

Outi Salla

IMPORT PROCESS OF KANGAROO MEAT FROM AUSTRALIA
TO FINLAND

Degree Programme in International Business
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KENGURUN LIHAN MAAHANTUONTIPROSESSI AUSTRALIASTA SUOMEEN

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Tämän tutkimuksen tarkoituksena oli selvittää askel askeleelta, kuinka kengurun lihan maahantuontiprosessi Australiasta Suomeen etenee. Työn tärkeimpiä tavoitteita oli kerätä tietoa molempien maiden tullien toimintatavoista ja Euroopan Unionin säännöistä ja määräyksistä maahantuontia koskien, selvittää kauppasopimuksen tärkeintä sisältöä, mitä asiakirjoja maahantuontiprosessissa tarvitaan ja mikä on paras tapa kuljettaa lihatuotteita Australiasta Suomeen.

Tutkimuksen tärkein tavoite oli oppia kuinka maahantuontiprosessi Euroopan Unionin ulkopuolelta käytännössä toimii. Toinen tärkeä syy oli oppia ymmärtämään tullin toimintatapoja maahantuonnissa ja viennissä. Tutkimuksen aiheen valintaan vaikutti myös kirjailijan oma kiinnostus aihetta kohtaa.

Tutkimus suoritettiin pöytätyönä. Sen teoreettinen osuus perustuu jo olemassa olevaan tietoon eli tässä tutkimuksessa ei tuotettu uutta tietoa. Tutkimuksen aikana tarkasteltiin lukuisia tietolähteitä huolellisesti ja saatu tieto analysoitiin tarkasti. Työn uskottavuuden ja luotettavuuden säilyttämiseksi tutkimuksessa käytettiin vain luotettavimpia tiedonlähteitä. Uutta tietoa kohtaan suhtauduttiin kriittisesti koko tutkimusprosessin ajan, mutta pyrkimyksenä oli myös säilyttää avomielinen lähestymistapa aihetta kohtaan.

Tutkimuksen tulokset osoittavat, että kengurun lihan maahantuontiprosessi Australiasta Suomeen on melko yksinkertainen, kuitenkin vain jos kaikki prosessin vaiheet on hoidettu kunnolla ja huolellisesti. Tämä tutkimus on hyödyllinen apuväline yrityksille ja yrittäjille, jotka suunnittelevat kengurun lihan maahantuontia Suomeen tai minkä tahansa tuotteen tuontia Euroopan Unionin ulkopuolelta.

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The purpose of this research was to find out how does the import process of kangaroo meat from Australia to Finland go, step by step. The main objectives were to gain information about the customs operation in both countries and about the rules and regulations of the European Union, find out the main features of trade agreement, what kind of documents are required in the process and what is the best way to deliver meat from Australia to Finland.

The main reason for conducting this research was to learn how the import process from outside the European Unions' area works in general. Another reason was to gain understanding on the customs operations when importing and exporting goods. Also the author's personal interest in the subject had an effect on why this topic was chosen for the research.

The study was conducted as a desk research. The theoretical part of the research is based on already existing information and no new information was produced in the research. In the research process multiple sources of information about the topic were studied. The subject was researched carefully and the gathered information was analyzed in detail. In order to accomplish credibility and reliability to the research only the most reliable sources of information were used in the study. Also a certain level of criticality towards new information was maintained throughout the whole process, however still attempting to have an open minded approach to the subject.

The research results showed that the import process of kangaroo meat from Australia to Finland is quite simple, provided that every step of the process has been handled properly and with care. This research is a useful asset for companies and entrepreneurs that are planning on importing kangaroo meat to Finland, or any goods from outside the European Union.

CONTENTS

1	INTRODUCTION	6
2	PURPOSE OF THE STUDY AND CONCEPTUAL FRAMEWORK	7
2.1	Purpose of the Study	7
2.2	Research Questions and Methods	7
2.3	Conceptual Framework	8
3	KANGAROO INDUSTRY	9
3.1	Kangaroo Meat	9
3.2	Harvesting	11
3.3	Trading Conditions	12
3.3.1	Requirements of the European Union	12
3.3.2	Requirements of the Australian Government	13
4	TRADE AGREEMENT	15
4.1	Content	15
4.1.1	Terms of Delivery	18
4.1.2	Terms of Payment	21
5	DELIVERY	24
5.1	Packing	25
5.2	Labeling	26
5.3	Transport	26
5.3.1	Documentation	26
5.3.2	Payments	29
6	CUSTOMS FORMALITIES	29
6.1	Australian Customs	29
6.1.1	Export Declaration	30
6.1.2	Certificate of Clearance	30
6.2	Finnish Customs	31
6.2.1	Notice of Arrival	31
6.2.2	Customs Declaration	32
6.2.3	Duty	33
6.2.4	Value Added Tax	33
7	THE IMPORT PROCESS STEP BY STEP	33
7.1	Trade Agreement	33
7.2	Payments	34
7.3	Packing and labeling	34
7.4	Customs Formalities in Australia	35
7.5	Delivery	35

7.6	Veterinary Border Inspection.....	36
7.7	Customs Formalities in Finland	36
8	CONCLUSION	37
	REFERENCES.....	38
	APPENDICES	

1 INTRODUCTION

Finland is a part of the European Union. The trading conditions within the union are unified. This means that the rules and regulations that regulate the importation in Finland apply in the whole European Union region. Therefore it is increasingly important to have knowledge on how does the import process to the European Union happen. The European Union's area is constantly increasing when more and more European countries apply and are accepted to join the European Union. This growth makes it even more important to know and understand how the import process to the European Union region goes exactly.

This research studies the import process of kangaroo meat from Australia to Finland. It concentrates on three main subjects. The first subject is the actual import process itself. All the elements of the process are presented in detail and a concrete step by step process description will be displayed at the end of the research. Second one of the main subjects is the matters that need to be taken into consideration when importing goods from outside the European Union. The research explains what requirements must be fulfilled before the goods can legally enter the European Union area. The third main subject in this research is the customs operations in both Australia and Finland. The research focuses on both Australian and Finnish customs since the customs operations are quite different in exportation than in importation and also the rules and regulations may vary depending on the country.

In the theoretical part of the research all the information concerning the subject is presented in detail. The theoretical part is limited to describe only the relevant information in relations to the import process from Australia to Finland. The empirical part of the research presents a detailed process description of the whole import process. The focus is on the actual import process itself and the harvesting and the distribution of the meat is left out of the empirical part all together.

2 PURPOSE OF THE STUDY AND CONCEPTUAL FRAMEWORK

2.1 Purpose of the Study

The purpose of this research is to find out how exactly does the import process of kangaroo meat from Australia to Finland go, step by step. The study provides information on customs formalities in both the exporting country Australia and the importing country Finland. With kangaroo meat being such a special product, also food safety authorities of both countries have their own rules and regulation on handling the goods each step of the way. These rules play an important role in the study as well. One of the main objectives of this research is to gather and provide information on the import process in detail and to find out all the elements of it. It is important to understand how all the elements are connected to each other and how many of them there actually are.

