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IMPORT PROCESS OF COCOA BEANS FROM IVORY COAST TO FINLAND

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The purpose of this thesis was to study, understand and describe the international purchasing process of a particular product from a third country to a European country.

The first chapter of this report introduces the bachelor’s thesis: the background of the topic, the purposes and outlines of this study. The two following chapters are related to the specific good imported: the cocoa beans. The history of this commodity good is described in this part, together with the issues it generates and its standards.

The key theory of an import process is then described, starting with the supplier selection, following by the transportation mode, payment and delivery terms, and ending with the customs part.

The empirical part of the thesis consists of an effective guideline for a company interested in importing cocoa beans from Ivory Coast to Finland. This part will enable a buyer to understand step by step the requirements of an import process, but it will also orientate him or her in the most difficult parts of this import process.

Finally, the last part of this study consists in an evaluation of the process, analysing the successes and failures, and suggesting potential topics for further studies linked to the thesis I have completed.
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1 INTRODUCTION

1.1 Background of the thesis

As a French student completing a double degree at SAMK University, I have to write a bachelor's thesis according to SAMK's requirements. At first, my project was to design a thesis for a company in accordance with its needs, but it did not end in any concrete topic, so I had to find an interesting topic without the support of any company or organisation.

During my exchange period in Rauma, I could enjoy diverse chocolate bars produced by Finnish brands such as Fazer, or Brunberg (whose factory is located near Rauma, in Porvoo). The food culture is very important in France, and I am interested in the alimentary supply chain, I was thus wondering how the chocolate could be imported to Finland.

Finally, my fields of studies, my interests and my previous internships in the logistics area helped to define the topic of my thesis. The main focus of the topic is to examine how an international buying process works for a specific industry, to then apply the findings and theoretical background to a concrete case: the import process of a specific food product (the chocolate) produced in a non EU country (Ivory Coast), and imported into an EU country (Finland).

As it took longer to find a relevant topic, my project was chosen and validated later than other usual students, in February. As a result, my first objective was to graduate in summer. Having the same challenging schedules, my opponent and I supported each other and pushed ourselves during the whole process. Unfortunately, the tight schedule predetermined could not be followed, so the ultimate goal was to finish this study in order to be graduated during September at SAMK and to have the grade on time for the first committee of my French University.
1.2 Research problems

The main objective of the thesis is to study, understand and describe the international purchasing process from a non European Union (EU) country such as Ivory Coast to a European country such as Finland.

Another objective is to provide guidelines to a Finnish company which might be interested in the import process from outside EU.

Plus, the soft commodity market will be considered too as cocoa beans is traded on world exchanges, as coffee or sugar.

This project is a research based thesis, hence several questions need to be answered:
- What is an import process?
- What are the different steps to follow when importing from a non EU country?
- What are the regulations regarding the import a food product into a European country such as Finland?
- What are the specifications of the raw material (cocoa beans)?
- What are the different flows linked to this import? (financial as well as material)

By writing such a report, I will have to combine a lot of competences such as rigour, individual work, English reading and writing, together with a challenging timetable.

Nowadays, professionals are looking for people who know how this process works from the point of view of a buyer; they are looking for young people who developed skills on import goods from abroad. That is why I believe that this thesis will add value to my professional and personal experience.
1.3 Conceptual framework

![Import Process Model Diagram]

**Figure 1 – Conceptual framework adapted from Van Weele’s model**

(Van Weele 2010, 9)

The first step before studying any import process is to study the goods imported. They are indeed important because they will define the import process itself. For that reason, even if it is not illustrated on the picture, I will first deal with the core of this import process and study cocoa beans as a commodity good.

This conceptual framework gathers the main points of the import process to study in order to reach the objectives of the thesis. I will have to understand and describe the whole import process from the specification of the needs to the delivery of the goods. Trade conditions and customs environment will be considered too.

Finally, as it is shown on the picture, the evaluation of the process, the market study of the product or the distribution channels and marketing will be left out of the thesis.
1.4 Research methods

This bachelor's thesis does not aspire to find an innovative idea or solution for a specific business, but it aims to research the supply chain already existing from Ivory Coast to Finland.

At first, a qualitative method is used in order to gather the best processes of buying methods. Called desk research, this method is conducted thanks to existing information sourced on books and websites. The objective is to compare the different theories and to find the best one adapted to my topic: the import process of cocoa beans.

A questionnaire for chocolate manufacturers is also prepared in order to support the theoretical background. However, this interview is just a bonus for my thesis and does not constitute any base of my empirical part.
2 THE RAW MATERIAL: THE COCOA BEANS

2.1 History of the cocoa beans and the chocolate

Chocolate has been famous all around the world for centuries. The cocoa bean, essential ingredient of the chocolate, first appeared thousands years ago in Central America, on the Theobroma cacao, named cocoa tree, widely cultivated. (Lass & Wood 2008, 1-4.)

Nowadays, three varieties of cocoa trees exist. First, the Forastero is representing 90 per cent of the cocoa beans produced worldwide and is mostly located in West Africa and Brazil. Then, there is the Criollo, which is creating fine and flavour beans and finally there is the Trinitario, a cross from a Criollo and a Forastero. (Website of UNCTAD 2007.)

2.1.1 The import of cocoa beans to Europe

The first form of chocolate was produced by the Aztecs and the Mayas with roasted beans (Lass & Wood 2008, 1-4). We still do not know for sure if Christopher Columbus brought the first cocoa beans in Europe in 1502 after his journey in America, or if Hernan Cortés returned to Spain with the chocolate recipe in 1519 after his expedition to the Aztech Empire. Anyhow, chocolate was not favourably welcomed in Europe, because it was not enough sweet. Plus, it was considered as a luxury product at the beginning, and only the rich people could enjoy it. However, it became popular and affordable for the lower classes from the 17\textsuperscript{th} century onwards. (Kouame 1999; Website of Miguel Barrientos and Claudia Soria 2012.)

In Great Britain, for instance, beans imports rose from 250 tons to 500 tons in the 1820s. At this time, the chocolate drinks were made with the whole bean, but in 1828 Van Houten found a way to remove some butter from the cocoa, and the chocolate preparation became less fat and more digest. (Lass & Wood 2008, 5.)
As we can see on the picture above, the cacao bean production keeps on rising around the world since 1850. Between the years 1940 and 1980, the production increased by 148 per cent. We can observe that the production was concentrated in America and the Caribbean at the beginning, but then rapidly developed on all the continents, especially in Africa. (Lass & Wood 2008, 6-7.)

2.1.2 Beans quality and use

There are two varieties of beans: the bulk or basic cocoa, and the fine and favour cocoa. The bulk cocoas are representing 90 per cent of the production and can be found essentially in Africa and Brazil. The second variety, the fine and flavour cocoas have a special aroma and represent only five per cent of the production. (Website of UNCTAD 2007.)
Even if cocoa is most known for the candies, cakes, and drinks produced from it, cocoa beans are used for a lot of different products that we would never think about. Many of its uses are industrial, that is why the end customer cannot notice it. For instance, cocoa butter is used for pharmaceutical products, as a capsule for special drugs; but cocoa is also used for manufacturing of tobacco, and as it is resisting to rancidity, we can find it in soap and cosmetics. (Website of UNCTAD 2007.)

2.1.3 Largest producers and consumers

Nowadays, cocoa trade has increased a lot all over the world, but the trees are growing principally in West Africa, Central and South America, and Asia. In 2006, the largest producers were Ivory Coast, Ghana, Indonesia, Nigeria, Cameroon, Brazil, Ecuador and Malaysia. Those eight producers represented ninety per cent of the global world production. (Website of UNCTAD 2007.) According to another study made by the same organism, Africa accounts for seventy-twow per cent of the world production in 2005/2006 (UNCTAD Secretariat for the United Nations Conference on Trade and Development 2008).

Even if the cocoa beans are growing on developing countries, they are mostly consumed in industrialized countries. In 2005, the main consumers were the United States (32.7%), Germany (11.6%), and France (10.3%). However, its chocolate may be a national specialty and one of the symbols of quality in the world, Belgium only represented 2.2 per cent of the world consumption. (Website of UNCTAD 2007.)

All in all, the European chocolate manufacturers are likely to buy their raw material from West African countries, such as Ivory Coast, Ghana, Nigeria and Cameroon. (Kouame 1999.)
2.2 Cocoa trade and the world cocoa market

When cocoa beans became popular, in the 16th century, they were not only used in food recipe: as they were easy to count, locals started to trade it. That is how it became to be used as a currency, already in the sixteenth century: beans were valuable so they were used as a currency. In 1526, it was stated that in Nicaragua “everything is bought with cacao, however expensive or cheap, such as gold, slaves, clothing, things to eat and everything else” (Lass & Wood 2008, 2.)

2.2.1 Physical market, futures market, and options

Cocoa is a commodity good, that is to say a basic product, a raw material such as grain, coffee, cotton, metal, and therefore it is traded on a commodity market. The commodity prices can be based on the actual (or physical) markets and on the futures (or terminal) markets. (Roberts 2010; Sibun & Wallop 2010.)

As shows on the figure below, physical market is a market in which the cocoa is bought, sold for cash and delivered immediately. In fact, the physical market is the country of the cocoa’s origin. A terminal market is a market in which the cocoa and future contracts are traded, in a trading centre such as London. (Roberts 2010; Sibun & Wallop 2010.)

![Figure 3 – Markets where cocoa beans are traded](image-url)
Cocoa is a highly valued commodity. There are only two places where it can be traded as a future contract: at the ICE Futures US (Intercontinental Exchanges, in New York) and at the NYSE LIFFE Futures and Options (New York Stock Exchange London International Financial Futures and Options Exchange, in London). Cocoa is represented under the symbol CC in the ICE, with a contract size is 10 metric tons and is traded in US dollar per metric ton. At the NYSE LIFFE, the cocoa is known under the symbol C, and the contract size is 10 tons quoted in pounds sterling per ton. (Website of HM Revenue and Customs 2012.)

Those two markets enable buyers and sellers to meet on their trading platform, (called clearing house) by making sure that the operations are taking place in an open and competitive environment. That is why all bids and offers must be made thanks to the exchange’s clearinghouse, which is acting as a buyer for all sellers, and as a seller for all buyers. (Website of Miguel Barrientos and Claudia Soria 2012; Website of the International cocoa organization 2012.) If a broker wants to enter this clearinghouse, he has to deposit a certain amount of money called initial margin. This deposit, equivalent to 2-10 per cent of the contract’s total value is proving its commitment to the terms of the contract. (Website of the International cocoa organization 2012.)

Finally, there are also commodity options on cocoa beans. It is a right to buy or to sell a certain amount of cocoa beans, at an agreed price at a certain date in the future, without the obligation to do so when the deadline is here. Because of the high risk of this operation, the buyer and the seller have to agree on a premium to be paid. (Website of HM Revenue and Customs 2012.)

The Commodity Futures Trading Commission (CFTC) classified two general categories of actors participating to the futures or option contracts: the commercial traders, called the hedgers, and the non-commercial trader, that is to say the speculators. (Website of the International cocoa organization 2012.)
The first ones, the commercial traders, try to reduce at the maximum the losses in the cash market by injecting transactions in the futures market. The second ones, the speculators, do not use or produce any commodity, but are willing to risk their own capitals in beans by hoping a favourable change in the price fluctuation. (Website of the International cocoa organization 2012.)

2.2.2 Reasons for a market change and price fluctuation

The commodity prices are fluctuating because of the increase or decrease of the demand. If the price of a commodity increases or decreases rapidly, it means that either that commodity is in great demand for user consumption, or it is in demand for holding against possible inflation. (Snyder 2011; Website of the International cocoa organization 2012.)

