mobile sites and apps: 44%
- Multichannel integration: 39%
- Web content management tools: 38%
- Product content management tools: 35%
- Site governance: 24%

Base: 120 B2B eBusiness professionals
Source: Forrester/Internet Retailer Q2 Global B2B Sell-Side Survey
Step 4: Choosing eCommerce Channel Mix

The 4 eCommerce Sales Channels:

- Your own website, localized/globalized
- Online Marketplaces
- 3rd Party in-country distributor
- Social Media
# The 4 eCommerce Sales Channels

<table>
<thead>
<tr>
<th>Your Website</th>
<th>Thru #SocialMedia</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Own Data &amp; Design</td>
<td>• Build Brand Following</td>
</tr>
<tr>
<td>• Full Content Control</td>
<td>• Connect Directly With Consumers</td>
</tr>
<tr>
<td>• Full Pricing Control</td>
<td>• Promote Thought Leadership</td>
</tr>
<tr>
<td>• Must Do SEO</td>
<td>• Boosts Website SEO</td>
</tr>
<tr>
<td>• Will Require Service Providers</td>
<td>• Results Vary</td>
</tr>
<tr>
<td></td>
<td>• Local Social Media Rep Recommended</td>
</tr>
<tr>
<td></td>
<td>• Requires Constant Monitoring</td>
</tr>
<tr>
<td></td>
<td>• Sales Dependent On Activity</td>
</tr>
<tr>
<td><strong>On Online Marketplaces</strong></td>
<td><strong>Sell to 3rd Party In-Country Distributor</strong></td>
</tr>
<tr>
<td>• Reach More Consumers</td>
<td>• Quickly and Cheaply Establish Brand Presence</td>
</tr>
<tr>
<td>• Payment Received in Other Currencies</td>
<td>• Immediate Purchase of Product</td>
</tr>
<tr>
<td>• Can Help With Market Entry</td>
<td>• Fewer Transactions</td>
</tr>
<tr>
<td>• Boosts Website SEO</td>
<td>• Boosts Website SEO</td>
</tr>
<tr>
<td>• Service Interoperability Varies</td>
<td>• Requires Interested Distributor</td>
</tr>
<tr>
<td>• Lots of Competition</td>
<td>• Requires Online/SEO Savvy Distributor</td>
</tr>
<tr>
<td>• Lack of Control of Customer Data</td>
<td>• Smaller Margins</td>
</tr>
<tr>
<td>• Returns &amp; Disputes</td>
<td></td>
</tr>
</tbody>
</table>

U.S. Department of Commerce | International Trade Administration | U.S. Commercial Service
Channel Mix Option: 3rd Party Distributor

Considerations:

• Local partner has existing marketing and distribution network for your use

• Easier to sell “niche” products (ie: gas tank filler necks)

Partner-finding services

International Partner Search (IPS)
https://www.export.gov/International-Partner-Search

• List of 3-10 potential partners
• Background, financials, reference, product assessment
• $900 Small, $2100 Medium Company

Gold Key Matchmaking Service (GKMS)
https://www.export.gov/Gold-Key-Service

• Travel to meet potential overseas partners
• Customized market/industry briefings
• Assistance with travel, interpreters, clerical support
• List of 3-10 potential partners
• Background, financials, reference, product assessment
• $950 Small, $2300 Medium Company
Step 5: Establish Key Performance Indicators (KPIs)

What are online metrics/KPIs?

- The data collected by web analytics
- Represents a “dashboard” of all online business-customer interactions
- Can be connected through your CRM to track full sales cycle
  - (online search → email follow up → sale)
- The same data used in SEO and digital marketing feedback
- Online metrics are a non-intrusive way for you to identify areas of improvement
- Your online metrics allow you to demonstrate your value
**Conversion Rate: A Measurable KPI**

- **Research & Awareness:** Total Site Visitors = 1,000
- **Ready to Purchase:** Prospects & Sales Leads = 20 (Client “cases & activities”)
- **Action:** Sale = 1

\[
\text{Conversion Rate} = \frac{\text{Prospects & Sales Leads}}{\text{Total Site Visitors}} = \frac{20}{1,000} = 0.02 = 2\% \text{ conversion rate}
\]

The US “industry average” for website sales conversion is 1.5%

---

**dmROI: A Measurable KPI**

\[
\text{dmROI} = \frac{\text{Total Revenue Attributed to DM} - \text{Total Cost of DM}}{\text{Total Cost of DM}} \times 100 = \%
\]

- Total Revenue Attributed to DM = $10,000 Feb-March online sales
- Total Cost of DM = $2,000 spent on marketing for Feb-March

\[
\text{dmROI} = \frac{10,000 - 2,000}{2,000} = 400\% \text{ dmROI}
\]
What Else Do I Need to Know?

• Customer Service
  • Use real contact emails, not sales@company.com
  • Tell them when there will be follow up (e.g., 48hrs)
  • Show responsibility & good faith

• Accurate product descriptions:
  • Not only important for overseas buyers with Customs in mind, but also important for web crawlers and SERP rank

• Internationalize Your Shopping Experience
  • Make it clear on your homepage that you do international!
  • Set up for Google translate, no need to translate your page

• K.I.S.S.
  • Simple is better. Your site needs to be intuitive, make it easy to find what is wanted
What regulations apply to ecommerce?