There are many reasons why this topic was chosen for the research. One of them is the author's personal fascination to the land of kangaroos and another is to gain understanding on the customs operations when importing and exporting goods. In addition to these factors the whole import process from outside the European Union is a crucial learning point in this research and the most important reason for choosing this topic.

2.2 Research Questions and Methods

Research questions

The research questions are as follows:

- How does the import process of kangaroo meat from Australia to Finland go step by step?
- What needs to be taken into consideration when importing meat from outside the European Union?
- What operations do the customs of both countries have?
- What kind of documents are needed and in what point of the process?

- What are the main features of trade agreement?
- What is the best way to deliver meat from Australia to Finland?

Research methods

The study was conducted as a desk research. The theoretical part of the research is based on already existing information, so no new information was produced in the research. In the research process multiple sources of information about the topic were studied. The subject was researched carefully and the gathered information was analyzed in detail. In order to accomplish credibility and reliability to the research only the most reliable sources of information were used in the study. Also a certain level of criticality towards new information was maintained throughout the whole process, however still attempting to have an open minded approach to the subject. All the gathered information on the process reflects both the Australian and the Finnish perspective.

2.3 Conceptual Framework

The conceptual frame of reference combines the elements of the import process and shows how they are linked together. First there is the product, which in this case is kangaroo meat. Then the trade agreement is made between the buyer and the seller, after which the meat is delivered to Finland and finally being handled in the customs. The elements of the import process are described in Figure 1. The figure also illustrates the main idea of what is included in each section of the process.

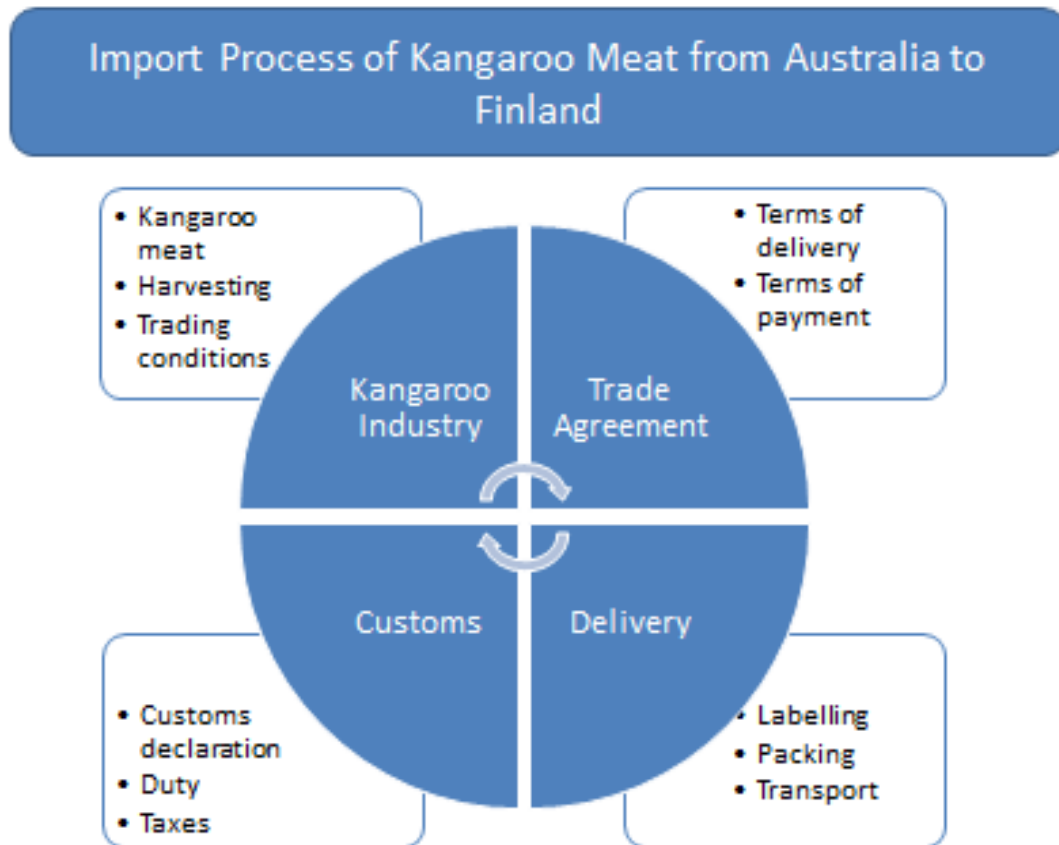


Figure 1. The Conceptual Frame of Reference: Import Process of Kangaroo Meat from Australia to Finland.

3 KANGAROO INDUSTRY

3.1 Kangaroo Meat

When thinking about Australia, the first thing that comes to mind is a kangaroo. Kangaroos are a distinctive part of Australia's wild life and also their national animal alongside with emu and koala bear. There are more than 60 different species of Kangaroos and their close relatives. Together they form a super family *Macropodoidea*, which is divided into two subgroups, *Macropodidae* and *Potoroidae*. Different species of kangaroos have different qualities, so they can inhabit the whole of Australia,

from cold areas and dry deserts to tropical rainforests and humid beaches. Kangaroos can breed around the whole year and their numbers can increase 400 per cent in five years given that they have plenty of food and water. Kangaroos are herbivorous and their nutrition consists mainly of different kinds of plants. (Website of the Australian Government 2008.)

Kangaroo meat is a healthy choice for food. The meat is low fat with less than 2 per cent fat and like all meat products kangaroo meat is rich with high quality protein. The low fat level makes the meat very lean and tasty. The low fat and high protein levels are not the only advantages in kangaroo meat, but it also contains a variety of other nutrients. These nutrients include omega 3 fat acids, conjugated linoleic acid (CLA), iron, zinc and vitamin B. All of these nutrients have beneficial effects on the human body. Omega 3 fat acids are polyunsaturated fats and good for the heart. CLA is one of the good fats and it has antioxidant properties and according to researches it may help reduce body fat in humans. Iron provides energy, helps transport oxygen and is a major factor in brain development and zinc enhances growth, healthy immune system and wound healing. Both of these nutrients can be found in kangaroo meat in fairly high volumes. The health benefits gained from the B-group vitamins that kangaroo meat contains are for example energy production, supported vision and skin, aid in manufacturing red blood cells and supported digestive and nervous systems. In addition to these great attributes kangaroo meat is considered less risky to eat, since kangaroos do not suffer from diseases and parasites as much as conventional meat animals, because the sizes of the groups that they live in are less intensive (Kangaroo Meat Export Industry Video Presentation n.d.) All in all red meat is a part of a healthy diet and kangaroo meat is a great choice for the meat. (Website of Macro Meats 2012.)

As it was established, kangaroo meat has many health benefits. People from all age groups can gain different benefits from the meat. Kangaroo meat is a great source of iron for babies, after they are ready to eat meat of course. For children kangaroo meat offers a wide range of beneficial nutrients since children are growing fast. The most important nutrients for children in kangaroo meat are protein, iron, zinc and omega 3 fat acids. Especially important is to provide children with enough iron, because low iron stores can have negative effects on the child's growing and learning. In the other

end of the life cycle, also senior citizens have increased need for some nutrients, such as protein, vitamin B and riboflavin, all of which kangaroo meat contains. For adults kangaroo meat is at least just as beneficial as for the rest of the age groups. So no matter what age group a person represents, kangaroo meat is a noteworthy choice for nutrition. (Website of Macro Meats 2012.)