Anytime a commodity is purchased for consumption, it affects the price. The more commodity is used, the more demand there is on that commodity, and the more rapidly the price rises. As a result, when a commodity price increases, the food price using this commodity increases too. For instance, corn can be used for consumption as well as for ethanol. When a great amount of corn is bought for ethanol, it will increase the value of corn all around the world, and therefore all food products including corn in their ingredients will increase too. (Snyder 2011.)

However, the demand of commodities for consumption usually does not influence that much the commodity price. In fact, the commodity price increase is caused by the demand of commodities for speculating against the falling value of the dollar. When the value of the dollar goes down, buyers or sellers of the commodity around the world try to hedge against the dollar. Therefore, commodity prices run in the direction of inflation: when inflation is going up, commodity price is going up. Speculating on commodities is based entirely on betting against the movement of the currency (the dollar). That is why commodity speculation can cause wild changes on commodity prices. (Snyder 2011.)
Speculate is therefore very risky but it could be very beneficial for the one who makes a great deal. For instance, the commodities trader and speculator Anthony Ward bought 241,000 tons of cocoa beans in July 2010, representing five Titanic full of cocoa beans. As a result, cocoa prices rose by 0.7 per cent to reach £2,732 per metric ton, the highest price for cocoa in Europe since 1977. (Roberts 2010; Sibun & Wallop 2010.)

Since 2007, cocoa prices have more than doubled, obliging the chocolate makers to raise their prices or to change their recipes in order to use less cocoa (Sibun & Wallop 2010).

According to the ICCO, the International Cocoa Organization, the principal factors influencing the cocoa price are the offers insufficiency when harvests are poor and the speculation on price variation. Plus, the quantity traded on those financial markets is often bigger than the real quantity produced. The fluctuation can be explained by the fact that if the futures position loses value, the amount of money put in the margin account will decrease accordingly. For instance, if the price of cocoa declines by one dollar per ton, and a futures contract is created for ten tons of cocoa (so the cocoa price declined by USD 10), the amount will be subtracted from all buyers and will be added to all sellers. (Website of the International cocoa organization 2012.)

The ICCO is constantly following and analyzing the trends around the cocoa beans. Every four months, the organisation is analysing the recent market development, to then make recommendations and action. It also provides the ICCO daily price for cocoa beans, result of the average of the three active futures trading months on NYSE LIFFE and ICE. (Website of the International cocoa organization 2012.)
2.3 Africa issues in production environment

In Africa, Ivory Coast is an accurate example showing how negative the cocoa beans trade is for the country and the population. In fact, this country is living from the export of its primary products to the industrialized countries. The cocoa production is, for sure, a great thing for the country, its economy and employment, but at the same time it is a high risk to focus on this plantation. In fact, agricultural products such as cocoa represent a big part of the country’s gross domestic product (GDP). Between 1981 and 1987, for instance, we have seen a big fluctuation of the Ivory Coast’s GDP. It was the result of a crisis in cocoa market at this time. (Gnoan 1995.)

Some developing countries, in Africa, but also around the world, have their economy focused on primary products. Even if those productions may be profitable, in case of a market crisis, or even just in case of an unpredicted demand changing in the industrialized countries, the economic, political and social consequences for the country could be dramatic. (Gnoan 1995.)

2.3.1 Deforestation

The development of the cocoa beans economy affects the world's environment. Because of the production which keeps on rising, and of the economy that is generated by this production, millions of rain tropical forests have been erased from Earth for the implantation of cocoa plantations or other primary products. Plus, the farmers used to think about the world forest as a production factor, and the chocolate was finally cheap and affordable for end-users because of the forest consumption. This change of nature is affecting the global eco-system, as well as fauna and flora. (Gnoan 1995; Ruf & Zadi 2012.)

In the early 1990s, around 6% of Ivory Coast land was deforested every year. In comparison, the global average of rainforest destruction was about 0.6%. (Muir 2002.)
Nowadays, many signs show the change of attitude towards the environment. For instance, in some countries largely affected by the deforestation, farmers have no other choice but to replant and try to grow new cocoa trees on fallows instead of forests. This is also creating innovative processes. “By combining cleverness, labour, trees and agro forestry techniques, fertilisers and chemicals at various levels, farmers in Indonesia and Ivory Coast are increasingly capable of growing cocoa independently from forest.” (Ruf & Zadi 2012.)

2.3.2 Child labour

“The term child labour is often defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development” (International Labour Office 2004).

Child labour signifies that children are separated from their families to become slaves in unsafe places where there are serious hazards and illness. Those children are forced to work under inhuman living conditions, exposed everyday to mortal pesticides, without being properly paid, but also without being feed enough to work that hard. (International Labour Office 2004.) The problem is that everybody is responsible for that situation, directly or indirectly: the Ivorian government, the farmers, the co-workers, the chocolate makers, and even the consumers, that is to say, you and I (Chanthavong 2002).

In general, most people on Earth are not aware of the child labour and the human traffic. In fact, according to Free the Slaves, the number of slaves present in the 21st century has never been so high. About 700,000 children and women are subjected to this traffic every year. Only in West and Central Africa, 200,000 children are trafficked yearly according to a study prepared by UNICEF, the United Nations of International Children’s Emergency Fund. In Ivory Coast, there are about 600,000 cocoa farms in which 15,000 children would be forced to work as slaves. (Chanthavong 2002.)
These inhuman working conditions are not only affecting the farmers’ reputation, but also the multinationals. ADM, the world leader in cocoa and chocolate sourcing, was accused in 2010 of using child labour to grow and process the beans. In 2001 this company agreed with the Chocolate Manufacturers Association to identify and eliminate the worst forms of child labour, but it did not affect their way of working. (Cray 2010.)

Nowadays, labour practices are recognized as an issue by the governments, the companies, but also the consumers. For example, the governments of Ghana and Ivory Coast have enacted national plans to apply the laws, and rescue the children. Fortunately, they are not the only ones to want and try a change of situation. (Website of Barry Gallebaut 2011.)

2.4 ICCO & Fair trade

2.4.1 The ICCO

The International Cocoa Organization – ICCO - is a global organization, whose members are both cocoa’s consumers and producers. Established in London in 1973 after the negotiation of the first international cocoa agreement in Geneva (Switzerland), the organization is at the roof of six agreements regarding cocoa. (Website of the International cocoa organization 2012.)

The last one has been signed in Geneva in June 2010 with the objectives of a more sustainable cocoa economy, a total transparency of the cocoa market and the improvement of the quality. (Website of Fair Trade International 2011; Website of the International cocoa organization 2012.)

The most important objectives of the organization are to establish an explicit consent on sustainable world cocoa economy, and to found the Consultative board on the world cocoa economy. (Website of the International cocoa organization 2012.)
The institution is working on customs tariffs on cocoa bean imports, on taxes linked to the manufacturing or the consuming of cocoa, on production costs in diverse regions and countries, together with price risk management to help the cocoa farmers and the cooperatives. They also try to coordinate the production policies and programmes regarding cocoa production. They have projects such as improving the incomes of smallholder cocoa farmers, they also prevent from the child labour. The organization and their projects are mostly financed by the CDC, the common fund for commodities. Finland is one of its members. (Website of the International cocoa organization 2012.)

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Figure 4 – Membership of the international cocoa agreement, 2001
(Website of the International cocoa organization 2012)

2.4.2 Fair trade

The fair-trade movement began in the 60s. Already at that time, people started to be aware that trade relations between North and South countries were unfair, and that the actors at the beginning of the supply chain did not earn what they deserved compared to the trade benefits.
That is why fair trade has been created and has this current form now. (Website of Fair Trade International 2011).

Fair trade is a new approach, an alternative strategy positioned between free trade and protectionism. It allows producers to get better revenues from their work, to improve the trade terms; and at the same time it enables consumers to express their opinions regarding poverty by choosing the fair-trade products. (Website of Fair Trade International 2011; Consultative board of the World Cocoa Economy 2005.)

The first fair-trade label appeared in 1988, with the brand Max Havelaar. At the beginning, only coffee products were concerned, but various products were rapidly included in this movement: cocoa, banana, tea, handicrafts. During the 90s, the movement became more organised, more harmonized. Combined with a great direct marketing through supermarkets and specialised shops, working relations were established, and a secured future was ensured for the movement. (Consultative board of the World Cocoa Economy 2005.)

Figure 5 – Fairtrade organisations and producers
(Website of Fair Trade International 2011)
As we can see on the table above, Fairtrade is present almost all over the world. Thanks to their influence which had kept on growing since the 90s, they settled some standards, such as the Fairtrade minimum price – which is the minimum price that a producer should receive from its buyers for a product to become certified – the Fairtrade Premium – an amount received by the producers in addition to the payment of their products. In total, Fairtrade price is equal to the Fairtrade minimum price together with the Fairtrade Premium. (Website of Fair Trade International 2011).

In April 2012, and since the first of January 2012, the Fairtrade minimum price of conventional cocoa beans is about USD 2000 per metric ton (FOB, Free On Board, explained in 5.3.4) and the Premium is about USD 200. Those prices are valid worldwide for all SPO, that is to say small producer organisations. (Fairtrade Labelling Organizations International 2012.)

FLO-CERT, a separate company, is in charge of the Fairtrade certification. They have to check that members are complying with the Fairtrade standards and that producers are receiving the Fairtrade minimum price and Premium. (Consultative board of the World Cocoa Economy 2005.)

In 2002, Fairtrade International designed and launched the international Fairtrade Certification Mark, in order to be more visible in all supermarkets and to simplify the export and import procedures for producers as well as exporters. In Finland, the national Fairtrade organisation is reilukauppa. (Website of Fair Trade International 2011.)
3 COCOA STANDARDS

3.1 International cocoa standards

The FAO, food and agriculture organization of the United Nations, settled some rules for international cocoa standards and created a guide in the Model Ordinance and the Code of practice. Among the numerous rules, the importer has to know and understand some of them. (Website of the Food and Agriculture Organization of the United Nations 2012.)

3.1.1 Cocoa marketable, grades and packaging

Cocoa beans should be merchandisable if they are fermented, thoroughly dry, free from smoky beans, reasonably free from living insects. They must also be uniform in size and reasonably free from broken or damaged beans. (Lass & Wood 2008, 602.)

Cocoa beans are submitted to grades, based on the defective beans in a cut test. There are two grades in total. The beans that cannot reach those standards will be called ‘sub-standard cocoa’, and marked SS. Those ones could be merchandised, but only under some conditions. Cocoa graded has to be bagged and sealed in bags showing the producing country, the grade (or SS), and other national identification requirements. All cocoa grades shall be rechecked at the port of shipment within seven days. (Lass & Wood 2008, 602-604.)

3.1.2 Inspection and samples

Cocoa has to be inspected in lots (not heavier than 25 tons). The parcel will be examined by an inspector, who, after the cut test, will mark the grades of the cocoa. Samples for inspection should be at least with 300 beans per ton. (Lass & Wood 2008, 603-604.)
3.2 Ivory Coast and cocoa

In order to help the development of processed product industries in developing countries such as Africa, some measures were taken. In 1999, for instance, Ivory Coast has lowered its fixed export tax on cocoa from 150 CFA/kg to 125 CFA/kg in 1999. (Website of the Food and Agriculture Organization of the United Nations 2012.)

During the year 2001, the Ivory Coast’s government obliged the exporters to bag their cocoa beans into small bags. At the same time, this country, together with three other African producers (Cameroon, Ghana and Nigeria) decided to destroy 250 000 tons of cocoa beans in order to improve the market prices. (Website of the Food and Agriculture Organization of the United Nations 2012.)

