



Case of study: **Export of Fishmeal**

Exporter's name : Bulkfoodexport Inc Montréal

Exporter of fishmeal from Peru and Canadian wheat from Montréal

Sales

Fishmeal : \$15 000 000 per year

Wheat: \$ 45 000 000 per year

Additional Information

Peru annual Fishmeal Production:
1.8 MM-Metric tons (MT)

Quantity imported on a yearly basis by:

China (from Peru): 700 000 MT

India (from Peru): 400 000 MT

Quantity solicited by each buyer:
5 000 MT Fishmeal in one shipment

Supplier name :

Fishery-Powder Peruviano de Peru

Supplier controls about 500 000 MT of the Peruvian production

Supplier's offer :

Price quoted by supplier:
US \$ 510 per MT FOB Peruvian port

Packing: 50 kg propylene bags

Term of payment: **at sight**

Instrument of payment requested:
Confirmed irrevocable letter of credit requested

Shipping Documents :

- 3/3 bills of lading issued to order and blank endorsed
- Pre-shipment survey report issued by SGS del Peru
- Analysis (quality) Certificate issued by SGS del Peru
- Sanitary certificate issued by SGS del Peru
- Origin certificate issued by SGS del Peru
- Weight certificate issued by SGS del Peru
- Radiation free certificate issued by SGS del Peru

Cas d'étude: **Exportation de poudre de poissons**

Compagnie exportatrice : Bulkfoodexport Inc Montréal

Exportateur de poudre de poissons à partir du Pérou et de blé canadien à partir de Montréal

Ventes

Poudre de poisson: \$15 000 000 par année

Blé canadien: \$ 45 000 000 par année

Information additionnelle :

Production annuelle de poudre de poissons du Pérou:
1.8MM tonnes métriques (MT)

Quantité importée annuellement par :

la Chine (à partir du Pérou): 700 000 MT

l'Inde (à partir du Pérou): 400 000 MT

Quantité sollicitée par chaque acheteur:
5 000 MT de poudre de poissons en une expédition

Fournisseur:

Fishery-Powder Peruviano de Peru

Le fournisseur contrôle environ 500 000 MT de la production péruvienne

Offre du fournisseur :

Prix offert par le fournisseur :
US \$ 510 par MT FOB port péruvien

Emballage : sacs en propylène de 50 kg

Terme de paiement : **à vue**

Moyen de paiement exigé :
Lettre de crédit irrévocable et confirmée

Documents d'exportation :

- 3/3 connaissements maritimes émis à ordre, endossés en blanc
- Rapport pré-expédition (survey report) émis par SGS del Peru
- Certificat de conformité de qualité émis par SGS del Peru
- Certificat sanitaire émis par SGS del Peru
- Certificat d'origine émis par SGS del Peru
- Certificat de poids émis par SGS del Peru
- Certificat de non-radiation émis par SGS del Peru



A) Exportation to China

Buyer's name (from China) :

Changuzu Fismeal Beijing

Buyer 's offer :

Ready willing able to buy
5 000 MT Peruvian Fishmeal

At the Price of US \$ 545/MT FOB Peruvian Port

Packing: 50 kg propylene bags

Buyer 's covering cargo insurance and providing Chinese vessel at loading port

Payment term 30 days from acceptance of draft and documents in China

Instrument of Payment : irrevocable letter of credit

Nom de l'importateur de Chine :

Changuzu Fismeal Beijing

Offre de l'acheteur:

Prêt à acheter 5 000 MT poudre de poissons du Pérou

Au prix de US \$ 545/MT FOB port péruvien

Emballage : sacs en propylène 50 kg

Frais de couverture d'assurance maritime et de transport assumés par l'acheteur

Paiement à terme de 30 jours d'acceptation lettre de change et documents en Chine

Moyen de paiement : lettre de crédit irrévocable

B) Exportation to India

Buyer's name from India:

Fishmeal Development Pondichery

Buyer' offer :

Ready willing able to buy: 5 000 MT Peruvian fishmeal

At the Price of US \$ 665/MT CIF Pondicherry

Packing: 50 kg propylene bags

Exporter covering cargo insurance as well as transportation, Vessel to be accepted by buyer at least 10 days prior loading.