- The same rules, customs regulations, duties and taxes apply to ecommerce as they do to “traditional” exporting
  - There is no legal difference between ecommerce and other transactions
- Some countries may have duties structures based off of geography and industry
- Some countries impose strict Consumer Data Privacy Laws
- The Federal Trade Commission (FTC) is primary US Federal regulator

Currently, the focus of most ecommerce-specific regulation involve consumer privacy

eCommerce Still Requires:

- Customs regulations
  - Labelling
  - Prohibited items/ingredients
- Foreign standards and certifications
- There is no “international intellectual property rights (IPR)
- Export controls for “military/dual use” items/software

“Protecting Personal Information: A Guide for Business”
“Electronic Commerce: Selling Internationally”
Resources for Your Digital Strategy
How to Find Customs Duties & Tariffs

1. Find out your product(s) HS Number/Schedule B
   • [https://www.census.gov/foreign-trade/schedules/b/index.html](https://www.census.gov/foreign-trade/schedules/b/index.html)

2. Country Tax/Duty/Tariff rates apply to shipments, based off of HS Number
   • [https://export.customsinfo.com](https://export.customsinfo.com)
Business eCommerce Resources:

- eCommerce Business Service Provider Directory
- Overseas Duties & Taxes calculation estimates by HS code
- APIs for your website- de minimis, consolidated screening, FTA Tariff, & more
- International Market Labeling Guide- requirements for labels on organic products sold overseas
- How-to develop a digital strategy- addresses the basic needs of a business to succeed in ecommerce sales channels
- eCommerce Webinars & Events- learn on various topics from live and recorded webinars
- Global eCommerce Resources for Startups- breaking down the transaction into manageable steps
Where Can I find Business eCommerce Resources?

https://export.gov/ecommerce
Export Market Videos

- **New Exporter**: Australia, Canada, Germany, Mexico, UK
- **Growing Exporter**: Chile, Colombia, Peru, Indonesia, Japan, Malaysia, Korea, Vietnam, South Africa, UAE
- **Experienced Exporter**: Brazil, China, India, Kenya, Nigeria
Resources - Online Market Research

Export.gov Keyword Search for Market Report Topics

Country Commercial Guides: In depth country reports on economy, customs, business environment, and regulations
https://export.gov/ccg
Resources- Online Market Research

eCommerce Country Briefs
https://www.export.gov/article?id=CCG-eCommerce-Market-Intelligence-Sections

- Overseas Digital Trade Policy Officer Program
- Trade Barrier Assistance
- eCommerce Taxes/Regs
- Certified Trade Missions
- De Minimis/FTA/Screening APIs
Referral Resource: eCommerce BSP

- Who can help with our content strategy?
- Who can help with digital marketing?
- Who can help with SEO and analytics?
- Who can help with Channel Management?
- Who can help with an IT security program?
- What online marketplaces exist for us to sell through?
- Where can I find technical assistance for my business issues in the ecommerce sales channel that has been identified through digital strategy counselling?

https://www.export.gov/article?id=eCommerce-BSP
Follow-Up Information

Local Trade Specialists Who Can Help You With a Digital Strategy:

Allan Christian
Allan.Christian@trade.gov

Kellie Holloway
Kellie.Holloway@trade.gov

Quick Resources:
- eCommerce Export Resource Center
- eCommerce Business Service Provider (BSP) Directory
- Europe’s GDPR Requirements and Key Resources
- Natural Products Market Intelligence
Natural Products Market Trends in Europe & Czech Republic

Veronika Novakova, Commercial Assistant
U.S. Commercial Service, U.S. Embassy Prague
Czech Republic

Natural Products Expo West
March 6, 2019
EUROPE – ONE MARKET?

- European Union (EU): 28 member states
- Population (EU): 517 mln.
- EU have adopted an internal single market with free movement of goods, services, capital, and labor. The EU is also a customs union – [http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en](http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en) (TARIC)
- CE marking (cosmetics), products manufactured in EU approved facility (pet food), labelling requirements
- BREXIT factor
CZECH REPUBLIC

- Population: 10.68 mln (11th largest market in EU)
- Currency: Czech Crown (CZK)
- Exchange Rate: $1 = CZK22.4
- Unemployment Rate: 2.5%
- Industrial/Innovative Country (11th largest economy between the wars)
- Auto manufacturing, life sciences, ICT, energy
- Prague ranked 7th out of 281 regions in the EU in terms of GDP per capita in 2017, according to Eurostat.
The EU Cosmetics Regulation requires U.S. based companies to notify their products on the European Commission's "Cosmetic Product Notification Portal" prior to exporting them to the EU.

Unless the company has an office in the EU, it will have to rely on an EU established third-party "responsible person" to submit a notification.

Typically U.S. companies rely on a distributor or a specialized consultant.

Natural/bio/organic product claims: claims must be true, honest, fair, have evidential support, comply with the European Cosmetic Regulation.

The COSMOS standard is becoming the dominant standard for cosmetic products in Europe. Others: Ecocert, BDIH, ICEA. New ISO.
Europe is the world’s largest cosmetics market with retail sales of $88.8bln, followed by U.S. at $76.8bln and China at $49.6bln (2017, Source: Cosmetics Europe)

European consumers spend, on average, $151 (€132) per year purchasing cosmetic products. Switzerland and Norway are top spenders with around $263 (€230) per year.

Germany the strongest market in Europe – $19bln expected in 2019.

However, looking at natural/organic cosmetics market, U.S. is the leader.

Germany, France and UK have the highest number of natural product launches. Switzerland, Scandinavia and Italy are also important markets for natural cosmetics.
The United States is the leading non-EU importer of cosmetic products to the Czech market. U.S. products are regarded as high-quality and innovative.

In terms of perfumes and toiletries (HS 3303 category), U.S. brands rank fifth in terms of imports preceded by France, the UK, Italy and Poland.

The U.S. also places in the top five for color, skin and nail care cosmetics (HS 3304) preceded by Germany, France, Poland and Italy.

The most challenging segment is hair care products where the U.S. holds tenth position. The leaders in the hair care category include Germany and France.

Branding plays an important role in purchasing decisions.

Most large international players are already present in the market.

Czech consumers are well known for being traditional, conservative and price sensitive. However, these traits do not generally apply when it comes to purchases of cosmetics and toiletries. The younger generation, which is fashion conscious and travels widely outside the country, has a greater awareness of global trends.
Since 2002, the EU has created a legal and regulatory framework for these products with the *Food Supplements Directive 2002/46/EC*. In addition to a number of specific labelling requirements, the *Food Supplements Directive* contains a list of nutrients and their chemical forms able to be used in food supplements (other substances, such as botanicals and bioactive substances are not harmonized and fall under national legislation).
The Europe nutrition and supplements market size was valued at USD 31.7 billion in 2016 (www.grandviewresearch.com).

Italy is the leader, followed by Germany and UK.

