

8 tips for organising your export of grains, pulses and oilseeds to Europe

When organising your export to Europe, it is important to understand the purchase contract with your buyer and check all aspects of your export, such as payment terms, export documents and proper packaging for your product. The better you prepare and document your export, the more you will protect your business against failures or claims.

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1. Understanding the contract with your buyer

When negotiating with potential buyers, you must carefully read their purchase contract. As a supplier, you are at risk when you do not fully understand the contract and its consequences or when you unintentionally enter a contract. You must trust the company you are dealing with and understand the commitment you are making.

Check your contract

Check if the contract is in line with your previous agreements on the following details:

- Price
- Price basis
- Delivery date or period
- Details of grain quality (grade) required
- Tonnage and tolerances
- Fees and/or charges applicable
- Payment terms
- Default procedures
- Dispute resolution procedure

Do not sign, confirm or verbally agree with a contract that is unclear or incomplete. Read additional [recommendations in 'Managing Risk in Grain Contracts: A Grower's Guide'](#), published by the Australian Grain Growers.

Select standard contracts or parts thereof defined by GAFTA

Most agricultural commodity trade contracts are based on standard forms established by trade associations. For example, [contracts by GAFTA](#) (The Grain and Feed Trade Association) are estimated to be responsible for 80% of the 180 million tonnes of cereals traded annually worldwide, as well as a significant share of the world's trade in feeding stuffs and pulses.

These standard contracts generally cover quality grading, delivery terms, provide protection, advice with regards to insurance and to appropriate payment, and include an arbitration clause and provisions in case of default. Example contracts are:

- [General Feeding stuffs in bags](#)

- [General contract for grain in bulk \(FOB\)](#)
- [Contract for pulses for human consumption in bulk or bags \(FOB\)](#)
- [FOB Contract for Thai rice in bags or bulk](#)

If you cannot find your specific product within the GAFTA standard contract forms, use one of the contracts as an example to create or review your own contract.

Use your rights as a supplier

When doing business with large, dominant buyers, you will soon be able to invoke your rights as a supplier. The European Commission has proposed a [new directive](#) to protect small and medium-sized suppliers in the food supply chain from unfair trade practices imposed by economically stronger buyers. The directive aims to protect farmers, processors, distributors, producer organisations as well as suppliers from outside the European Union.

The directive will prohibit a number of practices or only allow them when unambiguously agreed upon. Among the practices that will be prohibited are, for example:

- Payments later than 30 days
- Last-minute order cancellations
- Refusal to enter into a written contract
- Unilateral contract changes
- Transferring the costs of examining customer complaints to the supplier

The [proposed directive was agreed in December 2018](#) and will be implemented over the next few years. Once fully adopted, countries in the European Union will have two years to transpose the Directive into their national laws.

- Read about your rights as a smaller supplier in [The Directive on Unfair Trading Practices in the agricultural and food supply chain](#).

2. Use payment terms that are acceptable for you and your client

Payment terms will vary according to the supplier-client relations and products involved. Commonly used payment terms in the trade of grains, pulses and oilseeds are Cash against documents (CAD) and Letters of Credit (L/C). Using acceptable payment terms for you and your client is important to maintain business while minimising risk.

If you are dealing with a low-value commodity (such as soybean or wheat), documentary credit can be relatively expensive and therefore not always the preferred option. You can distinguish yourself as an exporter by using an open account, but this comes with higher risks and is only recommended for trusted trade relations – and when your financial situation allows for it. The advantage of open account is that it saves you and your buyer the administrative costs of an intermediate bank.

Alternatively, you can work with partial payments before, during and/or after shipment. A final payment for the goods on arrival, instead of for the documents, is common for valuable ingredients with high quality requirements (such as organic chia, sesame, quinoa, amaranth or buckwheat).

If you choose to ask for a Letter of Credit, you must understand the costs and [the meaning of a Letter of Credit, including its process](#). You can take into account some of the [tips provided in 'Documentary Risk in Commodity Trade'](#) by the United Nations:

- make sure the letter of credit matches all the other documents, such as the invoice and packing list;
- carefully assess the credit-worthiness of your buyer using your bank or external services;
- carefully review the letter of credit to make sure that all the details and conditions can be met (type of credit, schedules of shipment, expiry date, quality and quantity of goods, packaging and documentation);
- consider a foreign exchange contract to cover currency risks if the letter of credit is in a foreign currency;

- be aware of the importance of dates and schedule. Tight timing can result in delivery problems on your side, while long-term expiry dates require too much of your buyer's credit lines;
- insist that the payment documents on any letter of credit are negotiated and reviewed in your own country;
- always ask the buyer which bank will open the letter of credit and ask your bank (advising bank) whether they are willing to confirm a letter of credit from the specified opening bank with the specified amount.