Payment terms :

50%down payment upon loading and balance30 days from acceptance of draft and documents in India.

Instrument of payment :

- Open account, on a collection basis
- **50% at sight** against proof of loading (copy of bill of lading to be faxed)
- **50% at term**, 30 days term payment from acceptance of draft and documents in India

Nom de l'acheteur de l'Inde :

Fishmeal Development Pondichery

Offre de l'acheteur :

Prêt à acheter: 5 000 MT poudre de poissons du Pérou

Au prix de US \$ 665/MT CIF Pondichéry

Emballage: sacs propylène 50 kg

Frais de couverture d'assurance maritime et de transport assumés par l'exportateur, navire devant être accepté par l'acheteur au moins 10 jours avant l'embarquement des marchandises.

Termes de paiement:

Terme de paiement: 50% cash à l'embarquement et le solde à 30 jours d'acceptation lettre de change et documents en Inde.

Moyen de paiement :

- compte ouvert **par** encaissement documentaire
- **50% à vue** contre preuve d'embarquement (copie connaissance maritime à envoyée par télécopie)
- **50% à terme**, 30 jours d'acceptation de lettre de change et des documents en Inde



QUESTIONS TO BE RAISED BY THE MODERATOR TO:

A) The Honorable Baljit Chadha

The exporter is presented as a trading company, acting as a seller, buying from Peru and selling to China and India. In our actual global market

- How do you see the role of an Agent or a trading company?
- Is it necessary to go through a trading company?
- How is the Indian Market?
- What common mistakes do exporters make when attempting to export to India?
- Are Buyers from India reluctant to open Letters of credit?
- Do you think that it will be easy to sell this Indian transaction to a Canadian Bank?

B) Bernard Colas:

Le cas présenté n'indique pas s'il y a contrat ou offre formelle entre les parties en présence

- Quelle est l'utilité d'avoir des contrats surtout si, comme dans le 1^{er} cas le paiement est effectué par lettre de crédit?
- Quelles devraient être les principales dispositions de ces contrats?
- Dans le deuxième cas, il n'y a pas de lettre de crédit, le risque est l'acheteur. Faut-il un contrat sous-jacent ou un simple engagement de l'acheteur?
- Dans les deux cas, la lettre de change et les documents, en cas de litige, suffisent-ils, ou permettent-ils d'exercer un recours à 100% contre la partie défaillante? Quel est le pays où la loi serait applicable : l'Inde, la Chine ou le Canada?

C) Christian Martin

The supplier from Peru requested a confirmed letter of credit from the Exporter while the latter did not request a confirmed one from the Chinese Buyer.

- Do you think exporter should have called for a confirmed credit from the buyer?
- Is the exporter can use the incoming credit in order to secure the letter of credit that he has to issue in favor of the supplier?
- Can the exporter be financed in offering his credit as collateral? Do you think, instead of issuing a credit to the supplier, there is another way to do the transaction?
- Do you think the exporter needs specific credit insurance to cover the letter of credit and the open account with the Indian buyer? Do you think that the sale to India is easy to finance? Do you think that the Indian buyer could have requested a performance Bond? Do you think the exporter is safe?

3) QUESTIONS TO BE RAISED BY THE MODERATOR TO THE CREDIT EXPORT INSURERS

A) Euler- Hermes

- While there is no Canadian content are you able to provide a specific insurance contract to protect the exporter?
- Is it necessary to insure the incoming letter of credit issued by a Chinese bank and/or the underlying contract?
- Are the Indian contract and the invoice as receivable insurable? At what rate: 80%, 90%?
- Is insurance of receivables in force when the invoice is issued or when goods are delivered?
- Is your insurance transferable to a third party?

B) EDC

- Although there is no Canadian content in these transactions, as the exporter global sales includes a high volume of Canadian wheat, are you in a position to insure these transactions?
- If the incoming letter of credit is insured, can the exporter benefit from the pre-export financing program?
- Can you explain in a few words this program?

C) Coface Canada:

- Did you sign an alliance with EDC?
- Are you covering Canadian receivables?



Deuxième Tribune interactive du Commerce international
23 mai 2007

- Do you need to cover all receivables of the exporter or are you able to cover specific receivables such as presented by this case?
- Are you capable to provide credit information on foreign buyers?