Trends

- Aging population
- Growing number of users
- Healthy lifestyle
- Weight management
- Sports nutrition
- Probiotics
- Natural ingredients
- Supplements for pets

Source for the picture: www.statista.com; Value of the dietary supplements market in Europe in 2015 and 2020 (in EUR mln)
FOOD SUPPLEMENTS – CZECH REPUBLIC

- Notification duty to Czech Ministry of Agriculture (safety/efficacy)
- Strong domestic players: Walmark, Green Swan (GS), Nutrend
- Sales Channels: Pharmacies, specialized stores (Vitaland), on-line.
- Private label (e.g. Dr.Max pharmacy)
- Vitamins & minerals, joint health, digestion, urinary tract, new trend – mental health.

Top Brands and Popular Products with Region

<table>
<thead>
<tr>
<th>Top Brands</th>
<th>Western Europe</th>
<th>Eastern Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Abtei (Perrigo)</td>
<td>Magne B6 (Sanofi)</td>
</tr>
<tr>
<td>2</td>
<td>Enterogermina (Sanofi)</td>
<td>Linex (GSK)</td>
</tr>
<tr>
<td>3</td>
<td>Herbalife (Herbalife)</td>
<td>Herbalife (Herbalife)</td>
</tr>
<tr>
<td>4</td>
<td>Aboca (Aboca)</td>
<td>Nutrilite (Amway)</td>
</tr>
<tr>
<td>5</td>
<td>Holland &amp; Barrett (NBTY)</td>
<td>Bifiform (Pfizer)</td>
</tr>
<tr>
<td>6</td>
<td>Enterolactis (Sofar)</td>
<td>Hylak (Procter &amp; Gamble)</td>
</tr>
<tr>
<td>7</td>
<td>Polase (Pfizer)</td>
<td>Plusssz (Maspex Wadowice)</td>
</tr>
<tr>
<td>8</td>
<td>Bion (Merk)</td>
<td>Sealex (RIA Panda)</td>
</tr>
<tr>
<td>9</td>
<td>Arkogélules (Arkopharma)</td>
<td>Wellness by Oriflame (Oriflame)</td>
</tr>
</tbody>
</table>

Source: Euromonitor International
Drivers – general health and wellness, weight loss, environmental concerns (zero waste)

From niche to mainstream

Western x Eastern Europe difference (pricing, generation)

The global organic food market - from US$80 billion in 2014, the market is expected to reach $212 billion in 2020. With US$38.5 billion, North America is leading the organic food market, followed by Europe (US$35 billion). These two regions represent more than 90 percent of the market. In Europe, Germany has the biggest overall market size (€7.9 billion), representing 30 percent of the European market, but the market share of organic products remains low (only 3.7 percent) compared to Denmark (8 percent) or Switzerland (7 percent). France is third biggest organic market worldwide. [https://www.vitafoodsinsights.com/trends/organic-market-more-niche](https://www.vitafoodsinsights.com/trends/organic-market-more-niche)
FOOD MARKET TRENDS IN EUROPE

- Aging population – **Food to answer medical needs, prevention**
- Food and drink manufacturers look for inspiration also to beauty and personal care industry – **superfoods/super-ingredients**
- Cannabidiol (CBD)
- **More choices**: e.g. almond, coconut and soy milk remain popular types of non-dairy milk, other nuts and plant bases are gaining memento (pecan, quinoa, hazelnut, cashew milk)
- More “healthy” fast food options
- Sustainability/packaging concerns
- **Personalized/tailored food options** (e.g. Czech Mixit)
- Well informed savvy consumers checking on the health claims made
EUROPEAN FAIRS

7-8 April 2019 ExCeL | London

BIOFACH 2019
into organic

VIVANESS 2019
into natural beauty

Veggie World
The U.S. Commercial Service is the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. U.S. Commercial Service trade professionals in over 100 U.S. cities and in more than 75 countries help U.S. companies get started in exporting or increase sales to new global markets.

Upcoming opportunities with CS Prague
- **Cosmetics**: World of Beauty and Spa Prague Trade Show Representation (TSR), 2019/9/27-28
- **Processed Food**: FOR GASTRO seminar introduction, 2019/10/10
- **Pet Products**: FOR PETS seminar introduction, 2019/4/4
- **Home & Garden**: FOR GARDEN seminar introduction 2019/3/6
Veronika Novakova, Commercial Assistant
U.S. Commercial Service, U.S. Embassy
Trziste 15, 118 01 Praha 1
Tel: +420 257 022 437
Email: Veronika.Novakova@trade.gov
Global Export Series:
U.S. Organic Market Briefing

PRESENTED BY
Alexis Carey
International Trade Manager
Organic Trade Association

Natural Products Expo West 2019
ORGANIC TRADE ASSOCIATION

WHO WE ARE
Organic Trade Association

We were founded in 1985 by a group of visionaries who created the association to promote, protect and advance organic.

Today, we are the voice of the $50 billion organic industry, representing 9,500 businesses across 50 states.
Our Board of Directors

are industry veterans, pioneers, and thought leaders. Elected by the membership, they provide strategic guidance to build a strong and prosperous future for organic.

PRESIDENT, Kim Dietz, J.M Smucker Company; VICE PRESIDENT, Melissa Hughes, Organic Valley; VP- CANADA, James Sculthorpe, Yorkshire Valley Farms; SECRETARY, Perry Clutts, Pleasantview Farm; TREASURER, Marci Zaroff, Under the Canopy/MetaWear; Doug Crabtree, Vilicus Farms; Tracy Favre, Quality Assurance International; Chris Jagger, Blue Fox Farm; Bob Kaake, Annie’s; David Lively, Organically Grown Company; Britt Lundgren, Stonyfield; Michael Menes, True Organic Products; Mark Squire, Good Earth Natural Foods; Leslie Zuck, EcoCert ICO.
Our priorities are the critical priorities for the organic industry.