Make sure that the bank involved with your European client is reputable. Among [the best trade finance providers](#) in Europe are BNP Paribas (Best bank for trade finance), Rabobank (Best bank for commodity finance), and Commerz bank (Best regional bank for Western Europe).

Tips:

Understand what payment terms and practices you can use for exporting grains, pulses and oilseeds in the FAO information about [Financing Normal Levels of Commercial Imports of Basic Foodstuffs](#), in particular [chapter III about Food import financing techniques](#) and [chapter IV about Food import financing practices](#).

Use the [United Nations publication on Documentary Risk in Commodity Trade](#) as a guidance to assess and avoid potential risks in documentary payment procedures.

3. Choose your export insurance according to your type of business

Export insurance helps you to reduce your economical risks in international trade. The type and usefulness of your insurance depends on the specific risks of your export. If you have a high risk in terms of shipping and payment terms, export credit insurance is highly recommended. The higher the value of your product or the riskier your trade partner or country, the more sense it makes to use export credit insurance and additional insurances such as cargo or currency insurance.

Remember that insurances often do not cover 100% of your potential loss and their policy costs can make your product more expensive. It is important to understand the limitations of insurance policies and shop around when you need one. For the export of grains, pulses and oilseeds, export credit insurance is among the most common insurances.

Export credit insurance

Export credit insurance is highly recommended for open account business deals. Without a bank guarantee such as a Letter of Credit (L/C), you are exposed to higher financial risks. An export credit insurance protects you against non-payment or default by an importer, for example due to insolvency. Moreover, it not only provides you with peace of mind, but also improves your access to working capital.

For products such as grains, pulses and oilseeds, you will use short-term insurance (repayment period up to one year), and you can choose between a single or multiple buyer policy. A single buyer policy is useful to insure only one debtor or a one-off risk. Multi-buyer policies can be more convenient when you have regular shipment to several clients and you are using a pay-as-you-go service.

Well-known export credit insurance companies are [Atradius](#), [Coface](#) and [Euler Hermes](#). Their insurance rates depend on your annual turnover, history in claims and the risk profile of your buyer.

- Do a credit check with your buyer before considering an export credit insurance, so you know the risks you are facing with the buyer in question. Insurance companies sometimes also request the submission of a

credit report and financial statements.

- Read about the [differences between Credit Insurance and Export Letter of Credit](#) described by Global Trade Risk Management Strategies LLC.
- Find export credit agencies in your region through the [members of The International Credit Insurance & Surety Association \(ICISA\)](#)
- Carefully review the terms and conditions of your insurance policy, because each policy has its limitations. If needed, ask an intermediary for advice.

Marine and cargo insurance

Whereas marine insurance only covers the liability of a maritime transportation company, a cargo insurance is used to protect your shipment of products throughout its entire journey to a customer.

Cargo insurance is recommended, especially when potential cargo loss will have a large impact on your business. Depending on the shipping agreement with your buyer (see incoterms further down), the cargo insurance is either your or your buyer's responsibility.

Currency insurance

Most of your contracts with European buyers will be in Euros or US Dollars. The risk of conversion loss in the commodity trade is minimal due to its speed of trade. But if you work with long-range buying contracts or expect currency risks, you can opt for a currency insurance against conversion loss. Alternatively, you can explore the option of [working with forward exchange contracts](#).

Product liability insurance

For grains and ingredients with high requirements, you can consider a product liability insurance in case your product does not comply with the legal standards. However, compensation is subject to your practices and the efforts you have taken to comply with the standards.

Seller's interest or contingency insurance

Insufficient coverage for product damage or loss by your buyer may affect you as an exporter. You can increase your control over the level of insurance of your trading partner and ensure the payment of your goods by adding a seller's interest or contingency insurance. This insurance is less common than export credit insurance.

Tips:

Read more about [export finance and risks on EximGuru](#), the online encyclopaedia for import and export.