3.2 Harvesting

Kangaroo is a game animal. They live in the nature and there is no kangaroo farming in Australia. The kangaroos are commercially hunted in the wild and the harvest is strictly controlled by the government. The harvesting of kangaroos can be compared to the moose hunt in Finland. A vast majority of the commercial harvesting happens in the dry grazing rangelands, more than 99 per cent of it. In these areas there are hardly any trees and the number of kangaroo population can be then estimated by flying over the populated areas and counting the kangaroos. According to these estimates the Australian government annually sets quotas on how many kangaroos can be harvested in that year. Usually the quota is about ten to fifteen per cent of the total population. In other words the number of harvested kangaroos is something between four and seven million (Tähtinen 2007). Also the weather conditions over the seasons affect the setting of the quotas, since they have a major effect on the kangaroo population. (Kelly 2008.)

Kangaroos have been hunted from the days of dawn. Over times they have been a valuable source of meat and skin. The animal has preserved its status as a beneficial asset to this day and kangaroos are being commercially harvested. The commercial harvesting of kangaroos is not only beneficial but also necessary. Nowadays the number of kangaroos in Australia is larger than ever due to the introduction of European farming methods with pastures. With ever so large population the kangaroos are becoming a slight peeve; they are competing over the pasture with farmed livestock and causing traffic accidents (Tähtinen 2007). Because of the increased population, it is necessary to commercially harvest kangaroos. This way the number of the population can be controlled. However not all kangaroo species are allowed to be harvested, but only the four most abundant of them. The harvesting is allowed only for licensed

and fully trained hunters, who are obligated to follow the *National Code of Practice for the Humane Killing of Kangaroos*. The code considers animal welfare to be a priority in the harvest and the killing of kangaroos has to be executed as humane way as possible. The hunters who do not obey these rules will face penalties. (Website of the Australian Government 2008.)

3.3 Trading Conditions

Kangaroo meat is said to be very tasty. Due to the fact that kangaroo meat was earlier a limited resource, kangaroo meat was made legal for humans to consume only in 1980 in South Australia and 1993 in other states in Australia (Taylor 2011). However the exporting of kangaroo meat to Europe began as early as in 1959. In the late 1950s the European game meat industry became interested in kangaroo meat and in 1959 the Australian kangaroo industry began exporting it to Europe. Since then the exporting has grown and nowadays kangaroo meat is exported to more than 55 countries according to the estimates made by the Australian kangaroo industry. The biggest markets for exporting kangaroo meat are in the European Union and Russia, followed by constantly increasing markets in the United States of America and Asia. Kangaroo meat is continuously increasing its popularity all over the world and building a reputation as a quality game meat, so also the export markets are expected to grow in the near future. (Website of the Australian Government 2008.)

3.3.1 Requirements of the European Union

The European Commission has created a list of countries from which importing of meat products is allowed. With Australia being one of the countries, importing of kangaroo meat is allowed given that all the requirements are fulfilled. One of the most important requirements is that the origin of the meat has to trace back to a production plant that has been approved by the European Union. This way the safety of the products can be assured. Another important regulation stated by the European Commission is that every meat delivery has to contain a proper certificate of health that is to be written in Finnish, Swedish or English. Also the meat has to be marked properly and according to the statements of the European Commission. Since kanga-

roo meat is imported from outside the European Union region, it has to undergo a veterinary border inspection when arriving to the EU area. An advance notification for the inspection of the meat has to be given one day before the inspection at the latest. The advance notification is given to the border inspection post by the Common Veterinary Entry Document. (Website of Finnish Food Safety Authority Evira 2012.)

3.3.2 Requirements of the Australian Government

Australian government has strict rules on exporting meat products and these rules apply on exporting kangaroo meat as well. There are high standards for food safety in Australia and in order to guarantee that these levels are reached, the export of meat is highly regulated. This also ensures that the importing country requirements are met. In fact Australia is one of the few countries that have established food export legislation. Through this legislation the trading partners overseas will gain even further assurance of the food safety. In the law it is stated that each Australian wild game export processing plant has to be registered and meet the strict conditions that have been placed by the Australian government. (Kangaroo Meat Export Industry Video Presentation n.d.)

The quality of the exported meat is inspected in many different phases of the supply chain. If any abnormalities are found in the meat at any point of the supply chain, the particular meat will not end up in human consumption. Therefore even right after the harvesting of the kangaroo the hunter must examine the health of the carcass. Also the harvesting vehicle must contain a special hanging frame to ensure that the kangaroo carcasses are cool and facilities for washing hands and equipment. The harvester brings the carcasses to a field chiller, a storage approved by the government where they are chilled to seven degrees Celsius. The chilling of the carcass must happen within twenty four hours from the harvest and the temperature must be maintained until the processing begins. It is required that the field chillers are always clean. When the carcasses are transported to the meat processing plant, once again they are examined to make sure that everything is as it should be. At the processing plant also the internal organs are inspected. These organs are either produced for pet food or disposed, but it is regulated that they will not wind up in human consumption. The

post mortal inspection of the carcasses and viscera happens under the supervision of a government veterinarian. (Kangaroo Meat Export Industry Video Presentation n.d.)

According to the food safety legislation the data collection concerning export meats is essential. In every step of the way every little piece of data must be recorded, from the time of harvesting to the temperatures of the kangaroo carcasses in different phases of the process. Should anything be out of the ordinary, the kangaroo meat will disqualify from being suitable for human consumption. Even malfunctions at the processing plant will result to the same outcome. It is required that every day before the processing begins microbiological testing has to be executed in order to verify that the facilities and equipment are sanitary. Also the carcasses must undergo the microbiological testing, once upon arrival and then again right before processing. These hygiene and sanitary tests are yet another way to increase quality assurance among the importing countries. (Kangaroo Meat Export Industry Video Presentation n.d.)

The processes and packed meat must be clearly labeled. The label has to describe the product accurately and fulfill the country requirements. When the meat is transferred from the processing plant, the shipment must contain an export health certificate. The certificate will be issued only when the Australian government is sure that the product fulfills both exporting and importing country requirements. In Australia an electronic export documentation system called EXDOC is being used to issue the documentation. It was developed by the Department of Agriculture, Fisheries and Forestry. Also the importing country can use EXDOC to verify the genuineness of the documents by viewing them on a secure website. In order to protect the integrity of the meat products, the export processing plants must have a documented security program. Even the shipping container must be sealed with an official government seal. The containers are then transferred to air container storages for airfreight and the storages also have to be government approved and have appropriate security operations. After all these regulatory actions and verifications the importing country authorities can be confident that the products are of high quality and have maintained their integrity throughout the whole supply chain. (Kangaroo Meat Export Industry Video Presentation n.d.)