3.3 EU regulations on cocoa

The European Union adopted two approaches when harmonizing food laws: a horizontal legislation covering aspects common to all types of food, and a vertical legislation on specific products such as cocoa, sugars, honey (USDA Foreign Agricultural Service 2010).

*The Directive 73/241/EEC*

The EU cocoa and chocolate products are regulated by the directive 73/241/EEC. Introduced in 1973, the directive was dealing with the composition, manufacturing, packaging and labelling of the products to make sure they could freely move into different countries. Its last update was in 1996, allowing more substitutes among others, and had a huge impact on producers, exporting countries, consumer rights. (USDA Foreign Agricultural Service 2010.)
Labelling requirements

Some compulsory information must appear on the pre-packaging or on a label attached to it. The required information has to be clearly visible, legible and indelible: the name under which the product is sold, the list of ingredients in descending order of weight (in that case, as cocoa beans are raw materials, there are no ingredients to indicate), the net quantity of pre-packaged cocoa expressed in metric ton or metric gram, the expiration date, any special storage conditions or conditions of use, the name or business name of the packager, a mark identifying the lot to which the product belongs (determined by the producer or the first seller in the UE), and also the country of origin shall be indicated. (USDA Foreign Agricultural Service 2010; Website of The European Union 2012.)

Language requirements

The EU authorizes multi language labelling, and the official languages of the member state should be used. In Finland, the language used is Finnish, but also Swedish. (USDA Foreign Agricultural Service 2010; Website of Export Helpdesk 2011.)

Other restrictions

Cocoa beans which are not in a very good shape, that is to say not sound, wholesome and in a good market conditions, should not be used in the manufacture of the products. Other information can be found on directive 2000/36/EC, 2000/13/EC. (USDA Foreign Agricultural Service 2010.)
4 SUPPLIER SELECTION

4.1 Research methodology

Companies are willing to invest a lot of time, money, efforts and people in order to find the good supplier. In fact, trade is not the same nowadays than ten or twenty years ago: relationships between buyers and sellers have changed, and scanning price lists is not sufficient to find the right supplier. (Ylituomi 2011a; Website of Business Link 2012.)

![Diagram of supplier selection process]

**Figure 6 – Approach for the selection of a suitable supplier**
(Adapted from Ylituomi 2011a & Website of Business Link 2012)

Now, the buyer has different steps to follow in order to get a good supplier: first, he has to recognize and specify the need for a material (cocoa), then he needs to decide if he will make or buy the material (in that case, trying to grow up cocoa trees in Finland is not a clever idea).
After that point, the sources have to be identified: the buyers should find the potential suppliers via the recommendations of friends or business acquaintances, trade directories, exhibitions, Chambers of commerce, private companies, Internet. Then the buyer can find and select the supplier. Finally, he can communicate and negotiate the contents in order to after all make the contract. (Ylituomi 2011a.)

Before creating any selection, the buyer has to know how many suppliers he really needs, because buying from a target group would have a lot of benefits: easy control, buyer’s weight more important for the supplier, competitive advantage. Plus, having only one supplier would be really dangerous: if he is having trouble with its plantation and cannot supply enough, or if he just goes out of business for example. (Website of Business Link 2012.)

In order to select the potential suppliers, the buyer has to make a list of what would be a suitable supplier according to diverse criteria: country accessibility, market potential, country security, quality and quantity of the products, reliability, delivery terms, value for money, financial security, transparency and clear information, back up service. (Website of Business Link 2012; Ylituomi 2011a.)

Then, he has to draw up a short list of suppliers complying with those criteria, having always in mind his needs. The shortlist should include five or maximum seven potential suppliers. (Ylituomi 2011a.)

4.2 Request for quotation

Once the buyer has selected diverse suppliers, he can send them a RFQ, a Request For Quotation.
For the buyer, a RFQ is used in order to clarify his needs and therefore to clarify his demand for the supplier, to get the indication of price and product, and to save time and resources. Thanks to the responses, the buyer is able to make comparisons, and to select the supplier in order to finally start the negotiations. (Ylituomi 2011b.)

For the supplier, the RFQ is a tool to understand the buyer’s needs and provide him the best solution adapted to its requirements. The buyer is responsible for the RFQ, he has to prepare it and to think about all critical criteria in order to have the same overview of all potential suppliers and to then compare them. (Ylituomi 2011b.)

(See Appendix 1 for an example of a RFQ)

Once the supplier receives this request for quotation, he answers with a proposal (also called a bid, a quotation or an offer) with specified terms and conditions. Depending on the business involved, the proposal can be only one or two pages including few details – the quantity available, the price per unit and the sales terms (which is likely to happen in commodity goods) – or it could also be one thousand pages describing numerous details regarding goods offered. (Hinkelman 2008b, 32.)
5 IMPORT PROCESS

5.1 The contract of sales

After selecting the supplier, a contract has to be drawn up to clarify that both parties agree on some terms. A contract is an agreement defining the relationship and obligations between one or more parties. It can be oral or written, but in some countries the law requires to have all commercial agreements written. In fact, it can be dangerous to base any contract on a handshake or a “gentlemen agreement”. (Van Weele 2010, 37.)

Plus, if it is made with an unfamiliar and distant party, that is to say with another part which is not living in the same country, the contract becomes more significant. Hence, the preparation of an international contract is much more complex than the one created between parties from the same country, sharing the same business culture and the same laws. (Shippey 2008, 1.)

The contract must include at least the goods description, price, quantity, delivery terms, and payment terms. It can also include much more information such as costs and charges (insurance, duties), transportation details, inspection rights, force majeure, cancellation. (Hinkelman 2008b, 35.)

Incoterms® are international standards of trade terms. Therefore, they are most of the time used because they can eliminate the problem of diverse interpretation from the parties. They have been adopted in around a hundred countries, and they clearly define who and until where the buyer or the seller have has to handle the risks and costs, the insurance responsibility, as well as the customs formalities. (Lemmilä 2008, 10.)

Another important clause of the contract is agreement on an applicable law. Most of the time, the supplier will prefer selecting the legal rules applied in the country he is domiciled. (Van Weele 2010, 39-40.)
Plus, some penalty clauses (or corrective measures) should be determined within the contract, according to the goods delivered. Even if those clauses will not avoid any problem during the delivery of the goods, they will at least limit its consequences. (Van Weele 2010, 39-40.)

Both buyer and seller can determine the terms of the contract. Some samples of contract conditions can be found, but they only give some guidelines: the contract will depend on what the parties expect from each others. In general, the buyer will make an offer to the supplier, and this one can answer with a purchase order confirmation if he agrees to the seller's proposal. At that point, if the supplier does not explicitly reject the terms of purchase, those are still legally valid, and the order comes into operation. (Van Weele 2010, 40.)

However, in practice, the supplier will most of the time accept an order on his own sales conditions. In that case, if the supplier adds any additional terms, it is a counteroffer. (Van Weele 2010, 40; Lemmilä 2008, 10-12.)

(See Appendix 2 for an example of a contract of sales)

5.2 The Purchase Order

Once the buyer knows the description of the goods for sale, and once the terms and conditions of the contract are defined, agreed and recorded, the buyer can submit an order, also called purchase order or P.O. A purchase order is actually an offer to buy something. As long as the seller does not accept it, the contract is not formed. Some standard clauses or purchase terms can be printed on the reverse side of the P.O. In that case, the parties should carefully check that there is no conflict with the preceding agreed conditions and those clauses. If there is conflict, the clauses should be negotiated again and a new P.O should be formed. (Shippey 2008, 129.)
In some cases, the contract of sales can be the purchase order as well, but in case of a routine buying (buying a known product from a known supplier), the order and the contract are two different documents. The purchase order clearly states what the buyer wants. Usually, it must include an order number, a concrete description of the product, its unit price, the number of units required, the expected delivery time, the delivery address and the invoicing address. (Van Weele 2010, 42.)

Then, the buyer receives a commercial invoice issued by the supplier including names and addresses of both parties, date of issuance, invoice number, order or contract number, goods description and quantity, unit price, total price as well as other agreed charges, and total invoice amount. The commercial invoice should also include the shipping details (goods weight, number of packages), the delivery terms and payment, and any other information required by the buyer. (Hinkelman 2008b, 36.)

5.3 Transportation mode and delivery terms

The choice of transportation is very important for each delivery, as it has a direct impact on key elements such as price, time of delivery, and risks. Usually, big companies will handle the logistics themselves while small traders will rely on international freight forwarders. Each transportation mode has its own advantages and disadvantages, according to the type of goods carried, or the destination chosen. Even if it is not always the case, it is common to say that air freight is more expensive than sea or railway freights, and it is most of the time seen as a premium service. The most used transportation is the maritime mode because it is cost effective. (Astrup, et al... 2003, 235.)

The transportation mode needs to be carefully chosen, as it can be the reason why an import succeeded or failed. Hence, there is a procedure to follow when choosing the transportation mode: it is the physical distribution management, also called the logistics analysis. (Astrup, et al... 2003, 235-238)
The choice in transportation will be made according to the volume needed (a buyer will have a lower freight charge with a larger volume), the transportation costs' impact on the price of the goods; those costs will depend on the Incoterms® agreed. (Astrup, et al... 2003, 235-238)

But the buyer also has to take into account the speed of delivery (actually the speed is not always the most interesting point but the reliability: knowing how often and how long the shipments are delayed could help to decide the transportation mode too) as well as the packing costs linked to the mode of transport (a cheap freight would require a more expensive packaging in order to limit the losses and damages). Regarding the packaging, if the buyer decides the transportation mode, he should inform as soon as possible the seller in order to have an adequate packaging. (Astrup, et al... 2003, 235-238.)

Plus, the transportation mode's impact on the inventory management needs to be studied too, as just in time deliveries enable the buying company to reduce the inventory and warehouse costs. (Astrup, et al... 2003, 235-238)

Freight forwarders are important actors in international trade as they act as agents for the importer or the exporter. They have a great knowledge on international transportation and are able to offer “the best package” according to the customer requirements. They can also offer a lot of additional services, such as the handling of customs documentation, insurance, port and terminal charges. (Astrup, et al... 2003, 244-246.)

In order not to make mistake while filling in the official documents, it is important to remind that the consignor is the individual or company shipping the goods (not the shipping company). In simple words, the consignor is the exporter/seller. The consignee is the individual or company to whom goods have been shipped. In other words, the consignee is the importer/buyer. (Hinkelman 2008b.)
5.3.1 Sea transport

Maritime is the most common transportation mode for goods: it carries over 90% of international trade. In an import procedure, the sea transport mode begins when the importer contacts a freight forwarder to arrange the transportation. Shipping companies can be grouped into conferences, in order to fix some standard prices on specific routes and ports and also to offer regular shipping schedules. (Astrup, et al... 2003, 251-253; Ramagopal 2006, 177-180.)

Different prices can be included in the sea transportation: freight charges, surcharges, cargo handling, liner terms. (Astrup, et al... 2003, 253-259.)

The freight charges are a price charged by a carrier for carrying the goods to destination. The amount is calculated according to the weight – per ton – or the volume – per cubic metre – of the goods (the volume-weight ratio is 1.33 to 1). Some additional charges are usually added to the normal freight: the BAF, bunker adjustment factor; and CAF, currency adjustment factor. The first one is a percentage of the normal freight added to the final amount in order to prevent the fuel fluctuation, and the second one is to prevent the fluctuation of the currency in which the freight is quoted. (Astrup, et al... 2003, 253-259.)

Handling charges are not always included in the freight charges. When the goods have to be brought alongside the ship for example, it will cost more to the importer or the exporter (this will depend on the Incoterms® chosen). (Astrup, et al... 2003, 253-259.)