Check your trade risks on [the risk map of Atradius](#) or via the [country risk reports of Euler Hermes](#).

4. Check your export documents and import tariffs

In the export of grains, pulses and oilseeds, preferential tariffs can influence your competitive position in Europe, but you must also master the basics of custom procedures, including flawless export documentation.

Double check your export documents

Familiarise yourself with customs procedures in Europe and always check your part of the [export documents needed for customs clearance](#). A small mistake in the documents can result in serious delays. Find a trusted and recognised freight forwarder in your country, using the [Freightos guide How to Choose a Freight Forwarder](#). Make sure your documents are well made and complete, such as:

- Transport documents (Bill of Lading, packing list)
- Commercial Invoice (read [how to prepare a commercial export invoice](#))
- Documentary proof of origin / certificate of origin
- Inspections Certificates (Health or plant health certificates)

Find your import tariff in the TARIC database

For many [grains, pulses and oilseeds](#), there is an import tariff of 0%, especially for those countries with specific trade agreements and developing countries. But there may be some exceptions for large commodities that are also produced in Europe, such as wheat, maize and rice. Import tariffs can be flexible and vary according to internal demand, which is the case for maize.

- Use the [EU Trade Helpdesk](#) to find additional information on tariffs, requirements and customs procedures.
- Find out [which countries or regions have preferential trade agreements with the European Union](#).

Find out if there are tariff rate quotas for your product

For several cereals such as wheat, barley, rice and maize, the European Union has set trade measures such as quotas to regulate the market. There are [preferential and autonomous tariff quotas](#).

- Preferential tariff quotas: This type of quota means that a predetermined volume of goods originating in a specified country can be imported into the European Union at a favourable rate of duty.
- Autonomous tariff quotas: These quotas can be opened in some economic sectors to stimulate competition inside the EU, mainly for raw materials and semi-finished goods that are not sufficiently available in the European Union.

For example, a favourable [trade agreement with Ukraine](#) and expanding quotas for wheat, maize and barley have improved Ukraine's competitive position.

For some agricultural products, your buyer must have an import licence. These licences allow the European authorities to monitor trade flows and administer tariff [quotas](#) and [safeguard measures](#).

Tip:

Use [EU Tariff quota consultation](#) to find the current quota for your country.

5. Only export clean and well-stored products

During warehousing and transport you must make sure that grain products are kept dry and well ventilated (especially with hygroscopic or moist-absorbing grains or coming from a warm and humid climate). You must only export products that are clean and have been well stored. This will help to make sure your products arrive without mould or infestation by bacteria or insects such as weevils.

Shippers may require the cargo to be fumigated, but check beforehand if your buyer agrees with this – for example, fumigants are generally not allowed for organic products.

- Use the [BMT Cargo Handbook](#) or the [Container Handbook](#) to learn more about the storage, shipment and risk factors for various grain products.
- Make sure that your buyer specifically accepts the product and the quality as soon as it arrives. You can reduce your liability by improving your documentation of the product handling; for example, take pictures of the loaded products before they leave your premises.

Common International Commercial Terms or Incoterms for grains, pulses and oilseeds are Free on Board (FOB) and Cost Insurance Freight (CIF). The Incoterm 2010 Delivered At Terminal (DAT) has been renamed Delivered

at Place Unloaded (DPU) in the renewed Incoterms 2020.

Bulk grain and oilseeds are sometimes sold ex-farm to licensed elevators or warehouses. This is because of the presence of international buyers in farming countries.

- Mention the Incoterm and destination when quoting your price to potential buyers. As an exporter, you must remain flexible when it comes to shipping, but make sure to accurately calculate the final selling price including freight costs, handling and insurance.
- Learn more about [Incoterms on the website of the International Chamber of Commerce](#), or watch the [short explanatory video about Incoterms by IncoDocs](#).

6. Adjust your packaging to the product and sales channel

Use proper packaging for the product you are shipping and the sales channel that it is destined for. Many commodity grains such as wheat, soybean, maize and rice are often shipped in large quantities in bulk carriers and are shipped to very large buyers. Other more specific products, such as low-volume or high-value food ingredients, are shipped in bags in containers.