4 TRADE AGREEMENT

Trade agreement is a contract between the seller and the buyer. It legally binds the counterparties to do business according to the terms and conditions agreed upon in the trade agreement. The composition of a trade agreement begins with a request for proposal to do business either from the seller or the buyer. The trade agreement should be based on goals and desires of both the seller and the buyer. It should include all the necessary information clearly and in detail, leaving no room for misunderstandings. The first thing that should be decided is which country's legislation will be used in the composing of the trade agreement. Usually the legislation of the seller's country is used. (Melin 2011, 42.)

The legislation concerning foreign trade between different countries may vary quite significantly. This is why a United Nations Commission on International Trade Law, or UNICITRAL, has been created to unify the trading laws. One of the main ideas of the UNICITRAL is that the terms of the agreement have to be substantiated, so that in the case of conflict there will be a clear concept on what to do. Another establishment of the UNICITRAL is that the contract is considered final when the receiver of the proposed contract does not react to the proposal. So basically silence means yes. There are also other terms of agreement that have been standardized, such as Incoterms and Combiterms. Incoterms will be explored more closely in the chapter about delivery terms. (Melin 2011, 43.)

4.1 Content

It is highly recommendable that at least the following matters would be included in a trade agreement:

1. Background information of the buyer and the seller.

This information includes the company form, billing address and the value added tax number of the buyer.

2. Identification of the goods.

The goods should be described as in detail as possible. The description should include information on quality, weight, quantity, number of pieces and spare parts.

3. The trade price.

Everything concerning the price should be carefully and clearly stated. The stated information should include the reasoning behind the price, what is actually included in the price, the conditions on changing the price and the consequences of changing the price. It is also advised not to use any vague expression on the statement, but to express everything clearly.

4. Terms of payment.

It is advised to settle the time of payment as well as the place and currency of payment. Also the consequences of a delay in the payment should be defined in detail.

5. Time of delivery.

This information includes counting the delivery time, consequences of a delay, possible lengthening of the delivery time, the buyers right to demand discount and the buyers right to annul the contract and claim for damages.

6. Terms of delivery.

It is preferable to use the official international delivery terms such as Incoterms and Combiterms. Also this information should include the address where the goods are delivered for correct tax payment, since the billing address may be in a different country than the shipping address.

7. Force majeure.

The terms and conditions of force majeure must be stated clearly in the trade agreement as well as the consequences of it.

8. Inspection of the goods.

The possible inspections of the goods during preparation, the acceptance test and buyers' responsibility for reclamation should be included in the trade agreement.

9. Warranty.

The issues about warranty that should be agreed upon are what the warranty covers, how long it lasts, the responsibilities of both parties and what are the consequences if those responsibilities have not been met.

10. Property rights.

The moment where the ownership of the goods shifts from the seller to the buyer should be defined clearly. It can be a moment of commissioning or the moment when the goods have been paid for in total.

11. Risk transition.

This section should cover the cases that are not determined in the delivery terms.

12. Instructions concerning the packaging.

It is the sellers' responsibility to pack the goods as required. If any special packing is needed, it must be included in the trade agreement.

13. Validation of the contract.

The contract should contain information on where and when the contract becomes valid and which actions are required to reach that state.

14. Solving the conflicts.

It is recommended to agree on which court of law possible conflicts will be settled and according to which country's law.

(Melin 2011, 47-48.)

4.1.1 Terms of Delivery

Terms of delivery are used to determine the responsibilities of both the seller and the buyer in the delivery process in international trade. There are various different ways to interpret these terms and they may vary even within the same country. In order to avoid any differences in interpretations, the International Chamber of Commerce, or ICC, has created Incoterms. Incoterms are delivery terms where the actual terms have already been determined. Their usage is increasing constantly in the international trade. There are also Combiterms, that are used in trade between the Nordic countries, Revised American Foreign Trade Definitions, or RAFT, that are used in the United States of America and Finnterm, that are used in trading business inside Finland. The delivery terms that can be used in importation from Australia are the Incoterms. The delivery terms define how the responsibilities are divided between the seller and the buyer in different phases of the delivery. They define the responsibilities over actions such as loading and unloading the goods, payments and risk management. It is important to know exactly which party is responsible for which actions to avoid conflict and gain mutual understanding. (Melin 2011, 56.)

There are many aspects in choosing the delivery terms. Both the seller and the buyer have their own best interest in mind, but there are also judicial aspect, advantages for marketing, effects on costs and national economy to keep in mind. Also there are five factors that affect the choosing of the delivery terms. These factors are:

1. Competence of the counterparties. It is relevant how familiar the seller and the buyer are with the delivery terms and matters related to the delivery, such as customs operations and different insurance policies. It is important to make sure that both counterparties are familiar with the chosen delivery term.
2. Company policies concerning delivery. The policies are determined based on the company's field of operations, size, geographical location and the situation in the markets.

3. Familiarity and the company policy. Many companies tend to use the same delivery terms most of the time. The reason for this may be that they find it safe to use delivery terms that have been proven to be successful.
4. The volume of the delivery. The one who has the biggest volume of goods to deliver between the buyer and the seller will most likely get a better deal on the costs of delivery and insurance. In order to decrease the costs in total it is wise to choose a delivery term in which the person with bigger volume of goods to deliver is responsible for the costs.
5. Policies of different authorities, such as customs. Customs operations may vary depending on the delivery term.

(Melin 2011, 81.)

Incoterms 2010

Incoterms have been around for more than seventy years. They were used in 1936 for the first time. Since then the Incoterms have been renewed and completed seven times in total. The renewals took place in the years 1953, 1980, 1990, 2000 and in 2010. The most profound renewal was the one in 1990. It shaped both the content and appearance of the Incoterms. This was found necessary by the ICC because of the increased use of electronics in the communication and delivery technology. The renewal in 2010 divided the delivery terms in two categories; one for every method of transportation and another one only for delivery by sea. Also two new clauses were added to the Incoterms in the renewal in 2010. These two clauses replaced four old ones. (Melin 2011, 57.)

Traditionally Incoterms are divided into groups based on contents of the clauses. The groups are C, D, E and F where the first letter reflects the nature of the clauses. In group E the responsibilities of the seller are set to the minimum. The only thing that the seller needs to take care of is to place the goods near him/herself for the buyer to use. The F group is very similar with the E group. The biggest difference is that the seller is obligated to deliver the goods to the carrier selected by the buyer. In the de-

livery clauses in the C group the seller is obligated to deliver the goods to the buying country and pay for the delivery, but the buyer is responsible for any damages that may occur during the delivery. In the D group the seller is responsible for both delivery and damages until the delivery point which is in the buying country. The division of responsibilities and costs between the seller and the buyer in every group can be seen in Figure 2. (Melin 2011, 58-63.)