Finally, liner terms need to be understood. While Incoterms® set the relationship between the buyer and the seller, liner terms set the relationship between the carrier and the shipper. The liner terms have to fit to the Incoterm® chosen, in order to avoid any conflict. Their price will change if the transport is cover on the quay, under the ship’s tackle, or on board. (Astrup, et al... 2003, 253-259.)
5.3.2 Air transport

Air transportation has developed since the World War II and is a good way to avoid geographic obstacles on the routes. It is mainly used with high value, time-sensitive or perishable goods. This transportation is very expensive, and its volume is quite small (only 2% by weight). However, it accounts for 10% in value. (Astrup, et al... 2003, 259-260; Ramagopal 2006, 212-215.)

Air transportation should be wisely discussed and chosen according to the total distribution costs, the nature of the product, the availability of time, the ratio high value and low volume, and the frequency of expedition (Ramagopal 2006, 212-215).

Even if air freight rates are much higher than other transportation modes, they enable the importer and exporter to reduce their costs on the insurance (only 0.3% compare to 0.7% on sea mode), on the customs duties, on the packaging (light because safer), and inventory costs. (Astrup, et al... 2003, 260.)

As in sea freight, air rates are subject to a weight-volume ratio (6 to 1). Air freight rate is usually decreasing according to the weight bracket of the volume shipped. Basic weight brackets are 0-45kg, 45-100kg, 100-300kg, 300-500kg, 500kg-1ton, above 1ton. In that case, consolidation had a lot of costs benefits: instead of being charged for five shipments of 100kg, the importer should ask one shipment of 500kg if the goods are available. (Astrup, et al... 2003, 262.)

5.3.3 Road or railway transport

Road transportation has a lot of advantages compared to other transportation modes: companies can have a door-to-door service, avoiding transhipment and handling manipulation on goods, but also minimizing the special equipments to load and unload the goods. Road vehicles can transport up to 45 tons of goods, but the national transportation laws usually do not allow this weight and countries set their own maximum limits. Road freight rates are also prone to the ratio volume-weight (Astrup, et al... 2003, 263-264.)
While the use of road and air increased in the past decades, rail transportation declined. In fact, it is much more difficult to reach different shippers and consignees, and as countries use different tunnel clearances, it is difficult to organize international shipments. (Astrup, et al... 2003, 263-264.) Besides, some railway wagons can contain up to 500 tons, so they are mainly used for bulk transportation or industrial liquids. Plus, the railway freight is not calculated with the ratio volume-weight: usually there is one rate for an express service wagon and another rate for a slower service wagon. (Astrup, et al... 2003, 264.)

5.3.4 Incoterms® 2010

In international business transactions, the methods of payment, the currencies, the understanding of the rules differ from countries to countries. In order to eliminate the risk of diverse interpretations, the International Chamber of Commerce standardised the trade terms into Incoterms®, which clearly allocate the costs and risks to the buyer and the seller. They are three-letter trade terms which are revised every ten years, in order to be updated with the current shipping practices and trends. It should be as precise as possible: “FCA 52 Rue Lecourbe, Paris, France, Incoterms® 2010” is a good example to follow. (International Chamber of Commerce 2010, 121; Shippey 2008, 44; Website of Export.gov 2012.)

While Incoterms® 2000 had four categories; Incoterms® 2010 have two main categories organized by mode of transport: one for any mode of transport and one for sea transport (International Chamber of Commerce 2010, 123).

The rules for any mode of transport has 7 Incoterms®: (1) EXW, Ex Works; (2) FCA, Free Carrier; (3) CPT, Carriage Paid To; (4) CIP, Carriage and Insurance Paid to; (5) DAT, Delivered At Terminal; (6) DAP, Delivered At Place; (7) DDP, Delivered Duty Paid. They can be used even if there is no maritime transport at all. (International Chamber of Commerce 2010, 123).
Under the category sea transport we can find 4 Incoterms®: (1) FAS, Free Alongside Ship; (2) FOB, Free On Board; (3) CFR, Cost and Freight and (4) CIF, Cost Insurance and Freight (International Chamber of Commerce 2010, 123).

The Incoterm® EWX (Ex Works) represents the maximum obligation and responsibility for the buyer whereas the Incoterm® DDP represents the minimum obligation for him; and is not costly advantageous as the seller will take commission on all procedure. (International Chamber of Commerce 2010, 123).

(See Appendix 3 for a chart sharing the risks and costs among the buyer and the seller according to the Incoterms® 2010)

5.4 Transportation documents

In international shipments, a lot of documents related to transportation are established, such as the bill of lading, the packing list, the shipping instructions, the forwarder’s instructions, the stowage instructions, the hazardous material declaration, the dock receipt... All those documents are not necessarily required in all shipments, but the most important ones will be explained for a better understanding of the process. (Hinkelman 2008b, 38.)

*The bill of lading (B/L)*

The bill of lading (B/L) is the key transportation document enabling the identification of the actors (consignor, consignee, and carrier), the mode of transport, and details about the shipment. It is issued by the carrier to a shipper (seller), signed by a responsible of the vessel (captain, agent, owner), “furnishing written evidence regarding receipt of the goods (cargo), and the engagement to deliver goods at the prescribed port of destination to the lawful holder of the bill of lading”. (Hinkelman 2008b, 40.)
It can be negotiable and non negotiable. An Air Waybill (AWB) is also a bill of lading, a transport document used for air transportation, covering transport from airport to airport and is not negotiable. (Hinkelman 2008b, 38-55.)

*The packing list (P/L)*

The packing list (P/L), also called bill of parcels, is very useful even if it is not always officially required: it identifies the consignor and consignee, the details of the goods (mainly the number of packages, weight, dimensions, package, marks) without any price. Usually a copy is attached to the shipment while another one is sent directly to the consignee (the importer) in order to give him the entire information about the shipment. (Hinkelman 2008b, 38-55.)

*The shipping instructions*

The shipping instructions are a letter issued by the consignor (the seller) giving special instructions to the shipping company concerning a shipment. The forwarder’s instructions are a form prepared by the consignor giving specific and formal instructions (booking, information on the shipment) to the freight forwarder used. (Hinkelman 2008b, 38-55.)

5.5 Payment methods

5.5.1 International payments

In international business and transaction, different payment methods exist and they all have their own advantages and disadvantages. The choice of the payment terms will be defined in accordance with the type of goods ordered, the time of payment required, the business relationship between the two parties, and other specifications. (Hinkelman 2008a; Website of Export Finance Navigator 2011.)
Those different payment methods can be the open account, the payment in advance, the documentary collections, and the documentary credits (Website of Export Finance Navigator 2011).

**Open account**

The open account method, also called open credit, is as much advantageous for the buyer as it is dangerous for the seller. In fact, it enables the buyer to receive the goods and services before paying for them. This is really rare in international transaction, as the method requires an extreme trust in each party. There is no security with this payment. The buyer can proceed the payment by telegraphic (wire) transfer through a bank or by international bank cheque (bank draft). (Website of Export Finance Navigator 2011.)

**Payment in advance**

With the payment in advance, also called prepayment or cash in advance, the buyer agreed to pay the seller before the manufacturing and shipping of the goods. This method is used for internet-based sales, but not really in international business as the buyer is highly exposed to a non-delivery risk as well as cash flow constraints. The buyer can make the payment by telegraphic (wire) transfer through a bank, credit card payment (only for small transactions) or by international bank cheque (bank draft). (Website of Export Finance Navigator 2011.)

**Documentary collection**

In a documentary collection, the seller needs a bank to act as an intermediary between the buyer and him/her. As for the open account method process, the goods are shipped before the importer’s payment. However, this is less risky as the bank will make sure that no documents will be transferred to the importer until the payment has been made (or until a legal undertaking of future payment such as an endorsed signed bill of exchange or a promissory note has been made). The seller has the entire
control of the goods until that point. It is called documentary collections because documents are the basis of this process. (Hinkelmann 2008a, 38; Website of Export Finance Navigator 2011.)

Usually, the exporter will ship the goods, then assemble different documents (bill of lading, commercial invoice) and send them with a draft to a bank. The bank will release the B/L when the importer pays against the draft or promise to do so in a near future. There are two possibilities: (1) D/P or Cash against documents and (2) D/A Documents against acceptance. (Astrup, et al... 2003, 178-179.)

(See appendix 4 for more details about documentary collection)

In a cash against documents, also called documents against payment, the importer will pay the draft and receive the bill of lading in order to obtain the goods. In a document against acceptance, the importer will accept the draft (so acknowledge an unconditional legal obligation to pay it according to its terms) and will receive the bill of lading to obtain its goods. (Astrup, et al... 2003, 178-179.)

**Documentary credits**

Documentary credits, also called letters of credit, facilitate international payments providing a secured transaction to both importer and exporter. Hence, it is the classic of international payment, especially when there is a long distance between the two parties. (Astrup, et al... 2003, 180-212.)

The letter of credit is a written promise of the applicant’s bank (the buyer’s bank which is called the issuing bank) to ensure that the payment to the seller will be made only after certain terms and conditions have been met, thus after the compliance with documentary requirements. Those documents, such as the bill of lading, the invoice, the inspection certificate, are a proof that the right goods have been properly sent to the buyer. (Astrup, et al... 2003, 180-212; Website of Export Finance Navigator 2011.)
The procedure is described as follows: the issuing bank will send the documentary credit to the seller’s bank (also called negotiating bank) which will check the authenticity of the documentary credits and then forward it to the seller. When the seller has shipped the goods and compiled all required documents, he/she will send them to the negotiating bank in order to arrange the payment. (Website of Export Finance Navigator 2011.)

Then, the negotiating bank has to check the documents to ensure the compliance with the terms and conditions of the documentary credit. This bank will send the documents afterwards to the issuing bank with a request for payment (sometimes there is even another bank, called reimbursing bank, which acts as an intermediary between the two other banks). If the buyer's bank is satisfied with the documents required, it forwards the payment to the negotiating bank, which in turn will pay the exporter. (Astrup, et al... 2003, 180-212; Hinkelman 2008a, 81; Hinkelman 2008b, 13; Website of Export Finance Navigator 2011.)

![Diagram of Documentary Credit Process](Website of Nordea)
There are eight different types of letters of credit: (1) irrevocable or revocable, (2) confirmed, (3) sight or usance, (4) revolving, (5) red clause, (6) transferable, (7) back-to-back, (8) standby (Astrup, et al... 2003, 180-212).

*Difference between documentary collection and documentary credits*

In a documentary collection, the exporter is preparing and presenting documents in the same way than for a documentary letter of credit. However, there are two main differences between those two transactions: (1) in a documentary collection, the draft is not drawn by the seller upon bank for payment, but on the buyer itself; and (2) the issuing bank has no obligation to pay the seller and simply acts as a collecting bank on behalf of the seller (with a commission for this service). (Hinkelman 2008a, 38.)

A documentary collection is between a documentary credit and an open account transaction, with an easier procedure and lower bank’s charges. (Hinkelman 2008a, 38.)

5.5.2 International banking documents

Documents are the heart of any form of international transaction, and as they involve exchange, money and payments, the form and contents of documents are of great importance to all parties. The documentation to provide depends on the nature of the goods and on the countries’ requirements. (Hinkelman 2008b.)

The following forms are the common documents which can be used in international payment transactions: commercial invoice, bill of lading, non-negotiable sea waybill, charter party bill of lading, multimodal transport document, air waybill, road/rail/inland waterway transport document, courier receipt, post receipt, insurance document or certificate, certificate of origin, NAFTA certificate of origin, packing list, inspection certificate, export license, consular invoice, shipper’s export declaration. (Hinkelman 2008b.)
5.6 Customs

Any good coming from a third country is subject to custom clearances (at least two: one upon export and one upon import). The choice of the Incoterm® determines who (among the seller and the buyer) has the responsibility of export or import clearance. When goods coming from a third country arrive at the point of entry of a EU country, they are subject to duties and taxes. The clearance enables the parties to obtain licenses, form and declarations required, as well as paying official duties and taxes. (Astrup, et al... 2003, 269-272.)