- Legislative + regulatory advocacy
- International trade + market development
- Crisis communications + PR
- Market intelligence + analysis
- Research + science behind organic
Global organic area reaches all-time high

2017 was another record year for global organic agriculture. According to the latest FiBL survey on organic agriculture worldwide (released at BioFach in Feb. 2019), organic farmland increased substantially, and the number of organic producers and organic retail sales also continued to grow!
Global organic market continues to grow

The global market for organic food reached 97 billion US dollars in 2017 (approx. 90 billion euros). The U.S. is the leading market with 45 billion dollars, followed by Germany (11 billion dollars), France (9 billion dollars), and China (8.5 billion dollars).

The French organic market grew by 18 percent. The Swiss spent the most on organic food (325 dollars per capita). Denmark had the highest organic market share (13.3 percent of the total food market).
A closer look at U.S. organic

- The U.S. organic agricultural sector continues to grow, with 6.5 million acres of certified organic land recorded as of August 2018 and the addition of 460 new operations during the year.
- There are 17,500+ U.S. farms certified to USDA’s National Organic Program.
- Organic acreage is increasing in most areas.
- U.S. organic sales reached a record $49.4 Billion in 2017, up 6.4 percent from the previous year and reflecting new sales of nearly $3.5 billion.
U.S. Organic Export Data
Our top 10 markets

1. Canada
2. Mexico
3. Japan
4. Taiwan
5. South Korea
6. Hong Kong
7. China
8. Guatemala
9. United Arab Emirates
10. Philippines
HS Codes

USDA tracks imports and exports for products receiving a special “harmonized” code. These codes were first issued to organic products in 2011.

The Organic Trade Association actively advocates for additional HS codes so that we can accurately track organic trade.

While the number of organic codes for exports has not increased significantly since 2011, the number of organic import codes has doubled.
Organic HS Codes - Tracked Exports

- MILK AND CREAM NOT CONCENTRATED
- POTATO
- CHERRY TOMATO
- ROMA TOMATO
- TOMATO OTHER
- ONION SET FRESH
- CAULFLOWER FRESH
- CABBAGE
- BROCCOLI FRESH
- HEAD LETTUCE
- LETTUCE
- LETTUCE MIXES
- CARROTS FRESH
- CARROT NESOI
- BEETS FRESH
- CUCMBERS
- PEAS FRESH
- ASPARAGUS FRESH
- CELERY FRESH
- PEPPERS FRESH
- SPINACH FRESH
- ORANGES FRESH
- GRAPEFRUIT FRESH
- LEMONS FRESH/DRIED
- LIMES FRESH/DRIED
- GRAPES FRESH
- WATERMELON
- APPLES FRESH
- PEARS/QUINCE
- CHERRIES FRESH
- CHER NOT SOUR FRESH
- PEACH, NECTAR
- STRAWBERRIES FRESH
- BERRIES
- CULT BLUEBERRIES
- COFFEE ROAST NOT DECAF
- VEGETABLES HOMOGENIZED NOT FROZEN
- FRUIT HOMOGENIZED NOT FROZEN
- TOMATO SAUCE NOT KETCHUP
- VINEGAR AND SUBSTITUTES
Organic HS Codes- REQUESTED but NOT currently tracked

- Certified organic cheese
- Certified organic eggs
- Certified organic corn chips and other savory snacks
- Certified organic frozen strawberries
- Certified organic raspberries, blackberries, mulberries, loganberries, black, white, or red currants, and gooseberries
- Certified organic frozen blueberries
- Certified organic cereals
- Organic frozen chicken
- Certified organic confections
- Certified organic chocolate and other food preparations with cocoa
- Certified organic soups and broths
- Certified organic corn chips and other savory snacks
- Certified organic fruit and nut bars
- Certified organic milk powder
What are our top organic exports?

1. Apples
2. Grapes
3. Lettuce
4. Strawberries
5. Spinach
6. Carrots
7. Tomato Sauce
8. Roasted Coffee
9. Cauliflower
10. Pears
Organic Equivalency Arrangements

Organic equivalency recognizes two systems as comparable and verifiable, though not necessarily identical.

Most important is that they are seen as comparable without compromising the integrity that has come to be expected from the organic designation in both markets.
Why do we have organic equivalency?

State of Organic Trade
- Organic trade is expanding
- Import requirements may be barriers for farmers/suppliers to access export organic markets

Barriers to Trade
- Different organic standards
- Cost of certification to multiple standards
- Record keeping costs to maintain certification to multiple standards
The U.S. currently has FIVE Organic Equivalency Arrangements

1. US-CANADA ORGANIC EQUIVALENCY ARRANGEMENT
   June 2009

2. US-EU ORGANIC EQUIVALENCY ARRANGEMENT
   June 2012

3. US-JAPAN ORGANIC EQUIVALENCY ARRANGEMENT
   January 2014

4. US-S. KOREA ORGANIC EQUIVALENCY ARRANGEMENT
   June 2014

5. US-SWISS ORGANIC EQUIVALENCY ARRANGEMENT
   July 2015
U.S. Organic Arrangements

5. Bilateral Arrangements

1. Unilateral Agreement

3. Recognitions

2. Prospective Arrangements

Key:
- **Green Line**: Bilateral Arrangement
- **Red Line**: Unilateral Arrangement
- **Blue Line**: U.S. Recognition
  - Exporting Beneficiary Country
  - Importing Grantor Country
- **Peach Line**: Prospective Arrangement

Countries included:
- United States
- Argentina
- Australia
- Brazil
- Chile
- Canada
- China
- Colombia
- Costa Rica
- EU
- Korea
- Mexico
- New Zealand
- Switzerland
- Guatemala
- EEA (Iceland & Norway)
- Japan
- Israel
- India
- Mexico
- New Zealand
- Taiwan
- Tunisia
Organic Arrangements Around the World: Current + Prospective
Equivelancy is an Ongoing Process

Side by side evaluation

Meetings

On-site assessment of control system

The National Organic Program continually monitors and ensures compliance
Grant programs support exports

Grant programs from USDA help suppliers export U.S. organic products abroad where there is high demand and sales opportunity.

For participation with the Organic Trade Association in these programs all products must be produced in the USA, made up of 50% U.S. ingredients by volume or value, and certified USDA organic.

Export markets are crucial for many suppliers as the domestic US market is very competitive and this provides another outlet for supply (and often greater profit than US market).
USDA Export Assistance Programs

Market Access Program
shares the costs of overseas marketing and promotional activities that help build commercial export markets for U.S. agricultural products and commodities.