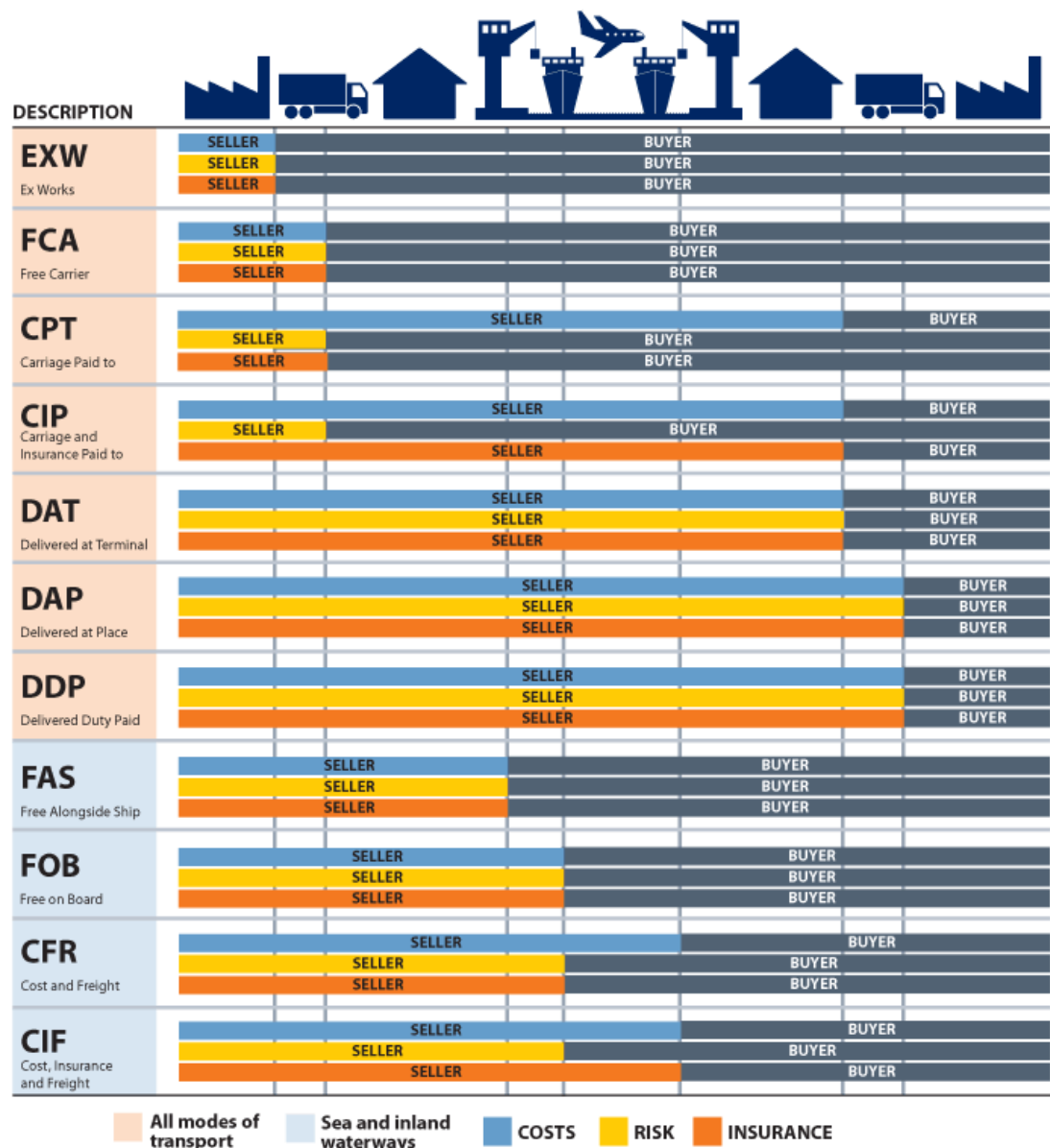


Figure 2. Incoterms 2010. (Website of Qingdao Marine Logistics Co. Ltd., 2011.)

Incoterms define the following matters:

- The responsibilities of the seller and the buyer
- The liability for different costs of both the seller and the buyer
- Transition of the risk including time and place
- The responsibility to acquire and pay different documents
- The responsibility to insure the goods
- The responsibility to pack the goods
- The costs for inspections

(Melin 2011, 57.)

More information on Incoterms 2010 can be found in Appendix 1.

4.1.2 Terms of Payment

Choosing the right payment term is just as important as choosing the right delivery term. The right choice can reduce the risks in international trade. There are many factors that affect the choice. These factors include the mutual trust of the trading partners, competitive situation, company policies and the desire to reduce the risks. The legislation of the trading partner's country may also affect the choice of the payment term. The payment terms should be stated clearly in the trade agreement to prevent any disagreements or problems. Others matters that should be taken into consideration when choosing the payment terms are:

- Speed and reliability
- State of the markets
- Traditions and commercial customs of the industry
- Target of the trade; consumable goods or capital goods
- Possibilities for financing the trade
- The effects of different payment terms
- The counterparties' knowledge on the payment terms
- Geography, distance and currency

- The political and economic situation of the trading partner's country

(Melin 2011, 120.)

There are four main payment methods in international business. These methods are Payment Order, Cheque, Cash Against Documents, or CAD, and Documentary Credit. The most simple ones are Cheque and Payment Order. They are so called clean payments. The use of these two methods requires mutual trust between the seller and the buyer since they require no trading of documents between the banks of the seller and the buyer. These clean payments can be used when the payment is being conducted before the delivery. In cases when the payment is being conducted at the same time as the delivery the payment methods that can be used are the clean payments, CAD or D/C at Sight. If the payment is conducted after the delivery then the methods to choose from are the clean payments, CAD D/A or Usance Credit. (Melin 2011, 121.)

Payment Order

Payment Orders are widely used in international business when the relationship between the seller and the buyer is good and they trust each other. The Payment Order is very similar than a regular bank transfer. The buyer gives the required information to the bank after which the transaction can be completed. The required information includes the method of payment, name and address of the receiver, bank and account number of the receiver, currency and the SWIFT number. This method of payment is quite fast. Also the costs for using Payment Order are considered reasonable. All in all this payment method is cost-effective, fast and safe. The transactions happen almost in real time and they are irreversible. In case that the seller and the buyer share mutual trust on each other Payment Order is a valid choice for payment method. (Melin 2011, 123-125.)

Cheque

Cheques are not that widely used anymore as they ones were because of the modern technology, but still they are used in some countries, such as the United States of America, United Kingdom, France and Germany. It is not recommended though, since a cheque is less safe than a Payment Order. When a cheque is been used as the payment method the buyer purchases the cheque from his/her bank and sends it to the seller, who then goes to his/her own bank to exchange the cheque for money. This process can be fairly time consuming because the post office cannot always be trusted to handle their deliveries quickly. If the seller insist on choosing a cheque as the payment method it is advisable to choose a bank cheque over a personal cheque. The use of cheques is inexpensive for the buyer but expensive for the seller since the purchase of a cheque is less expensive than claiming it. (Melin 2011, 121-122.)

Cash Against Documents

Cash Against Documents has many stages and the involvement of banks is necessary. First the seller ships the goods. Next the seller gives the assignment to his/her bank, or remitting bank, with the required documents. Then the bank sends an assignment to their correspondent bank, or collecting bank, in the buyer's country and asks them to release the documents according to the directions given by the seller. After receiving the documents the collecting bank informs the buyer about the situation. Then the buyer will conduct the payment and the collecting bank will release the documents. Next the collecting bank transfers the payment to the remitting bank and the remitting bank forwards the payment to the seller. After this the buyer is able to claim the goods against the documents. (Melin 2011, 127.)