The World Customs Organization promotes the standardization of customs procedures, and has created an international nomenclature for the classification of products, called harmonized system (H.S.). Of course, the name of this system is slightly different from regions: EU does not name it as in the US. In the EU, this customs tariff is called the CN, the combined nomenclature of the European community. (Website of The World Customs Organization 2012.)

The H.S. for classifying goods is a ten-digit code system. The first two digits identify the chapter in which the goods are classified, the next two digits identify groupings among this chapter, and the last digits specify even more the product. (Website of The World Customs Organization 2012.)

As a result, the H.S. code of cocoa beans is 1801000000: 18 is a group of cocoa and cocoa preparation, 01 is the group for cocoa beans, whole or broken, raw or roasted. The following numbers depend on the nature of the product. (Website of The World Customs Organization 2012.)
5.6.1 Export customs formalities (Ivory Coast)

Usually the export customs formalities are less constraining than the import ones. However, as cocoa beans are a very specific product, some regulations exist in order to export those products from Ivory Coast. Therefore, some documents are required: (1) an exporter approval, (2) a certificate of analysis, (3) the “Formule 1” certificate, (4) the verification slip (bulletin de verification, B.V.), (5) the certificate of packaging (certificat d’empotage, BCC), (6) the certificate of origin EUR1 and (7) the certificate of origin UEMOA and CEDEAO. (Website of the Ivory Coast 2012.)

5.6.2 Import customs formalities (Finland)

In order to import products from non-EU countries into Finland, some documents are required. Some of them are basic documents, required whatever the type of product imported, and some are special documents, depending on the specificity of the product. (Website of the European Commission 2012.)

For importing cocoa beans into Finland, few documents are required, such as (1) the bill of lading, (2) the commercial invoice, (3) the packing list, (4) the customs value declaration, (5) the freight insurance and (6) the customs import declaration, that is to say the SAD, single administrative document, (7) the certificate of origin, (8) the inspection certificate (Website of Export Helpdesk 2011).

Import duty and taxes are due when a good is coming from outside the European Union. They are calculated on the value of the imported goods plus the costs of the import which includes shipping and insurance. There is a website helping companies to calculate the import duty and taxes when importing into Finland: dutycalculator.com (Website of Export Helpdesk 2011.)
Minimum thresholds (no duty applicable) exist when importing goods. In Finland, there is no duty if the total value of the goods (shipping charges and insurance not included) is below EUR 150, or if the amount of duty does not exceed EUR 10. Plus, both duty and VAT will not have to be paid if the total value of the goods (shipping charges and insurance not included) does not exceed EUR 22. (Website of Export Helpdesk 2011; Website of the European Commission 2012.)

Thanks to the H.S. code of the cocoa beans, we can know the duty rate applied to them, which is 0%. Therefore, it means that cocoa beans are duty free when imported. If the total value of the beans (EXW) does not exceed EUR 22, as explained above, the VAT will be equal to 0%. If the value is higher than EUR 22, then VAT will have to be paid and is equal to 23%. (Website of the European Commission 2012.)

<table>
<thead>
<tr>
<th>H.S. Code</th>
<th>Cocoa beans, whole or broken, raw or roasted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1801.00</td>
<td></td>
</tr>
<tr>
<td><strong>TSI</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Third-country duty (01.07.2009 – )</strong> : 0 %</td>
</tr>
<tr>
<td>Economic Partnership Agreements (EPA)</td>
<td>0 %</td>
</tr>
<tr>
<td>Tariff preference (01-01-2009 – )</td>
<td>0 %</td>
</tr>
</tbody>
</table>

**Figure 8 – Tariff applicable to cocoa beans**
(Website of the European Commission 2012)

As the administrative authorities controlling the products imported from third countries, the Finnish National Board of Customs (Tullihallitus) website (www.tulli.fi) could be useful to the importer for more specific information (Website of Export Helpdesk 2011).
6 PROCESS DESCRIPTION

6.1 Import procedures description step by step

6.1.1 Overview of the import process of cocoa beans

The chart below shows how an import process works, and what the steps to follow are in order to succeed in importing goods from a third country.

![Import Process Chart](image)

**Figure 9 – An import process step by step**

All those steps have to be carefully followed by the buyer and the company, especially when the supplier is new. As first business contacts are not easy, it is very important to communicate and exchange information between each step. With this approach, errors can be avoided as the two parties know where they are and what they have to do or wait for. Organisation and communication is the key success for a successful import.

In order to make this practical part more concrete and reliable, a fictitious case is treated, with a Finish importer (Choco Chico) looking for a new cocoa supplier in Ivory Coast.
6.1.2 Defining the needs

The importer, Choco Chico, is a new Finnish chocolate manufacturer creating its chocolate from the raw product, that is to say cocoa beans. It could be easier to make chocolate from cocoa powder or cocoa butter, but the Finnish company wants to work on the raw product to have the best product to offer to the consumer. Of course, as there is no Theobroma cacao (i.e. the cocoa tree) growing in Finland, the company has to source the material.

The Finnish company, located in Turku, has to import the beans directly in its production plant. As the city enjoys great infrastructure, the supplied goods could be imported by diverse means of transport, passing through Turku airport, Turku port, railway, or road. The shipping mode is to be chosen according to the supplier’s localisation and specification as well as the transportation possibilities from the export side.

Choco Chico is aware of the competition existing on the Finnish market, which is why the company wants to produce chocolate in a different way, and perhaps be involved in the fair trade movement. Moreover, the company aims at exporting its chocolate to the Nordic countries in a near future. Therefore, the amount of cocoa beans imported should be sufficient to make enough chocolate to cover several countries.

6.1.3 Looking for a supplier

As we can see on the table below, most of cocoa beans imported to Finland are not coming from Africa. However, cocoa beans are growing principally in Africa, covering 72% of the world production in 2005/2006. Choco Chico has to source the material in Africa in order to avoid supply shortage, but also to offer different chocolate quality to its consumers.
The buyer of the company is to study how many suppliers are needed to buy cocoa beans from a target group and thus to have a better control of those suppliers. He already found two suppliers in Africa, and needs to find a third one in Ivory Coast.

According to the International cocoa organization, the trade of cocoa can be observed as following. There are at least two middlemen between the farmers and the exporters. Small traders can buy cocoa directly from the farmers to sell it to wholesalers, who re-sell it to exporters. However, cooperatives can directly export the beans.

Choco Chico’s buyer has to search potential suppliers thanks to different sources: friends, business acquaintances, trade fairs, Internet. In order to select those suppliers, the buyer is to make a table comparing the different potential suppliers with different criteria.

To build such an important table, criteria do have to be judiciously chosen in order not to miss anything. The criteria used in Dickson’s study could be really helpful to settle a list. Plus, those criteria could be weighted in relation to the importance given by the company to each criterion.
<table>
<thead>
<tr>
<th>Criteria</th>
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<th>Supplier 1</th>
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<tr>
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<td>Special export regulations</td>
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</table>

**Figure 11 – Criteria of selection**

(Adapted from the Dickson’s study described by Benyoucef, Ding & Xie 2003)

Thanks to this table and the comparison of the different potential suppliers, the buyer is able to make a first selection including five potential suppliers from Africa, according to the needs and ethics of the importing company.

Among the potential African exporters, there is a cooperative named Coopérative Agricole Kavokiva de Daloa (known as Kavokiva). The cooperative is established since 1999 in southeast Ivory Coast, where around 40% of country’s cocoa beans are produced. In comparison to other cooperatives, Kavokiva is recognized as the one having the strongest administrative structure, quality and quantity of cocoa, together with one of the best support given to its members. All those criteria fulfil the needs of the Dickson’s study prepared earlier by the Finnish company. (Website of Kavokiva 2011.)
This recognition proves a good reliability from Kavokiva, and a solid security for Choco Chico, established so far away from Ivory Coast. Plus, in 2004 Kavokiva was Fairtrade certified, which means, among other things, that the cooperative receives at the minimum USD 1600/tonne for its cocoa (this price increases if the market price is higher, but will stay the same if the market price is lower). (Website of the Fair Trade Foundation 2011; Website of Kavokiva 2011.)

This certification would add a real value to Choco Chico’s chocolate, since the Fairtrade movement is more and more valued by the consumers. With this partnership, the Finnish company would help in providing a more sustainable environment, and its implication in the program will provide better healthcare and education in this African region. All in all this supplier could have great aftermaths for the company’s reputation, but Choco Chico has to make sure the importing costs with this supplier would not exceed the budget planed. (Website of the Fair Trade Foundation 2011; Website of Kavokiva 2011.)

6.1.4 Request for quotation

The buyer has to define the terms and products preferred for this import in his RFQ. The Incoterms® EXW, representing the maximum obligation and responsibility for the buyer could be really dangerous as Choco Chico is not used to deal with Africa and African customs. It would be better to let the cooperative take care of the African import side. As a result, the buyer of Choco Chico could offer the possibility to its potential suppliers to make an offer in CPT (Carriage Paid To), CIP (Carriage and Insurance Paid to) and finally CIF (Cost and Insurance Freight).

Once the terms defined, the buyer can send the request for quotation to the five potential suppliers pre-selected, in order to clarify its demand but also to study the supplier’s resources and the importing costs. (See the request for quotation in appendix 5)
6.1.5 Transportation mode and delivery terms

According to the importer’s requirements and the potential exporter’s localisation, the best shipping process would be with a sea transport mode from an African port (i.e. Abidjan) to the port of Turku.

Plus, as the potential suppliers are unknown for the moment, it is wiser for the importing company to take care itself of the insurance of the goods. Otherwise, in case the supplier wants to deal with the insurance part, Choco Chico would have to ask for the insurance policy and conditions in order to check how the goods would be insured and protected. Choco Chico therefore asks for a CFR Helsinki or a CFR Turku in its RFQ.

6.1.6 Proposals and selection of the final supplier

Choco Chico receives proposals from the different suppliers pre-selected and has to study all the offers in order to make a final selection. The supplier has to be chosen thanks to the information provided within the proposal as well as with Choco Chico’s preferences (through the weight of the criteria of the Dickson’s study). Therefore, even if import costs have to be calculated, the price is not the only criterion of selection.

6.1.7 Estimated price calculation

Thanks to the proposal prepared by Kavokiva, the buyer can simulate a calculation of the total costs of the import, from Ivory Coast to Choco Chico’s warehouse in Turku, and check if total costs would not exceed its budget.

The calculation has to be made as followed:

Choco Chico buys cocoa beans from Kavokiva in Ivory Coast. The terms of delivery are CFR Helsinki.
The list price of cocoa beans is as follows: (adapted from the market price showed in the website ICCO in June 2012)

Cocoa beans, grade I = USD 2500/ton (FCA value)
Cocoa beans, grade II = USD 2200/ton (FCA value)

Cocoa beans are transported in sealed bags of maximum 50 kg each with a total weight of 200 kilograms – 150 kg of grade II and 50 kg of grade I – as shown on the RFQ prepared by Choco Chico available in appendix 5.

Fixed rate for transport and handling costs from the port of Abidjan to the port of Helsinki is 550,00 EUR between 180 and 210 kg. Transport and handling costs from the port of Helsinki to the warehouse of Turku are 120,00 EUR.

According the website ICCO in June 2012, the Fairtrade premium for the buyer to pay is USD 200.

Insurance premium is 2%.
Import duty is 0% and VAT is 23%.