Technical Assistance for Specialty Crops
provides funding to address sanitary, phytosanitary and technical barriers that prohibit or threaten the export of U.S. specialty crops.

Quality Samples Program
allows processors and manufacturers around the world to discover the quality and benefits of U.S. agricultural products.

Emerging Markets Program
cost-share funding for feasibility studies, market research, sectorial assessments, orientation visits, specialized training and business workshops.
Global Organic Trade Guide
GlobalOrganicTrade.com

A resource for international organic trade, designed for U.S. exporters

Select the country you wish to export to and find out whether it has an agreement with the United States, who its certifiers are, and much more!
GlobalOrganicTrade.com

Info by Country: Switzerland

The information provided for each country includes links to the organic regulations or standards, contacts for government agencies, special requirements for imported organic products, details about certification, and more.
Find.Organic

List Your Export-Ready Products

If you’re a U.S. producer interested in exporting organic food and farm items and connecting with buyers worldwide, you can be listed on our export database.
Note: For all USDA MAP programs, the products you promote must be produced in the United States and contain at least 51% or more U.S. produced ingredients either by value (cost of the ingredients) or volume (against overall weight of the product).
The cost is **$600 for new** exhibitors to SFH, and **$1,000 for return** participants. Priority given to new exhibitors. The deadline to register is Monday, March 4. Registration includes:

- Tabletop in Organic Trade Association booth
- 1 round trip economy transportation to and from Seoul, booked through OTA’s travel agent (excluding airport transfers)
- Hotel stay for 1 for the duration of the activity
- Fascia and counter graphics
- 1 Group dinner, and buyer dinner support

Contact Alexis Carey, International Trade Manager to get involved (acarey@ota.com).
Expo East Buyers Mission, Sept. 2019

The Organic Trade Association will again partner with Food Export Northeast to bring a diverse set of buyers to Natural Products Expo East from around the world.

We will be organizing 1 on 1 meetings for U.S. organic companies with the buyers from over 10 foreign markets.

Final dates/time/location TBD.

Contact Alexis Carey, International Trade Manager to get involved (acarey@ota.com).
Anuga, Cologne, October 5-9

Anuga is the largest trade fair in the world and an important industry meeting point.

In 2017, there were 7,405 exhibitors and around 165,000 visitors at the show. With ten trade shows, an informative event program and the largest participation of exhibitors, 2019 is shaping up to be another can’t-miss event.

The Organic Trade Association will host a pavilion at the show for roughly 7 U.S. organic companies.

Contact Alexis Carey, International Trade Manager to get involved (acarey@ota.com).
ORGANIC TRADE ASSOCIATION

SUPPLY CHAIN INTEGRITY
The labels said ‘organic.’ But these massive imports of corn and soybeans weren’t.

By Peter Whoriskey  May 12

Food Safety News
Breaking news for everyone’s consumption

Organic Trade Association guards against food fraud schemes
BY DAI PETERSON | JUNE 5, 2017

Once you’re big enough, it’s only matter of time before you must begin to worry somebody is ripping you off. That pretty well sums up the current mindset of the Organic Trade Association which figures that organic sales last year totaled about $47 billion or about 5.3 percent of all food sales in the country.

Organic food fraud leads Congress to weigh bill doubling USDA oversight

Most Read Business

1. Trump: Nike ‘getting exactly killed’ with boycotts over Colin Kaepernick’s Just Do It campaign
2. Shelby: Trump prepares for a trillion-dollar tax-trick over the future of the GOP

Bogus ‘organic’ foods reach the U.S. because of lax enforcement at ports, inspectors say

Most Read

1. Analysis: Catalonia independence vote: What you need to know
Global organic supply chain requires new tools to mitigate fraud.

Fraud cannot be tolerated in organic, inside or outside of the United States. Anytime there is fraud anywhere in the organic system, it takes value out of the organic chain.
Organic Fraud Prevention
Best Practices GUIDE

Forms the basis to Organic Fraud Prevention Solutions
- Provides businesses engaged in organic trade with a risk-based process for developing an organic fraud prevention plan
- Includes best practices and guidance on organic fraud prevention measures
- Includes detailed information on what to do when you suspect or detect fraud

Available to companies that pre-enroll
- Executive Summary is available on our website

OTA.com/OrganicFraudPrevention
The Best Practice Guide forms the basis of an organic industry fraud prevention program:

- Voluntary program that involves training, enrollment, assessment and ACA confirmation
- Internal quality control program, NOT a certification or verification program
- Certified operations will be developing mitigation measures and an Organic Fraud Prevention Plan
- Updates to the Organic Systems Plan will tie the program to the annual certification process

Leadership and commitment from organic businesses will drive the adoption process and strengthen the organic supply chain.
ORGANIC TRADE ASSOCIATION

FARM BILL UPDATE
H.R. 2  The Agricultural Improvement Act of 2018

The 2018 farm bill was the product of over two years of work by Congress and stakeholders.

Projected to cost $867 billion over 10 years.

The most bipartisan farm bill in recent history.
  • Passed in House 369-47
  • Passed in Senate 87-13

Signed into law by the President in December 2018.
Increased Oversight + Enforcement of the Organic Supply Chain

- Requires USDA to issue final regulations within a year to limit the operations excluded from certification such as ports, brokers and importers
- Requires electronic organic import certificates and establishes a USDA tracking system for these documents
- Grants the NOP and certifying agents authority to require increased documentation and verification if there is a compliance risk
- Establishes an interagency working group between USDA and Customs and Border Protection
- Requires USDA to report to Congress annually on compliance activities
Increased Oversight + Enforcement of the Organic Supply Chain

$5 million in mandatory funding for the National Organic Program to invest in technology systems upgrades that will modernize and improve international trade tracking systems and data collection.

- Full traceability without hindering trade
- Utilize blockchain and other technologies that will help prevent fraud

Authorizes discretionary funding for NOP to keep pace with organic industry growth.