CAD is the best method of payment when the seller wants to hold on to the goods until the payment has been made. However in this case the seller has to make sure that the goods are not delivered directly to the buyer but to a storage owned by a trust worthy carrier and that they are released only when the payment has been made. When using CAD there are two options to choose from; Documents Against Payment, or D/P and Documents Against Acceptance, or D/A. In D/P the payment is conducted right away and in D/A the seller has granted the buyer more time to pay. (Melin 2011, 125-126.)

Documentary Credit, D/C

Documentary Credit is the most expensive method of payment out of these four methods. In some cases it might be referred also as a Letter of Credit, or L/C. There are several different types of D/C's, but the main idea is the same in all of them. A Documentary Credit payment begins with the trade agreement between the seller and the buyer and the seller gives the D/C instructions for the buyer. The buyer, or applicant, opens a D/C in his/her bank, or issuing bank, by paying the amount of the D/C. Then the issuing bank will inform the seller's bank, or advising bank, about the D/C. After the advising bank has informed the seller about the D/C and the conditions of it, the seller begins to acquire the required documents and deliver the goods. Once the goods have been delivered the seller sends the documents to the advising bank where they will be inspected. After the advising bank has inspected the documents they will pay the seller and send the documents to the issuing bank and collect the payment from the buyer. Finally the issuing bank will release the documents to the buyer and the goods can be collected. (Melin 2011, 130-136.)

5 DELIVERY

When an importer is choosing the method for the delivery, there are a few ways to choose from. The possible options are shipping, railway transport, trucking, flight transport, combined transport, courier and transport via the post office. The matters that need to be considered when choosing the delivery method are:

- The delivery costs including the additional costs
- The volume and measures of the goods
- The country of destination
- The value of the goods compared to the delivery costs
- The vulnerability for damage of the goods
- The time of delivery

- The quality of customer service

(Melin 2011, 194-195.)

Australia is an island. This fact limits the possibilities for the choice of transportation when importing goods from Australia down to two. These two possibilities are flight transport and shipping. They both have their benefits and disadvantages to ponder on. Since Australia is almost exactly on the other side of the globe from Finland, it would be fairly time consuming to ship the products by sea. And since meat products are perishable goods, airfreight is presumably the best way to deliver the goods from Australia to Finland. Therefore the information presented in the following chapters about the delivery of the products focuses mainly on flight transport.

5.1 Packing

Concerning the packaging of goods, the modern distribution channels demand certain attributes from the package. The packages have to be suitable for many different functions, such as warehousing and mechanical handling of the packages. Also there are some restrictions and demands on airfreight that need to be taken into consideration when packing the goods. However there are requirements for the actual packing only when dangerous goods or live animals are in question. The requirements concerning the package on airfreight vary. The issues that affect these requirements are quality of the product, type of the airplane, weather and the requirements of the country of destination. (Website of Finnair Cargo n.d.)

In order for a package to be acceptable for airfreight it needs to be clean and intact. Also the package must be free of any previous markings, because there must be room for the new labeling. Otherwise there are no special requirements for the package. The cargo holds are pressurized and heated, so airfreight is a gentle way to deliver goods. The packages designed for airfreight are light and usually less expensive than packages meant for different types of delivery. These light and durable packing materials have replaced wood, cardboard and metal as the packing material for airfreight. (Website of Finnair Cargo n.d.)

The actual meat is packed in vacuum in an export meat processing plant in Australia and labeled clearly. The meat is preserved at a certain level of temperature at all times. The Australian standard for preserving kangaroo meat is seven degrees Celsius. The meat must be chilled also during the delivery. Usually in air transportations meat is packed into containers with thermal insulation and cold accumulators to maintain the required temperature. (Kangaroo Meat Export Industry Video Presentation n.d.; Website of Finnish Food Safety Authority Evira 2012.)

5.2 Labeling

When delivering goods it is very important that every package is properly labeled. The most important pieces of information on the label are the addresses of both the sender and the receiver of the package. Also a stick-on label for identification has to be attached to every delivered package by the sender, the forwarder or an airline representative. The following information has to be stated in the stick-on label:

- The number of the freight bill
- Number of packages
- Total weight of the delivery
- The airport of departure
- The destination airport
- Possible special instructions

(Website of Finnair Cargo n.d.)

5.3 Transport

5.3.1 Documentation

Air waybill

Air waybill, or AWB, is the most important document in air cargo transportation. It is the contract for transportation. The air waybill consists of twelve copies. Three of these copies match the original air waybill and the copies are for the sender, the receiver and the carrier. Only an airport representative or an agent of the International Air Transport Association (IATA) may issue the air waybill. The air waybill must contain all the necessary information. The required information is as follows:

- Information on the sender
- Information on the receiver
- The airport of departure
- The destination airport
- Quality of the goods
- The number and weight of containers

(Website of Finnair Cargo n.d.)

As opposed to being merely a transportation contract, an air waybill has many other functions:

- It acts as a confirmation on the transportation contract between the sender, the receiver and the carrier
- It confirms that transportation as air freight has been accepted for the goods
- It acts as a receipt for payment of air cargo
- It work as an important document for customs and banking as well as other transactions
- It confirms the devotion of the sender to the terms of delivery
- It acts as handling instructions for the airline personnel during loading and storage
- It acts as an important document for customs clearance

(Website of Finnair Cargo n.d.)

Commercial Invoice

Commercial invoice is a document often used in international trade. It contains important information that is used in many different phases in the import process. The parties that benefit from the commercial invoice are the buyer, the customs, forwarder and the transportation company. The information in the commercial invoice must be as accurate as possible, since many other documents will be based on this information. (Website of Suomen Kuljetusopas n.d.)

The invoice has to indicate the following matters:

- Name and address of the seller and the buyer
- Date
- Individualization information of the containers
- Name of the product
- Weight of the delivery
- Pricing information
- Possible discounts and the reasons for them
- Terms of delivery and terms of payment
- Tariff heading for customs
- Buyers VAT number
- Country of origin and country of destination
- Signature

(Website of Suomen Kuljetusopas n.d.)

Forwarders Certificate of Receipt

Forwarders certificate of receipt, or FCR, is a document received by the forwarder to insure that he/she has received the delivery and will pass it on as instructed. However, if the forwarder will also deliver the goods, he/she will have to sign a forwarders certificate of transport, or FCT. (Website of Suomen Kuljetusopas n.d.)

Directions for the forwarder

The instructions for the forwarder or carrier are given with a specific document for directions. In this document the special requirements for the delivery are listed. The document is not a compulsory but is highly recommended in some cases. There are no formal instructions how to assemble this document. (Website of Suomen Kuljetusopas n.d.)

5.3.2 Payments

When the delivery is average and does not belong to any special discount group, the General Cargo Rates, or GCR, are being used to calculate the price of the delivery. If the delivery does qualify for a discount, the Specific Commodity Rates, or SCR will replace the GCR. These prices can be from forty to sixty per cent cheaper. However, the rates are merely directional and the final cost of the airfreight depends on the company that delivers the cargo. The costs and payments are usually determined by the measures of the cargo. These measures include weight and size of the delivery, number of pieces and the value of the goods. It is common for the costs to fluctuate as the demand and supply fluctuate on the markets (Website of Nordea 2013.) (Melin 2011, 220; Website of Finnair Cargo n.d.)