Exchange rate: 1 USD = 0,800469 EUR.

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<td>Fair trade premium</td>
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<td>160,00</td>
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<td>FCA Abidjan</td>
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<td>Duty</td>
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<tr>
<td>Taxes</td>
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<td>DDP Turku</td>
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<td><strong>1471,34</strong></td>
</tr>
</tbody>
</table>

Figure 12 – Estimated importing costs of cocoa beans
6.1.8 Sales contract

After the estimation of the total costs of the import, Choco Chico accepts the offer of Kavokiva. The two parties are then able to build a contract of sales, defining the responsibilities and obligations of each party.

(See the contract of sales in 6)

6.1.9 The purchase order

Following the contract of sales, the buyer of Choco Chico can issue its first purchase order for Kavokiva. As it is a new supplier it is always better to test one import process and check that everything is in order – quality of the beans, relationship with the cooperative, accuracy of the import – to then think about regular deliveries with a new purchase order. The purchase order’s reception is then acknowledged by the salesperson within the cooperative.

(See the purchase order in appendix 7)

6.1.10 Opening documentary credit based on the sales contract

The seller has the P.O. issued by the buyer. The Finnish importer is now to contact his bank (Nordea) in order to open a documentary credit and to submit it to the seller’s bank according to the conditions mentions in the sales contract.

6.1.11 Exporting the goods

Choco Chico first has to make sure the export process of Kavokiva meets the requirements of the directive 73/241/EEC. Plus, the buyer should check that everything is on time, that the goods are ready to leave the country and that all the necessary customs documents are prepared.
Also, the importing company is to contact its insurance company to build an insurance contract in order to cover the goods. (See cargo insurance in appendix 13)

6.1.12 Receiving shipment and shipping documents

Cocoa beans are now shipped from Ivory Coast to Finland through a vessel with a very important document: the bill of lading (B/L). It is issued by the seller’s forwarding company and signed by a responsible of the vessel and gives proof that the right goods (cocoa beans) were loaded in the ship and will be deliver in the right port of destination, Helsinki. A template of a B/L is available in the appendix 12).

While the export procedure is completed and the goods on their way to Finland, the selling company, Kavokiva, can transmit the proforma invoice together with the other documents required for the documentary credit to its bank.

Those documents are: (1) the exporter approval, (2) a certificate of analysis, (3) the Formule 1 certificate, (4) the verification slip, (5) the certificate of packaging, (6) the certificate of origin EUR1 and (7) the certificate of origin CEDEAO and UEMOA. The seller also has to provide the bank with (8) the bill of lading (B/L) and (9) the packing list of the shipment, as well as (10) the freight insurance as soon as possible.

Each of these documents are checked by the seller’s bank and sent afterwards with a request for payment to Choco Chico’s bank.

6.1.13 Customs clearance

When the ship arrives in Helsinki, the packages coming from Kavokiva have to pass through the customs to be cleared and released for a “free circulation” within the EU.
Thus, several documents are to be issued by the buyer for the customs clearance: (1) the bill of lading, (2) the commercial invoice, (3) the packing list, (4) the customs value declaration, (5) the freight insurance certification, (6) the SAD customs declaration, (7) the certificate of origin and (8) the inspection certificate. (Hinkelman 2008b, 70, 134; Website of the European Commission 2012; Website of Export helpdesk 2011; Website of the Tulli customs 2012.)

Description and examples of the above mentioned documents can be found in the appendix 9.

6.1.14 Releasing goods for use

All the documents are provided and goods are cleared. Choco Chico can therefore take care of the goods from Helsinki and transport them from the port to Choco Chico’s warehouse located in Turku. The goods are checked there by the buying company and if everything complies with the sales contract and invoice, Choco Chico can start manufacturing its Fairtrade chocolate.

6.1.15 Paying the documentary credit

Payment of the material will be processed after the bank had checked shipping documents comply with documentary credit conditions. The only duty of the bank is to check the validity of the documents; even if the goods do not comply with the invoice, the payment of the documentary credit has to be processed.

Hence the advantage for Chico Chico to prepare one shipment with only few products to try the goods of the cooperative and check its reliability. Then, if everything is in order, the chocolate manufacturer could consider making more regular and bigger orders in the future.
Choco Chico therefore receives an invoice from Kavokiva according to the terms CFR Helsinki (USD 1342 which equals to EUR 1075,00), an invoice from the insurance company for the insurance of the goods (EUR 23,65), and of course the importing company also has to pay duties and taxes to the Finnish state (EUR 252,69).

6.2 The main difficult parts in importing

Information regarding the suppliers in Ivory Coast is not easy to access, and most of the time data is only available in French. This can also be observed in the customs of Ivory Coast; their website, written in French, could be confusing if the Finnish company does not employ a French speaker.

We can also assume that the African supplier does not speak a lot of English (as the website of the cooperative Kavokiva seems to confirm) so it could be very good for a Finnish company to hire a French speaking person in order to import goods from Ivory Coast. In fact, finding a supplier, establishing a contract and approaching the export documents without a French speaker in the company could be one of the most difficult parts for a Finnish company.

On the other hand, the same problem was found on the Finnish side: the customs website of Finland offers most of the information in Finnish, and that could be confusing for a non-Finnish speaker.

As an importer, we can assume it is compulsory to speak English in order to fill in the forms correctly, and to understand perfectly the requirements, but unfortunately it does not seem to be enough: the best way to avoid any mistake is to understand and speak English as well as the languages of the importing and exporting countries. Especially in the customs area, where every detail is usually checked, it is very important to understand precisely what the importer should provide, and how it could provide it. Thus, for a non-Finnish speaker, the main difficult part would be the customs clearance and the documents linked to it.
7 RECOMMENDATIONS AND CONCLUSION

7.1 Thesis process description and evaluation

As cocoa beans are very specific goods, I first decided to focus on their specifications, in order to understand from the beginning why it is such a special good. Plenty of information on cocoa beans production and consumption were accessible and it was in fact a disadvantage: there were so many different sources available that sorting information was very difficult. However, the part on the commodity market was very challenging, as completely new for me. Simple information on that part was not really offered on the internet or on books. To my mind it was one of the most difficult parts I had to deal with.

Plus, as cocoa beans are growing in different countries in Africa, they are submitted to very different regulations, specific to each country but not very well defined. The best solution in that case would be to have a contact in Ivory Coast to be sure of the procedure to follow.

Finally, regarding the theoretical part, the most difficult point was to find accurate information on the Finnish customs and on the documents to provide. In fact, as the website Tulli is basically only written in Finnish (at least all the documents and forms for importing and exporting are), it was quite difficult for a non speaker to know for sure what the requirements are. This theoretical part took much longer time than the practical one, as it was the basis of the import process, and as information was not always easy to find and select.

Some time before preparing the practical part, I contacted some companies in order to discover the real business practices. I received no answers to my request from some firms, and the ones answering all told me that the real process involved differed a bit from the one I was studying for this research based thesis.
Therefore, I discovered a bit too late that real cases or examples could not be added to my research as they differ from each other. However, information provided by those companies was at least interesting to be aware of for further studies.

The practical part was done thanks to the researches made previously. New sources had to be found, in particular to find accurate forms and documents, but this second part tends to be always related to the empirical data. As I wanted this practical part to be as close as possible to the reality, I tried to find a real cocoa cooperative together with authentic prices, but sometimes it was impossible to find accurate data (for instance I failed to find a real freight from Abidjan to Helsinki).

7.2 Recommendation for further studies

As a general recommendation I would first think first about choosing a good topic. It is very important for a student to find a relevant topic for its studies but also for its interests. It is not easy to work for six to nine months on an interesting subject, so I could not imagine how to prepare a good work if the topic does not fit to the student’s interests. Also, I would recommend the student to start the research on the topic as early as possible during the academic year, to impose to himself / herself own deadlines and to follow them. It is very tempting not to work on the thesis for several days in a raw – in order to think about something else and to stand back a bit on it for instance – but I guarantee that afterwards there would be some regrets for non having worked earlier or more regularly and thus being in a rush.

This bachelor’s thesis could be subject to further studies. For instance, it describes the import process from the selection of the supplier to the delivery of the goods, but there is no evaluation of the import process done so far (if it was really successful and realistic).
In addition, the evaluation of the process and follow up of a new supplier could be an interesting topic to study in order to discover how to build and especially maintain a relationship between a supplier and a buyer.

Also, I created a questionnaire – as a plus for my thesis, it was not done as a main topic to do – for chocolate manufacturers since I had the feeling it could be interesting to have an idea of the import process of a genuine company. I received some interesting and unexpected information: most of the companies answered that they were importing directly cocoa butter or cocoa powder to manufacture the chocolate. Hence the potential study on the process of this kind of processed goods, as they do not have the same quality than cocoa beans and thus are subject to another import process (for instance, duty is applicable on those goods).

Finally, the selection of the supplier was carried out in a short time and a thesis may be done focusing on the selection of a supplier and the relationship to attain with it. For instance, even if statistics showed that European country imported cocoa beans mostly from Africa, Ivory Coast may not be the best country to select. A specific and thorough country selection together with a supplier selection could be done in order to be aware of the best option for importing those kinds of goods to Finland.

7.3 Final words

This bachelor’s thesis topic was chosen according to my studies and preferences; therefore, it was a pleasant and interesting subject to work for. Plus, companies are more and more looking for people having a buying approach, so I believe this work will help me in my future working life.

However, it was a challenging one because of the specificity of the goods studied and the limited time to finish it. Plus, the thesis had to be written in English, which is not my mother tongue, and all researches were also done in that language.
The first months were quite complicated and the fear of unintentional plagiarism of some sources was in my mind; but then, after some weeks of reading and writing it became easier to understand and to finally explain the process in my own words.

Therefore, thanks to the year of study in SAMK together with the bachelor’s thesis, I am sure I improved my English reading and writing, together with my general knowledge in purchasing and importing. Also, I believe that following and preparing oral seminars as well as having an opponent work enabled me to clearly explain my research and to evaluate or advise other students being involved in the same process.

As a conclusion I would say this bachelor’s thesis was not always easy to work on, but it was a very interesting topic which enables me to improve my knowledge on a specific topic, to practice the English reading, writing and speaking, and which will allow me to present a concrete study for a future employment opportunity.
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Ylituomi, L. Sourcing a good supplier. Lecture in Purchasing & Supply, SAMK Rauma. 15.9.2011a


Dear Sir/Madam:

REQUEST FOR QUOTATION

We are a food company located in Rauma, Finland. We operate worldwide, carry out researches for food companies and develop products for retailers under their own brand’s name.

We found your company in a specialized magazine and need as soon as possible a quotation for one of your latest multipurpose microscopes. We would appreciate if you could fill in our request for quotation and send it back by 10 October 2011.

COMMERCIAL CONDITIONS

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TECHNICAL INFORMATION

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<td>- Binocular microscope with 1000 magnification</td>
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<td></td>
<td>- Handy and easy moveable</td>
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<td></td>
<td>- Software provided</td>
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<td>- Multiple wavelengths</td>
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LEGAL PART

Deadline for reply: 10 October 2011
Validity of quotation: ___ / ___ / _____

Terms above are negotiable. Alternative proposals will be considered too.

Name, function, title: Anssi Lindström, Head of Purchasing Department
Email: anssi.lindstrom@ruoka.fi
Signature: ________________________ Date: 5 October 2011
Bruker Optics Inc.                                Contract of sale

19 Fortune Drive, Manning Park
Billerica MA 01821
3991 USA                                      1(2)

17 October 2011

Suomalainen Ruoka Oy
Satamakatu 45
26100 Rauma
FINLAND

Bruker Optics Inc., hereinafter referred to as Seller, and Suomalainen Ruoka Oy, hereinafter referred to as Buyer, hereby agree on this 17th day of October, in the year 2011, to the following terms.