- FY19: $16.5 million
- FY20: $18 million
- FY21: $20 million
- FY22: $22 million
- FY23: $24 million
THANK YOU
Export Shipping, Documentation and Compliance for U.S. Exporters

Presented by: Allan Christian
Senior International Trade Specialist
U.S. Commercial Service-Portland, OR
U.S. Department of Commerce
Classifying Products: International Trade

Harmonized System Codes:
- A six digit numerical classification system used worldwide in international trade; all products traded between countries have a corresponding Harmonized System Code.

Decoding HS Codes:
- First two digits identify HS Chapter (01-99).
- First four digits identifies ‘Headers’ within Chapters.
- Full 6 digit HS code identifies product to ‘Sub-header’ level of specificity.
Harmonized System Codes: Uses

- Classification of products for U.S. export compliance and import Customs clearance
- Obtaining import or export trade statistics to identify potential export markets
- Accessing import duties and landed costs for international markets
Schedule B Export Codes

- **Ten digit numerical classification system, the first six of which are the HS codes.**
- Required for U.S. export product classifications that are needed to complete Electronic Export Information submissions through the Automated Export System/Automated Commercial Environment platform.
- Last four digits of Schedule B Export Code identify product categories more specific than detailed at the six digit HS Codes.
- Countries around the world are harmonized through the first six digits of HS codes. Beyond six digits, countries use of HS codes vary and cannot be compared country to country.

**To locate Schedule B Export Codes:**
U.S. Census Bureau, Foreign Trade Division
[https://www.census.gov/foreign-trade/schedules/b/index.html](https://www.census.gov/foreign-trade/schedules/b/index.html)
## Schedule B Export Codes (example)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2204</td>
<td>Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009:</td>
<td></td>
</tr>
<tr>
<td>2204.10.0000</td>
<td>Sparkling wine</td>
<td>liters</td>
</tr>
<tr>
<td></td>
<td>Other wine; grape must with fermentation prevented or arrested by the addition of alcohol:</td>
<td></td>
</tr>
<tr>
<td>2204.21</td>
<td>In containers holding 2 liters (.528 gallon) or less:</td>
<td></td>
</tr>
<tr>
<td>2204.21.0000</td>
<td>Effervescent wine</td>
<td>liters</td>
</tr>
<tr>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>2204.21.4000</td>
<td>Of an alcoholic strength by volume of not over 14 percent vol</td>
<td>liters</td>
</tr>
<tr>
<td>2204.21.7000</td>
<td>Of an alcoholic strength by volume of over 14 percent vol</td>
<td>liters</td>
</tr>
<tr>
<td>2204.22</td>
<td>In containers holding more than 2 liters but not more than 10 liters:</td>
<td></td>
</tr>
<tr>
<td>2204.22.0020</td>
<td>Of an alcoholic strength by volume not over 14 percent vol</td>
<td>liters</td>
</tr>
<tr>
<td>2204.22.0040</td>
<td>Of an alcoholic strength by volume over 14 percent vol</td>
<td>liters</td>
</tr>
</tbody>
</table>
Harmonized Tariff System – Customs Rulings Online Search System

U.S. Customs and Border Protection: Customs Rulings Online Search System (CROSS)

- Searchable database of CBP Rulings that can be retrieved based on simple or complex search characteristics using keywords.
- Ruling collections span the years 1989 to the present.
- CROSS rulings are updated every week and the total number of searchable rulings now exceeds 202,000.

CROSS
U.S. Customs and Border Protection
https://rulings.cbp.gov/home
Incoterms - Defined:

- International Commercial terms are used worldwide in international trade (the 11 terms are defined in Addendum Item 2)
- First introduced in 1936 by the International Chamber of Commerce and last revised in 2010.
- Defines the transportation costs, risks and responsibilities of the buyer/importer and seller/exporter in international trade transactions of goods.
- Incoterms MUST include a place/location
- Most incoterms are multi-modal
  - Four apply only to sea and inland waterway transport: FOB, FAS, CFR and CIF
- Do not confuse Incoterms with Uniform Commercial Code terms, which apply only to U.S. domestic commerce, were removed from the UCC in 2004, but still present in sales contract law in many U.S. states.
- Incoterms 2010 – the current version in use, additional details at: https://www.export.gov/article?id=Incoterms-Overview
Incoterms determine transport obligations, risk transfer and cost transfer between the buyer and seller - NOTHING ELSE

Transport Obligations can include:

- Pre-carriage – movement of goods from inland origin to port/airport of departure
- Main carriage – movement of goods from port of departure to port of arrival
- On-carriage – movement of goods from port of arrival to final inland destination
Incoterms - Usage:

- Incoterms are NOT LAW – They must be specified in your contract (purchase order) in order to apply.
- Incoterms DO NOT:
  - Address Remedies for Breach of Contract
  - Address passage of title (for goods) or recognition of revenue
  - Address container loading
  - Define vessel loading
  - Address cargo security
  - Address payment for the contract goods
Proper and Strategic Uses of Incoterms

a) Proper Incoterms must always include a named geographic location followed by the version you are using
   ➢ i.e. FCA (Anaheim) Incoterms™2010

b) Avoid export shipping using EXW (Ex-works)
   ➢ Buyer is responsible for export clearance/filing of Electronic Export Information, while exporter remains liable for this as “U.S. Principal Party of Interest” unless buyer is another U.S. company exporting purchased products.

c) FCA (Free Carrier)
   ➢ Better alternative to EXW- exporter can still have importer bear costs and risks of goods transport from exporter’s company location (pre-carriage) to port of departure, but exporter handles export clearance/EEI filing responsibilities.
Proper and Strategic Uses of Incoterms

d) FCA can also be used in place of FOB (Free On Board) or FAS (Free Along Side) for marine/inland waterway transport.