6 CUSTOMS FORMALITIES

6.1 Australian Customs

Australian border customs is considered as one of the strictest customs in the world. The primary purpose of the exporting laws is to prohibit the export of certain goods partially or completely and to file Australia's international trade adequately. There is a large number of prohibited items that cannot be exported from the country and even larger number of prohibited and restricted items for importing. Still the export process out of Australia is fairly simple. The two most important documents in the

process are Export Declaration and Certificate of Clearance. If these two are in order the process should come about smoothly. (Volume 12 Export Control n.d., 8, 87-88.)

6.1.1 Export Declaration

An Export Declaration is a statement to the Customs and Border Protection provided by the exporter. It contains detailed information about the goods and the export transaction. It is possible to lodge an Export Declaration up to six months before the date of the exportation. After processing the information the Customs and Border Protection issues an Export Declaration Number, or EDN. EDN is a nine digit code and when cleared it acts as the legal authority to export goods from Australia. (Volume 12 Export Control n.d., 21-22, 24.)

Lodging an Export Declaration is quite simple. It can be done either electronically or manually. In order to lodge it electronically, the exporter must be a registered member of Integrated Cargo System, or ICS. Manually the Export Declaration can be lodged at any Customs Service Counter and faxed or mailed to the designated Customs office. First the Documentary Export Declaration form has to be printed out and completed. The exporter must prove his/her identity with EOI documents (Evidence of Identity for Documentary Transactions) and then the Documents Export Declaration will be accepted for processing. When the process is complete, the exporter will gain authority to export the goods. (Documentary Export Declarations 2011; Evidence of Identity for Documentary (Paper) Transactions 2007; Volume 12 Export Control n.d., 25.)

6.1.2 Certificate of Clearance

A Certificate of Clearance is a necessary document for exporting goods from Australia. Ships or aircrafts are not allowed to leave Australia without a Certificate of Clearance issued by the Customs. Usually the document is in possession of the pilot of the aircraft. In order to gain a Certificate of Clearance the exporter has to send a departure report to Customs and Border Protection. After the inspection of the docu-

ments the Certificate of Clearance can be issued. (Volume 12 Export Control n.d., 63.)

6.2 Finnish Customs

The operations that the Finnish customs have concerning import processes from outside the European Union area, or so called ‘third countries’, are the same in the whole European Union. However the information presented in these following chapters focuses on the operations that are required when importing kangaroo meat from Australia to Finland. In this case there are basically only few steps in the customs operations. The first matter that an importer needs to take care of is to provide the customs with a notice of arrival. This happens before the goods enter the European Union area. When the goods arrive to the European Union area they have to be presented to the customs and a notice of presentation is to be handed out by the transporting company. Next step for the importer is to provide a customs declaration to the customs. This can be done before or after the goods arrive either online or in person depending on the situation. This is not the only way to declare the goods, but there are several possible ways to complete this procedure. Whatever the case may be, the goods always have to be declared before they can be sold onwards. In addition to these steps, there are duties that need to be paid for the European Union and Finland. (Website of European Commission 2013; Website of Yrittäjät 2013.)

6.2.1 Notice of Arrival

Notice of arrival contains information needed for security reasons and it is mandatory for all methods of transportation. The information is used to create a risk analysis concerning safety and security. The notice of arrival can be used also as a document for temporary storage after the goods have been presented to the Finnish customs. The notice of arrival is given electronically through the customs’ AREX system. The notice of arrival has to be given before the goods enter the European Union area. The transportation company that delivers the goods is also responsible for giving the notice. If preferred, the company may also use a representative for the job. (Website of Finnish Customs 2013.)

6.2.2 Customs Declaration

The purpose of customs declaration is to find out the correct form of customs clearance. There are different types of customs declarations for different purposes. There are three ways to give out a customs declaration. The three ways are:

1. Online.

Due to the modern technology it is no longer necessary to handle customs declaration in person at the customs. It can be given online in the customs internet service given that the importer is a registered user.

2. With Single Administrative Document, or SAD.

The document has to be provided to the customs and it needs to include other required documents, such as commercial invoice. The form can be filled out also over the internet and printed out.

3. Electronic EDI message

For the use of EDI declaration the importer needs to have permission from the customs. The information on EDI form is almost the same as on SAD.

(Website of Finnish Customs 2013.)

In order to fill out the customs declaration successfully the importer should take care of certain actions in advance to simplify and speed up the process. These actions include:

- Finding out the correct heading for the goods to be declared
- Finding out about possible restrictions in the importation of the goods
- Acquire the required import permits and licenses

(Website of Finnish Customs 2013.)

6.2.3 Duty

The Finnish customs carry out duties for goods that are imported from outside the European Union area. The amount of the duty is based on the value of the goods, by calculating a certain percentage of it. The amounts can be found from the customs tariff. Customs tariff is a list of items and their headings. It includes all the necessary information for defining the customs value. The importer is responsible for setting the tariff, but also an officer from the customs has to confirm it. The officers can find all the required information on the customs declaration and other documents attached to it. (Melin 2011, 272-273; Website of Finnish Customs 2013; Website of Talous-sanomat n.d.)

6.2.4 Value Added Tax

In addition to other payments, the imported has to pay value added tax, or VAT, to the customs when the goods enter the European Union area. The value added tax for food products is 14 per cent. This means that the value added tax for food products is 14 per cent of the value of the goods. The importer can also apply a deduction for the value added tax, but he/she must have valid reasons for filing the application. Also a postponement for the payment of the VAT can be applied. However in this case the tax will grow interest. (Melin 2011, 273; Website of Finnish Customs 2013.)

7 THE IMPORT PROCESS STEP BY STEP

7.1 Trade Agreement

The import process of kangaroo meat from Australia to Finland begins when the seller and the buyer decide to do business together. The very first matter that they have to decide on is which country's legislation will be used in the composition of the trade agreement. Since the legislation of the seller's country is most commonly chosen, they will most likely choose the Australian legislation. Also both the seller and

the buyer are expected to obey the rules and regulations stated in the United Nations Commission on International Trade Law. Next step for the seller and the buyer is to start preparing the trade agreement by negotiating the terms and conditions of the contract. The matters that the buyer and the seller will negotiate on include the trade price, terms of payment, terms of delivery and warranty, as well as the other most important issues. Every issue in the trade agreement will be determined clearly and in detail to avoid any misunderstandings. When both parties are satisfied with the trade agreement, the process may continue. (Melin 2011, 42-43, 47-48.)

7.2 Payments

The next step of the process is for the buyer to pay the agreed trade price to the seller using the agreed payment method. For the payment to take place at this stage of the process, there are two payment methods to choose from; Cheque and Payment Order. In this case it is assumed, that the seller and the buyer share a mutual trust for each other, because the payment methods require no trading of documents between the banks of the seller and the buyer. The reason why the choice is limited to the two payment methods is because these so called clean payments are used when the payment is being conducted before the delivery. Since cheques are rarely used in Finland and they are considered to be an out-of-dated way to transfer money, the selected method of payment would most likely be payment order. It is also a faster and safer method than using a cheque. After the seller receives the payment from the buyer, the process is ready to continue. (Melin 2011, 121-122.)