The present contract of sale will be governed by these Specific Conditions (to the extent that the relevant boxes have been completed) and by the ICC General Conditions of Sale (Manufactured Goods Intended for Resale) which constitute part B of this document.

1- Identities of the Parties

Seller, whose business address is 19 Fortune Drive, in the city of Manning Park Billerica in USA, is in the business of spectrometers. Buyer, whose business address is Satamakatu 45, in the city of Rauma, state of Finland, is in the business of food retail.

2- Description of the Goods

Seller agrees to transfer and deliver to Buyer, on or before 20th October 2011, the below-described goods:

- one Bruker HYPERION 3000 FT-IR microscope with Bruker ATR objective and
  Bruker OPUS 7.0 software included.

3- Contract Price

The agreed price for CIP Helsinki is 3165.53 € (three thousand and one hundred sixty-five euros and fifty-three cents).

4- Inspection of goods by buyer

The goods will be checked by the buyer after the arrival to the destination.
5- Payment conditions

The agreed method of payment is the documentary credit. The issuing bank is Suomalainen Pankki in Helsinki and the advising bank is Bank of America.

6- Documents

The following documents are required:
- transport documents: Air Way Bill (AWB), in one original
- signed commercial invoice: in two originals and two copies
- certificate of origin: in one original
- packing list: in two originals and two copies
- insurance document: in two originals and two copies

7- Cancellation date

If the goods are not delivered for any reason whatsoever (including force majeure) by 30 days from the signature of the contract the buyer will be entitled to cancel the contract immediately by notification to the seller.

8- Liability for delay

The liquidated damages for delay in delivery shall be 5% (of price of delayed goods) per week, with a maximum of 15% (of price of delayed goods) in total.

9- Limitation of liability in lack of conformity

No lack of conformity accepted.

10- Time bar

Any action for non-conformity of the goods must be taken by the buyer not later than 4 days from the date of arrival of the goods at destination.

11- Resolution of dispute

The place of arbitration, according to ICC (art. 14.1), is Helsinki, Finland

James Bush
SELLER
Billerica, 17 October 2011

Anssi Lindström
BUYER
Rauma, 16 October 2011
APPENDIX 3

CHART OF REPARTITION OF RISKS AND COSTS

EXW (EX WORKS)

FCA (FREE CARRIER)

CPT (CARRIAGE PAID TO)

CIP (CARRIAGE AND INSURANCE PAID TO)

DDP (DELIVERED DUTY PAID)

FAS (FREE ALONGSIDE SHIP)

FOB (FREE ON BOARD)

CFR (COST AND FREIGHT)

CIF (COST, INSURANCE AND FREIGHT)

DAT (DELIVERED AT TERMINAL)
Seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination.

DAP (DELIVERED AT PLACE)
Seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination.

Legend:
- The risk is borne by the seller
- The costs are borne by the seller
- Transport insurance is the responsibility of the seller
- Clauses for sea and inland water transport

with import clearance
A documentary collection transaction requires several documents.

i. The documentary collection order  
   It is prepared by the buyer and stating the terms and conditions under which the bank will give documents to the buyer in exchange of a payment

ii. The negotiable bill of lading  
    This is the transport document, already explained in the shipping documents part

iii. The document package for the importer or buyer  
     It is prepared by the exporter for the importer in order to secure the shipment and clear customs in Africa, including at least a commercial invoice and a certificate of origin, but could also include inspection, insurance and other documents

iv. The draft or bill of exchange  
    It corresponds to a written demand of payment prepared by the seller that accompanies the documents sent to the buyer.

A documentary credit requires more documents, nine in total:

i. The letter of credit (L/C) application  
   It is prepared by the buyer for the bank to open a letter credit with the exporter as the beneficiary, and to list the terms and conditions under which the bank has to collect documents and proceed to the payment.
ii. The letter of credit
   It is issued by the buyer’s bank, then forwarded to the exporter’s bank with the conditions of the payment details

iii. The letter of credit advice or notifications
   This document is issued by the seller’s bank for the seller and explaining explains the terms and conditions under which the payment will be transferred to the seller;

iv. The request for amendment to the L/C
   This is issued by the exporter in case he/she wants to change a term or condition of the letter of credit

v. The amendment to the L/C
   This formal document, adding the terms of the amendment to the existing letter of credit, is issued by the importer’s bank

vi. The amendment notification to the L/C
    Issued by the exporter’s bank notifying the amendment to the seller

vii. The negotiable bill of lading
    Same as in the documentary collections

viii. The document package for the importer or buyer
    Same as in the documentary collections

ix. The draft or bill of exchange
    Same as in a documentary collection

(Hinkelman 2008a, 114-115; Hinkelman 2008b, 76-98.)
REQUEST FOR QUOTATION

ChocoChico Oy
Linankatu 45, 20859 Turku, Finland
Phone: +358 25 444 3128 | Fax: +358 25 444 3200

14 May 2012

Cooperative agricole Kavokiva
Sales Department
Gonaté Route de Bouaflé, BP 1619
Daloa, Ivory Coast

Deat Sir/Madam

REQUEST FOR QUOTATION

We are a new chocolate manufacturer company located in Turku, Finland. We would like to offer a special chocolate to our consumers and be part of the Fairtrade movement.

We found your cooperative in a specialized magazine but also on the Fairtrade website, and we would like a quotation for your cocoa beans. We would appreciate if you could fill in our request and send it back to our buyer by 18 May 2012.

COMMERCIAL CONDITIONS

<table>
<thead>
<tr>
<th>Price [EUR or FCA]</th>
<th>________<em><strong><strong><strong>.</strong></strong></strong></em> EUR or _______<strong><strong><strong><strong>.</strong></strong></strong></strong> FCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery time</td>
<td>__________________</td>
</tr>
<tr>
<td>Place of destination</td>
<td>TURKU, FINLAND □ HELSINKI, FINLAND □</td>
</tr>
<tr>
<td>Mode of transport</td>
<td>CARGO SHIP</td>
</tr>
<tr>
<td>Incoterms ICC 2010</td>
<td>CFR □ CIF □</td>
</tr>
<tr>
<td>Payment terms</td>
<td>_______________</td>
</tr>
</tbody>
</table>

TECHNICAL INFORMATION

<table>
<thead>
<tr>
<th>Type of good</th>
<th>Cocoa beans</th>
</tr>
</thead>
</table>
| Special requirements & quality | - Grade I
- Grade II
- Packed in sealed bags no heavier than 50kg
- Indicate if possibility of transportation in ventilated containers |
| Quantity     | 50 kg of cocoa beans Grade I
150 kg of cocoa beans Grade II |

LEGAL PART

Deadline for reply 18 May 2012
Validity of quotation ___ / ___ / ____

Terms above are negotiable. Alternative proposals will be considered too.

Name, function, title: Nea Jolanen, Head of Purchasing Department
Email: nea.jolanen@chocochico.fi
Signature: ______________________ Date: 14 May 2012
## CONTRACT OF SALES

<table>
<thead>
<tr>
<th>Cooperative agricole Kavokiva</th>
<th>Contract of sales 1(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gonaté Route de Bouaflé</td>
<td></td>
</tr>
<tr>
<td>BP 1619 Daloa</td>
<td></td>
</tr>
<tr>
<td>Ivory Coast</td>
<td></td>
</tr>
<tr>
<td></td>
<td>19 May 2012</td>
</tr>
</tbody>
</table>

**Choco Chico Oy**

Linankatu 45  
20859 Turku  
Finland

Coopérative agricole Kavokiva, hereinafter referred to as Seller, and Choco Chico Oy, hereinafter referred to as Buyer, hereby agree on this 19th day of May, in the year 2012, to the following terms.

The present contract of sale will be governed by these Specific Conditions (to the extent that the relevant boxes have been completed) and by the ICC General Conditions of Sale (Manufactured Goods Intended for Resale) which constitute part B of this document.

### 12- Identities of the Parties

Seller, whose business address is Gonaté Rounte de Bouaflé, in the city Daola in Ivory Coast, is in the business of cocoa and coffee. Buyer, whose business address is Linankatu 45, in the city of Turku, state of Finland, is in the business of food manufacture.

### 13- Description of the Goods

Seller agrees to transfer and deliver to Buyer, on or before 12th June 2012, the below-described goods:
- 50 kg of cocoa beans, whole, Grade I, in one sealed bag of fifty kilograms
- 150 kg of coca beans, whole, Grade II, in three sealed bags of fifty kilograms each

### 14- Contract Price

The agreed price for CIP Helsinki is EUR 1430,21 (one thousand four hundred thirty euro and twenty-one cents).

### 15- Inspection of goods by buyer

The goods will be checked by an accredit inspector before export and by the buyer after the arrival to the destination.
16- Payment conditions

The agreed method of payment is the documentary credit. The issuing bank is Suomalainen Pankki in Helsinki and the advising bank is BICICI (Banque Internationale pour le Commerce et l’Industrie en Ivory Coast).

17- Documents

The following documents are required:
- transport documents: bill of lading (B/L), in one original and one copy
- signed commercial invoice: in two originals and five copies
- certificate of origin: in one original
- packing list: in two originals and two copies
- insurance certificate: in two originals and two copies
- inspection certificate: in one original and one copy

18- Cancellation date

If the goods are not delivered for any reason whatsoever (including force majeure) by 30 days from the signature of the contract the buyer will be entitled to cancel the contract immediately by notification to the seller.

19- Liability for delay

The liquidated damages for delay in delivery shall be 5% (of price of delayed goods) per week, with a maximum of 15% (of price of delayed goods) in total.

20- Limitation of liability in lack of conformity

No lack of conformity accepted.

21- Time bar

Any action for non-conformity of the goods must be taken by the buyer not later than 4 days from the date of arrival of the goods at destination.

22- Resolution of dispute

The place of arbitration, according to ICC (art. 14.1), is Helsinki, Finland

Victor Kouame  Nea Jalonen
SELLER        BUYER
Abidjan, 22 May 2012  Turku, 19 May 2012
# PURCHASE ORDER

**ChocoChico**  
Try it, be addicted  
Linankatu 45, 20859 Turku, Finland  
Phone +358 25 444 3118 Fax +358 25 444 3200  
purchase@chocochico.com

**VENDOR**  
Victor Kouame  
Karokira  
Gomèté Route de Doualé  
BP 1619 Douala, Côte d’Ivoire  
+225 2241 4546  
Customer ID: C101212

**SHIP TO**  
ChocoChico  
Warehouse  
Linankatu 40  
20859 Turku, Finland  
Phone +358 25 444 3118

<table>
<thead>
<tr>
<th>SHIPPING METHOD</th>
<th>SHIPPING TERMS</th>
<th>DELIVERY DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARGO SHIP</td>
<td>CIP Port of Helsinki, Finland, Incoterms® 2010</td>
<td>12/06/2012</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>QTY</th>
<th>ITEM #</th>
<th>DESCRIPTION</th>
<th>JOB</th>
<th>UNIT PRICE</th>
<th>LINE TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>152689</td>
<td>Cocoa beans grade I FCA in one sealed bag of 50kg</td>
<td>2500 USD / ton</td>
<td>125,00 USD</td>
<td></td>
</tr>
<tr>
<td>150</td>
<td>250684</td>
<td>Cocoa beans grade II FCA in three sealed bags of 50kg each</td>
<td>2200 USD / ton</td>
<td>330,00 USD</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>PREMIUM</td>
<td>Fairtrade Premium</td>
<td>200 USD</td>
<td>200,00 USD</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>TRANS</td>
<td>Transportation Port of Abidjan - Port of Helsinki</td>
<td>690 USD</td>
<td>690,00 USD</td>
<td></td>
</tr>
</tbody>
</table>