- FCA term is met when exporter has goods delivered to port of departure.
- Exporter cannot control when goods are delivered alongside of ship or on to ship, so use of FAS and FOB terms entails more risk for exporter.
Proper and Strategic Uses of Incoterms

e) CIF (Cost, Insurance and Freight) or CIP (Carriage and Insurance Paid To)
- Commonly used by exporters that want to provide more customer service to international buyers.
- Enables exporters to control shipping arrangements to the destination port.
- Often preferred by frequent exporters, as they can benefit from cost savings through better planning of shipping arrangements.

f) DAP (Delivered at Place)
- Better option for exporters than DAT (Delivered at Terminal).
- DAP more clearly defined and is usually the specific location in importer’s country to which goods will be delivered.
- Exporter not responsible for Customs clearance and import duties in importer’s country with DAP.
Proper and Strategic Uses of Incoterms

g) DDP (Delivered, Duty Paid)

- **Entails greatest costs and risks for exporters.**
- **Includes Customs clearance in importer’s country, import duties, and on-carriage arrangements and costs.**
- Used by U.S. exporters that ship products directly to international customers via an integrated carrier (i.e. DHL, FedEx or UPS), or which ship components directly to manufacturers, handling on-carriage shipping arrangements and Customs clearance for the buyer.
Export Control Basics

- **Know Your Buyer**
  - perform due diligence, obtain trade references, check all international buyers against the “Consolidated Screening List” of “Denied Parties” of individuals, companies, organizations with whom U.S. citizens/nationals and companies may not legally conduct business
  - Consolidated Screening List and guidance: [https://www.export.gov/consolidated_screening_list](https://www.export.gov/consolidated_screening_list)

- Service providers that provide “Denied Party” software to check against the Consolidated Screening List (See Addendum Item 2)

- **Use of Destination Control Statement**
  - Include on all Commercial Invoices and in international distributor contracts.

  *Newest version, updated in late 2016.*
**Destination Control Statement**

- "These items are controlled by the U.S. Government and authorized for export only to the country of ultimate destination for use by the ultimate consignee or end-user(s) herein identified. They may not be resold, transferred, or otherwise disposed of, to any other country or to any person other than the authorized ultimate consignee or end-user(s), either in their original form or after being incorporated into other items, without first obtaining approval from the U.S. government or as otherwise authorized by U.S. law and regulations."
U.S. Agencies Regulating U.S. Natural Product Exports

- **U.S. Customs and Border Protection**: Electronic export information and enforcement of export license controls
- **Bureau of Industry and Security (U.S. Dept. of Commerce)**: Export licensing for non-military/defense articles
- **U.S. Food and Drug Administration**: Export certificates for processed foods, nutritional supplements and cosmetics
- **Office of Foreign Assets Control (U.S. Dept. of Treasury)**: U.S. economic sanctions programs
- **U.S. Dept. of Agriculture – Animal & Plants Health Inspection Service**:
  a) Export certifications for plants and animal products
  b) The International Standards for Phytosanitary Measures Guidelines for Regulating Wood Packaging Material in International Trade (ISPM15)
Export Documentation Guidance

- Export documentation – details on common export documents, transportation documents, and temporary export documents at:
  - [https://www.export.gov/Logistics-10](https://www.export.gov/Logistics-10)

  - [https://www.export.gov/Export-Guides](https://www.export.gov/Export-Guides)

Export Documents

a) Pro Forma Invoice
   - Sales quotation between exporter/seller and importer/buyer.
   - Confirms to the importer the exporter’s price for goods, terms of sale, INCO terms, terms of payment, currency of payment, validity period for quote and estimated shipping date from U.S. port.
   - **Best Practice** - provide Pro Forma invoice with any international quotation, regardless of whether it’s been requested or not.
   - When buyer accepts Pro Forma invoice terms, Commercial Invoice can be produced and other export documentation completed.

b) Shipper’s Letter of Instruction (SLI)
   - When and if to file Electronic Export Information; use of proper Schedule B Export Codes; export shipment handling/special instruction (i.e. hazardous cargo); export license information provided
Export Documents

c) Commercial Invoice
   - Sales document developed with input from Pro Forma invoice and SLI. Document needed for Customs’ clearance and to determine value of goods for assessing import duties and value-added taxes due at importation.

d) Packing List
   - Itemizes your export shipment
   - Make sure all marks, weights and number of packages correlate with information on your other export documents.
Export Documents

e) Bill of Lading

- Serves as receipt of cargo and contract for transport of goods
- Used for ocean, truck or railroad transport of goods
- **Straight (nonnegotiable) and Order (negotiable) BoL**
  - Critical difference is the **Straight Bill of Lading is a document of title (possession)**
  - “Clean Bill of Lading” – issued when the shipment is received by the carrier with no indications of damage or shortages
  - Damages result in a “Foul Bill of Lading”

**Air Waybill** – used for air cargo shipments but is not a document of title (possession)
Export Documents

f) Transport problems? Do you have Cargo Insurance?
Export Documents

f) Transport problems? Do you have Cargo Insurance?
Export Documents

f) Transport problems? Do you have Cargo Insurance?
Export Documents

f) Cargo Insurance - Cargo Insurance Certificate

- International shipments should have adequate insurance to insure against product damage or loss and potential liability, i.e. “General Average”.
- **General Average** – if cargo is damaged in transit during ocean shipment, or if jettisoned to avoid initial or additional harm to vessel, the financial loss from damages or expenses shared by shippers are shared by all shippers exposed to harm, with shippers proportionately sharing in the financial loss according to value of their shipments on that vessel.
- Seller/exporter will often arrange shipping insurance even if the INCO term determines that buyer absorbs that cost.
- Exporter would then add insurance costs to Commercial Invoice and designate buyer as the beneficiary of the insurance policy.
h) **Certificate of Origin** – signed statement as to the origin of the exported item. Generic certificates of origin usually validated by a local/regional Chamber of Commerce and required by many importing countries. Typically, only larger, local Chambers of Commerce will validate these; Further info available at: [https://www.export.gov/article?id=Certificates-of-Origin](https://www.export.gov/article?id=Certificates-of-Origin)

i) **NAFTA and other U.S. Free Trade Agreement Certificates of Origin** – separate forms and separate origin criteria used to qualify products traded between the U.S. and 20 countries with which the U.S. has Free Trade Agreements (FTAs). Details and guidance for each FTA found at: [https://www.export.gov/Trade-Agreement-Guides](https://www.export.gov/Trade-Agreement-Guides)
Electronic Export Information – When Is It Needed?