Grains in bags occupy 8 to 10% more space than bulk commodities and each bag must be labelled, but it is still the most common packaging for the distribution of specialty ingredients. Your main packaging options for grains, pulses and oilseeds are:

- Bulk carrier (no packaging; only large commodities)
- Big bags or [bulk bags](#) (up to a tonne for large users)
- Woven polypropylene bags (for example 25kg)
- Kraft paper bags (often used for organic products)

The preferred packaging depends mainly on your buyer, but there is always room to differentiate and adjust your packaging to ensure the quality and efficiency of your product:

- Save room in the container by stashing the bags without pallets. Make sure to use liners on the floor and walls (see [images about dunnage](#)) to protect the bags and provide sufficient ventilation. Also realise that the handling costs for your buyer may increase due to manual unloading.
- Use high-quality packaging for your product. This not only leaves a good impression with your buyer, it also greatly reduces the risk of damaged goods.
- Consider vacuum packaging for grains or seeds that lose their unique properties when stored long term or if there is an increased risk of pest infestation. But be aware that this type of packaging often comes with a higher cost that your buyer may not be willing to pay.

7. Use support organisations to learn about best export practices

There are a number of international organisations that you can use for organising your export. These organisations provide information about the technical aspects of organising your shipment, explain the rules for entering the European market or provide services such as export training.

- [GAFTA](#) is the international trade organisation for agricultural commodities providing contracts, arbitration, trade assurance and policy, and [courses for grain professionals](#) such as in commodity shipping and contracts.
- [International Trade Centre \(ITC\)](#) is a development agency for sustainable trade with publications such as [Model Contracts for Small Firms](#) and an [SME Trade Academy](#) that provides online courses (some are free of charge), including international transport and logistics.
- [EU Trade Helpdesk](#) is a guide to the import rules and taxes of the market of the European Union.
- [International Chamber of Commerce \(ICC\)](#) has worldwide offices and offers arbitration, export learning tools and information about incoterms.
- [BMT Cargo Handbook](#) offers an information database on the transportation of cargoes, including grains and seeds, set up by marine consultancy and surveying company [BMT Netherlands B.V.](#)

- [Container Handbook](#) provides cargo loss prevention information from German marine insurers
- [Food and Agriculture Organization of the United Nations \(FAO\)](#) has published a [list of product standards](#) that you can use as guidance when exporting a number of grains, pulses and oilseeds.

Tip:

Enquire in your home country if there are trade support organisations that offer training or practical advice about your export.

8. Document your quality process and protect yourself against claims

Product testing and control are always part of the trade in grains, pulses and oilseeds. But when you are involved in organic ingredients or grains destined for health market channels, expect your product to be tested rigorously by your buyer - especially in northern European markets. A quality claim is easily made, and it often concerns excessive pesticide residue.

Although you cannot avoid quality issues completely, you can protect yourself as much as possible by maintaining a proper and well-documented procedure. One of the things to remember is that organic products have a zero-tolerance for pesticide residues, but testing methods and precision often vary between different laboratories. This means that prior testing may indicate your product is okay, while the test outcome of the laboratory of your buyer may be different.

Follow the recommended steps below to defend your product and deal with quality claims.

Storage

1. Avoid cross-contamination by keeping your storage well organised with separated product lots.

Samples and testing

2. Use recognised sampling and inspection companies (for example [SGS](#), [Bureau Veritas](#) or [Intertek](#)).
3. Use European laboratories such as [Eurofins](#), [Groen Agro Control](#), [TLR International laboratories](#) or, even better, the same laboratory as your client.
4. Collect counter samples of each lot you export and preferably keep these for as long as the product's shelf life.

Product data and shipments

5. Make sure the samples match the same lot that you are shipping.
6. Include the technical product data with your quotation and shipment.
7. Use traceability codes - Find the criteria and traceability requirements in the [FAO Food traceability guidance](#) or in the overview of the [ITC Traceability in food and agricultural products](#).

Response on quality issues


8. Ask written confirmation of your buyer with their acceptance of product quality on arrival.
9. If a quality issue occurs, take the claim seriously and look for a solution together with your buyer.
10. Maintain a network of brokers and traders, so you always have an alternative sales channel for rejected products (as long as food or feed safety is guaranteed).

Read our [Tips for Finding Buyers](#) and [Tips for Doing Business](#), these can help you further understand how to enter the European market and provide insight into how European buyers think.


This study has been carried out on behalf of CBI by [ICI Business](#).

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