**SUBTOTAL**  
1345,00 USD

**SALES TAX**  
0,00 USD

**TOTAL**  
1345,00 USD

1. Please send two copies of your invoice.  
2. Enter this order in accordance with the prices, terms, delivery method, and specifications listed above.  
3. Please notify us immediately if you are unable to ship as specified.  
4. Send all correspondence to:  
   Nea Jalonen  
   Linankatu 35  
   20859, Turku, Finland  
   Phone +358 25 444 3115 Fax +358 25 444 3200

Authorized by:  
Date:
# INVOICE

**INVOICE 201205152**

**May 29, 2012**

**TO:**
ChocoClaro Oy
Linnunlahti 45, 20859 Turku, Finland
Phone: +358 25 444 3128 | Fax: +358 25 444 3200

**SHIP TO:**
ChocoClaro
Linnunlahti 40, 20859 Turku, Finland
Phone: +358 25 444 3128 | Fax: +358 25 444 3300

**COOPERATIVE AGRICOLE KAVOKIVA**
Gonaté Route de Bouaflé, BP 1610, Daloa, Côte d’Ivoire
Phone: +225 2241 4546 | Fax: +225 2241 4550
FLH ID: 2772
www.kavokiva.org

<table>
<thead>
<tr>
<th>Sales Rep.</th>
<th>P.O. Number</th>
<th>Ship Date</th>
<th>Ship Via</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Victor</td>
<td>201205KAV001</td>
<td>11/06/2012</td>
<td>Port of Abidjan</td>
<td>CIF Port of Helsinki, Finland, Incoterms 2010</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Description</th>
<th>Unit Price</th>
<th>Total (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 kgs</td>
<td>Cocoa Beans, raw, Grade I</td>
<td>3690 USD/ton</td>
<td>125,00</td>
</tr>
<tr>
<td>160 kgs</td>
<td>Cocoa Beans, raw, Grade II</td>
<td>3200 USD/ton</td>
<td>330,00</td>
</tr>
<tr>
<td>1</td>
<td>Fair trade Premium</td>
<td>200 USD</td>
<td>200,00</td>
</tr>
<tr>
<td>1</td>
<td>Transportation costs from Abidjan to Port of Helsinki</td>
<td>687 USD</td>
<td>687,00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>1342,00</strong></td>
</tr>
</tbody>
</table>

**Date, place:** 29/06/2012 02/06/2012

**Signature:** Kouame Victor

MAKE ALL CHECKS PAYABLE TO COOPERATIVE AGRICOLE KAVOKIVA DE DALOA

THANK YOU FOR YOUR BUSINESS!
CUSTOMS CLEARANCE DOCUMENTS

In order to clear the goods in Helsinki, several documents are needed.

i. The bill of lading, 1 original and 1 copy
   It is the key transportation document enabling the export-import actors, evidencing that goods have been receipt and that they will be delivered at the POD, the port of destination. (See a bill of lading template in Appendix 12)

ii. The commercial invoice, 1 original and 5 copies
   This is the document issued by the seller to the buyer including all the details of the import goods: actors, quantity, description, price, charges, and total amount. (See the invoice in appendix 8)

iii. The packing list, 1 original and 1 copy
    It is not officially required, but strongly recommended.
    It identifies the consignor and consignee, and provides details on the cocoa beans (number of packages, weight, dimension, marks). This packing list should have been received by the buyer of Choco Chico before the departure of the shipment, but there should be anyway a copy attached to the shipment.

iv. The customs value declaration, 1 original
    Customs duties and VAT are expressed as a percentage of the value of the goods, so the EU settled standard rules for calculating the customs duty, and it is important to know the real value of this commerce, that is why a customs value declaration is required. (See the Finnish customs value declaration in Appendix 11)
v. The freight insurance certificate, 1 original and 1 copy
The purpose of the cargo insurance is to cover the goods during the transit: during land transport as well as during the sea transport. Usually the loss or damages during the transit are covered, but it will depend on the amount of the insurance (the more the goods are valuable, the more expensive the insurance is), and each insurance company has its own policy.
With CIF Incoterms®, the seller is responsible for contracting for and paying for the costs linked to the goods transportation at least to the port of Helsinki. The document will be issued by an insurance company or its agent. (See a marine cargo insurance in Appendix 13)

vi. The SAD customs declaration, 1 original and 2 copies
The Single Administrative Document replaces the old Summary Declaration Form and contains all the information standardised and expressed in EU codes. It can be directly submitted to the Finnish Customs but must be declared by a EU resident. It is composed of eight copies, and can be seen in Appendix 10.

vii. The certificate of origin, 1 original and 5 copies
It is a document stating the country of origin of the goods. It can be issued by the exporter, a Chamber of commerce, a trade association. (See an example of a certificate of origin in Appendix 14)

viii. The inspection certificate, 1 original and 1 copy
An inspection will be made in Helsinki by Elintarvikeeturvallisuusvirasto, the Food Safety Authority, also called Evira. Once the certificate is delivered, the goods can freely circulate in the EU. An inspection certificate is available in Appendix 15.

(Hinkelman 2008b, 70, 134; Website of the European Commission 2012; Website of Export helpdesk 2011; Website of the Tulli customs 2012.)
# Appendix 11

## Finnish Customs Value Declaration

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>European Union</strong></td>
<td><strong>Customs Value Declaration</strong> (D.V.1)</td>
</tr>
<tr>
<td><strong>1.</strong></td>
<td><strong>Name and Address</strong> (pankki)</td>
</tr>
<tr>
<td><strong>2.</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3.</strong></td>
<td><strong>Name</strong> (nimi)</td>
</tr>
<tr>
<td><strong>4.</strong></td>
<td><strong>Tarinasehna</strong></td>
</tr>
<tr>
<td><strong>5.</strong></td>
<td><strong>Kohteen numero ja päivitys</strong></td>
</tr>
<tr>
<td><strong>6.</strong></td>
<td><strong>Matters listed in the table below are to be marked</strong></td>
</tr>
<tr>
<td><strong>7.</strong></td>
<td><strong>(a)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>8.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>9.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>10.</strong></td>
<td><strong>(a)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>11.</strong></td>
<td><strong>(a)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Appendix 11**

Tallinnale nro 647e_03 (title 19)
# BILL OF LADING TEMPLATE

**BILL OF LADING – SHORT FORM – NOT NEGOTIABLE**

<table>
<thead>
<tr>
<th>Date</th>
<th></th>
</tr>
</thead>
</table>

**SHIP FROM**

<table>
<thead>
<tr>
<th>Name</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Street Address</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>City, ST, ZIP Code</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SID No.</th>
<th></th>
</tr>
</thead>
</table>

**SHIP TO**

<table>
<thead>
<tr>
<th>Carrier Name</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Trailer number</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Serial number(s)</th>
<th></th>
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</table>

**THIRD PARTY FREIGHT CHARGES BILL TO**

<table>
<thead>
<tr>
<th>Name</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Street Address</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>City, ST, ZIP Code</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SID No.</th>
<th></th>
</tr>
</thead>
</table>

**SCAC**

<table>
<thead>
<tr>
<th>Pre Number</th>
<th></th>
</tr>
</thead>
</table>

**Special Instructions**

**Freight Charge Terms** *(pick one)*

- Prepaid □
- Collect □
- 3rd Party □

- Master bill of lading with attached underlying bills of lading.

**CUSTOMER ORDER INFORMATION**

<table>
<thead>
<tr>
<th>Customer Order No.</th>
<th># of Packages</th>
<th>Weight</th>
<th>Pallet/Skid (Cycle one)</th>
<th>Additional Shipper Information</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Grand Total**

**CARRIER INFORMATION**

<table>
<thead>
<tr>
<th>Handling Unit</th>
<th>Package</th>
<th>Qty</th>
<th>Type</th>
<th>Qty</th>
<th>Type</th>
<th>Weight</th>
<th>HM (0)</th>
<th>LTL Only</th>
<th>MNFC No.</th>
<th>Class</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Liability limitations for loss or damage in this shipment may be applicable. See 49 USC § 14706(c)(1)(A) and (B).

**Shipment and Delivery**

The carrier shall not make delivery of this shipment without payment of charges and all other lawful fees.

**Shipper Signature**

**Trailer Loaded**

- □ By shipper
- □ By driver

**Freight Counted**

- □ By shipper
- □ By driver/pallets said to contain
- □ By driver/pallets

**Carrier Date**

Carrier acknowledges receipt of packages and required documents. Carrier retains emergency response information and makes available emergency contact list to the DOT emergency response coordinator or equivalent documentation in the event of hazardous materials arrive in damaged or other condition, except as noted.
## CARGO INSURANCE

### APPENDIX 13

#### Certificate of Insurance

<table>
<thead>
<tr>
<th>Policy Number</th>
<th>Certificate Number</th>
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<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>Issuer Date</th>
<th>Shipment Date</th>
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</thead>
<tbody>
<tr>
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<table>
<thead>
<tr>
<th>Convergence</th>
<th>Ashted Order Information</th>
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<tbody>
<tr>
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<td>void</td>
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</table>

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>Country of Origin</th>
<th>Port of Loading</th>
<th>Country of Final Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>void</td>
<td>void</td>
<td>void</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Destination</th>
<th>Place of Insurance</th>
<th>Country of Insurance</th>
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</thead>
<tbody>
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</table>

<table>
<thead>
<tr>
<th>Model &amp; Number</th>
<th>Description</th>
<th>Place of Loading</th>
<th>Country of Loading</th>
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<tbody>
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<table>
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<th>Remarks</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>void</td>
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</tbody>
</table>

### Conditions

- **Risk**: This Certificate is void for any shipment or delivery of the cargo described herein.
- **Coverage**: Insurance is subject to the terms and conditions set out in the Policy.
- **Validity**: This Certificate becomes void upon issuance of a new Certificate.

**COPY**

This Certificate is void as of the date printed on the Certificate.
APPENDIX 15

INSPECTION CERTIFICATE

AFFILIATE CODE: F615001
CERTIFICATE NO.: IN07107BJ-2C1

SGS-CSTC Standards Technical Services Co., Ltd.
16/F Century Youth Mansion
No.73, Fuchang Road
Shanghai, China
Tel: (86-21) 63456789
Fax: (86-21) 63457890

Page 1 of 2

INSPECTION CERTIFICATE

- Description and Quantity of Commodity:
  - Spiral steel pipe:
    - Φ1124*12 Q235B 238m/20pcs/78.325M Ton
    - Φ1148*12 Q235B 10m/10pcs/3.36M Ton

- The Buyer:
  SOMAGUE ENGENHARIA SA
  R TAPADA QTA CIMA
  LINHO SINTRA CASCAIS
  2714-555 SINTRA

- The Seller:
  CANGZHOU SPIRAL STEEL PIPE CO., LTD.
  NO 1, JIEFANG EAST ROAD, CANGZHOU CITY, HEBEI PROVINCE, P. R. CHINA

- Inspection Date & Place:
  Jul 30-31, 2007 & Cangzhou city, Hebei Province, P. R. China

- L/C No.:
  976-01-024210

- Sales Contract No.:
  N/A

- Nature Of Inspection:
  - Witness fabrication process
  - Visual check
  - Quantity check
  - Dimension check
  - Marking check
  - Document review

- Issue Date of Certificate:
  August 03, 2007

Results of Inspection:

1. Witness fabrication process:
   Witness Fabrication Process was performed by SGS inspector. The results were reported to the buyer and accepted by the buyer.

2. Visual Check:
   Visual Check was performed by SGS inspector. The results were reported to the buyer and accepted by the buyer.