- Electronic Export Information (EEI) – replaced the Shipper’s Export Declaration several years ago
- Required for:
  - All export transactions where the value of a commodity to one consignee to a single country or destination on a single conveyance on the same day is $2500 (per Schedule B number) or greater or when an export license is required. The exception to this is that U.S. exports to Canada do not require an EEI filing except when an export license is required for the transaction.
  - EEI is also required for all transactions, as described above, to Puerto Rico and the U.S. Virgin islands, although these are U.S. territories and commercial transactions to buyers in these destinations are not otherwise considered U.S. export transactions.
Electronic Export Information – Uses of the EEI

- To develop and publish U.S. export statistics - by commodity, by U.S. state, and aggregated nationally, recording all U.S. exports to all countries
- To verify compliance with U.S. export licensing requirements – Individual Validated Licenses or Export Administration Regulations (EAR) 99
- Official U.S. government record of each U.S. company’s export shipments for export shipments of $2,500 or greater (per Schedule B number) as defined earlier, excepting that NLR (No License Required) shipments to Canada do not require EEI.
 Former Automated Export System now subsumed into the Automated Commercial Environment (ACE)

- **Automated Commercial Environment (ACE)** – the system through which the trade community reports imports and exports (EEI) and the U.S. government determines admissibility
- **Who Can File the EEI:**
  - U.S. exporter - known as the U.S. Principal Party of Interest (USPPI)
  - Authorized Agent – Exporter’s Forwarding Agent – int’l freight forwarder authorized to facilitate movement of cargo from U.S. to the int’l destination
  - International Buyer – known as Foreign Principal Part of Interest; for “Routed Transactions” int’l buyer will authorize U.S. Forwarding Agent or USPPI to file the EEI for the Routed Transaction.
Automated Commercial Environment (ACE)

- AESDirect System was migrated into the Automated Commercial Environment platform in the Fall 2015.

- If your company had filed EEI through AESDirect in the past, your company will need to sign up for an ACE Exporter account and create user accounts for staff that need account access to file in EEI via ACE.
Automated Commercial Environment – How Do I Learn To Use It

- ACE features modernize and streamline trade processing across all sectors. ACE capabilities cover Manifest, Cargo Release, Post Release, Export and Partner Government Agencies (PGAs).

Export Compliance – Records Keeping

- Copies of all EEI and Commercial Invoices for export sales made for the past 5 years (from date of entry) should be kept on the premises of your business in the event of an export compliance audit – detailed in CFR 19, Chapter 1, §163.4 Record retention period
- Recommend that you NOT keep any more than the mandatory 5 years of EEI and Commercial Invoice records.
  - It can’t help and can only potentially hurt you in event of a compliance audit.
Addendum Item 1: Incoterms 2010

INCOTERM DEFINITIONS/CHANGES

The 11 Incoterms consist of two groups and are listed below in order of increasing risk/liability to the exporter. Under the revised terms, buyers and sellers are being urged to contract precisely where delivery is made and what charges are covered. This should avoid double-billing of terminal handling charges at the port of discharge. References to “ship’s rail” were taken out to clarify that delivery means “on-board” the vessel. Insurance, electronic documentation, and supply chain security are addressed in more detail, and gender-neutral language is now used.
Addendum Item 1: Incoterms 2010

Rules for Sea and Inland Waterway Transport:

- **FAS** - Free Alongside Ship: Risk passes to buyer, including payment of all transportation and insurance costs, once delivered alongside the ship (realistically at named port terminal) by the seller. The export clearance obligation rests with the seller.

- **FOB** - Free On Board: Risk passes to buyer, including payment of all transportation and insurance costs, once delivered on board the ship by the seller. A step further than FAS.

- **CFR** - Cost and Freight: Seller delivers goods and risk passes to buyer when on board the vessel. Seller arranges and pays cost and freight to the named destination port. A step further than FOB.

- **CIF** - Cost, Insurance and Freight: Risk passes to buyer when delivered on board the ship. Seller arranges and pays cost, freight and insurance to destination port. Adds insurance costs to CFR.
Addendum Item 1: Incoterms 2010

Rules for Any Mode or Modes of Transportation:

- **EXW** - Ex Works: Seller delivers (without loading) the goods at disposal of buyer at seller’s premises. Long held as the most preferable term for those new-to-export because it represents the minimum liability to the seller. On these routed transactions, the buyer has limited obligation to provide export information to the seller.

- **FCA** - Free Carrier: Seller delivers the goods to the carrier and may be responsible for clearing the goods for export (filing the EEI). More realistic than EXW because it includes loading at pick-up, which is commonly expected, and sellers are more concerned about export violations.

- **CPT** - Carriage Paid To: Seller delivers goods to the carrier at an agreed place, shifting risk to the buyer, but seller must pay cost of carriage to the named place of destination.

- **CIP** - Carriage and Insurance Paid To: Seller delivers goods to the carrier at an agreed place, shifting risk to the buyer, but seller pays carriage and insurance to the named place of destination.
Addendum Item 1: Incoterms 2010

Rules for Any Mode or Modes of Transportation:

- **DAT** - Delivered at Terminal: Seller bears cost, risk and responsibility until goods are unloaded (delivered) at named quay, warehouse, yard, or terminal at destination. Demurrage or detention charges may apply to seller. Seller clears goods for export, not import. DAT replaces DEQ, DES.

- **DAP** - Delivered at Place: Seller bears cost, risk and responsibility for goods until made available to buyer at named place of destination. Seller clears goods for export, not import. DAP replaces DAF, DDU.

- **DDP** - Delivered Duty Paid: Seller bears cost, risk and responsibility for cleared goods at named place of destination at buyers disposal. Buyer is responsible for unloading. Seller is responsible for import clearance, duties and taxes so buyer is not “importer of record”.
Addendum Item 2: “Denied Party” Screening Software Services

- Ecustoms: Visual Compliance - [https://www.ecustoms.com/](https://www.ecustoms.com/)
- MK Data Services - [https://www.mkdataservices.com/services/denied-parties-screening](https://www.mkdataservices.com/services/denied-parties-screening)
- Global Wizard - [https://www.globalwizardexports.com/](https://www.globalwizardexports.com/)