7.3 Packing and labeling

The goods are packed at the export meat processing plant in Australia. First the kangaroo meats are vacuum packed and labeled clearly. The products are labeled using a national system that describes the product accurately and makes the trace back of the meat easier. Next they are packed into cardboard boxes that also have proper labels and markings on them. The labels must meet the country specific requirements. Also the packages must be clean and intact to be acceptable for airfreight. Another requirement for the packages to be acceptable for airfreight is that they have to include

the addresses of both the sender and the receiver. The sender also has to make sure that proper stick-on labels are attached to every delivered package and that they contain all the necessary information before the packaged can leave the country. (Kangaroo Meat Export Industry Video Presentation n.d.; Website of Finnair Cargo n.d.)

7.4 Customs Formalities in Australia

Before the goods can leave Australia, the exporter has to take care of the customs formalities. First thing to do is to provide the Customs and Border Protection with an Export Declaration. It can be lodged up to six month prior to the date of the exportation. This is a smart idea when the goods are perishable such as kangaroo meat. Weather the lodging is done electronically or manually the Customs and Border Protection will process the information and issue an Export Declaration Number, after which the goods can be legally exported from Australia. Also the Certificate of Clearance is issued by the Customs. Without the Certificate of Clearance the aircraft is not allowed to leave Australia. The document is usually in possession of the pilot. (Documentary Export Declarations 2011; Volume 12 Export Control n.d., 21-22, 24, 63.)

7.5 Delivery

For geographical reasons, the best method to transport kangaroo meat from Australia to Finland is by aircraft. After the meat has been properly packed and labeled at the meat processing plant and all the customs formalities have been taken care of, the goods are then ready to be delivered. The goods are packed to a shipping container at the export meat processing plant and transferred to an air container storage base, where they are loaded up to an aircraft for the delivery. When the importer does not use a forwarder in the delivery process and claims the good him/herself, the necessary documents are the air waybill, commercial invoice and Certificate of Clearance. The most important document is the air waybill, since almost all the other required documents can be included to the air waybill. The price of the delivery is usually calculated based on the General Cargo Rates, but the final cost of the airfreight depends on the delivering company. (Kangaroo Meat Export Industry Video Presentation n.d.;

Melin 2011, 220; Volume 12 Export Control n.d., 63; Website of Finnair Cargo n.d.; Website of Suomen Kuljetusopas n.d.)

7.6 Veterinary Border Inspection

According to the regulations of the European Commission the meat products that are imported from outside the European Union must undergo a veterinary border inspection when they arrive to the European Union's area. The importer is obligated to give out an advance notification for the inspection at least one day before the inspection with a Common Veterinary Entry document. (Website of Finnish Food Safety Authority Evira 2012.)

7.7 Customs Formalities in Finland

The last step of the import process of kangaroo meat from Australia to Finland is for the buyer to take care of the customs formalities in Finland and receive the delivery. First the importer must provide a notice of arrival to the customs before the goods enter the European Union area. The notice of arrival can only be given electronically with the customs' AREX system. Next the importer is obligated to provide the customs with a customs declaration. It can be done online, with a Single Administrative Document or using electronic EDI message. The notice of arrival can be given out before or after the goods arrive to the country. The importer is also required to pay duties and taxes for the imported goods when they arrive to the European Union area. The duties are carried out by the Finnish customs and the amount of the duty is based on the value of the goods. The amounts can also be found in the customs tariff and the importer is responsible for setting the tariff. The tax that the importer has to pay is a value added tax. For food products the tax is 14 per cent of the value of the goods. (Melin 2011, 272-273; Website of Finnish Customs 2013; Website of Yrittäjät 2013.)

8 CONCLUSION

The purpose of this research was to gain knowledge on how does the import process of kangaroo meat from Australia to Finland go and to find out the exact steps of the process. The main focus points in this research were customs operation in both Australia and Finland and the rules and regulations of different authorities, such as the European Union and food safety authorities. The study also provides information on many other features of the import process, like the trade agreement, incoterms and documentation in different phases of the import process. The study was conducted as a desk research.

According to the research the import process of kangaroo meat from Australia to Finland is fairly simple. The most important issues to keep in mind are the differences between the legislation concerning international trade in Australia and the European Union and the customs rules and regulations of both countries. The study shows, that as long as the importer makes sure that every matter has been handled correctly every step of the way, the import process should proceed effortlessly. Another important factor in the process is the trade agreement. The research indicates that the trade agreement determines all the crucial matters, such as the trade price, the terms of delivery and payment, time of delivery, warranty and risk transition. If the seller and the buyer can reach a settlement that satisfies them both, the whole import process should come along smoothly and certainly be a successful one.

The step by step process description in the research shows the fundamental phases of the process in correct order. The different sections include all a different step of the process. The steps are presented from the importers point of view. The research indicates, as it was mentioned above, that if everything is handled properly the import process of kangaroo meat from Australia to Finland is a fairly simple process.

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INCOTERMS 2010

Term	Description	Notes
EXW	Ex-Works (Named Origin)	Seller is only responsible for making the goods available at the seller's premises. The buyer bears the full risk from there to the destination.
FCA	Free Carrier (Named Origin or Port)	Seller is responsible for delivery to the custody of the carrier, which is provided by the buyer. Risk is transferred as soon as loading has taken place.
CPT	Carriage Paid to (Named Destination Port)	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport to the named destination. Risk is transferred at the place of delivery, whereas seller pays for transport to the destination.
CIP	Carriage & Insurance Paid to (Named Destination Port)	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport and insurance to the named destination. Risk is transferred at the place of delivery, whereas seller pays for transport and insurance to the destination.
DAT	Delivered At Terminal (Named Destination Terminal City)	Seller delivers the goods unloaded at a specified place inside the agreed terminal. Risk is transferred as soon as the goods have been unloaded.
DAP	Delivered At Place (Named Destination Door)	Seller delivers the goods to the disposal of the buyer on the arriving means of transport at the agreed place. Seller assumes the risk until the goods are made ready for unloading from the arriving means of transport.
DDP	Delivered Duty Paid (Named Destination Door)	Seller is responsible for bringing the goods to the destination, paying any duty and making the goods available to the buyer. Risk is transferred as soon as the buyer has access to the goods ready for unloading at the agreed destination.
FAS	Free Along Side (Named Port of Departure)	Seller is responsible for delivery of the goods at the quay alongside the ship. From this point onwards, risk lies with the buyer.
FOB	Free On Board (Named Origin or Port of Departure)	Seller is responsible for delivery of the goods loaded on board the ship. Risk is transferred as soon as the goods have been set down inside the ship.
CFR	Cost & Freight (Named Port of Entry)	Seller covers cost of freight, duty unpaid, to the named port of destination. Risk is transferred as soon as the goods have been set down inside the ship.
CIF	Cost, Insurance & Freight (Named Port of Entry)	Seller covers cost of insurance and freight, duty unpaid, to the named port of destination. Risk is transferred as soon as the goods have been set down inside the ship.

(Website of Qingdao Marine Logistics Co. Ltd., 2011)