



# Terms of delivery and payment for fresh pineapples

Success in exporting perishable fruit such as pineapples does not just depend on their quality, or the season. Many first trials have not led to orders because of unclearly defined or misunderstood terms of delivery and payment. You will have to compete with the well-organised agro-multinationals. Buyers of supermarkets could ask orders at the last moment but think twice before saying 'yes'. The biggest challenge here is to be clear and gain trust, and frankly say to what extent you can meet his request. Anticipating on possible delays and frequent and clear communication will be crucial here.

## **This module gives an overview of:**

1. Trends in large scale supplies
2. Samples
3. Terms of delivery
4. Terms of payment
5. Seasonality
6. Contracts

## **1. Trends in large scale supplies**

The big agro-multinationals (Del Monte, Dole, Chiquita, Fyffes) and supermarkets still expand their operations in new markets e.g. Middle East, Russia, Asia. They can benefit from more economies of scale by reaching new consumers for pineapples, but also for bananas and other tropical fruit. This requires well organised logistics as perishable fruit has to travel over a longer distance. In this respect, access to a wider network of suppliers, better information technology (IT) and efficient packinghouse operations and reliable transportation gives these multinationals more competitive advantage.

### **Trends in the behaviour of buyers**

- *A growing sense of cooperation* in the value chain of the supermarkets as retailers continue to merge and operate more globally as well.
- *Buyers' interest in having 'back-up suppliers'* to cope with general uncertainty about the future. This implies a good opportunity for West African exporters being close to the EU – especially for MD-2.
- Buyers want *more transparency* in the supply chain demanding more information from their suppliers and frequent contact.
- *Reduction of the reliance on Costa Rica*. Buyers seek to diversify into other countries to spread their risk. This implies a good opportunity for West African exporters.

## 2. Samples

The importer (buyer) will generally want to have samples before engaging in a business relationship. However, because the export trade has become increasingly professional, importers will be reluctant to give a chance to inexperienced (new) exporters. However, there are still some cases that the importer is 'desperate' in the high season and cannot buy the specific pineapple variety from colleagues.

*Small samples (5 boxes) are no longer used.* Importers will request that the exporter sends between 250 and 300 boxes (air freight). In case of sea freight, it should be a container (1,500 boxes). To create a trustworthy relationship, you pay for the transport costs of the first trial. This is to discourage people who are not serious about going into the export business. Of course, it is a different situation when you already have clients in Europe and know how the game is played. You will agree to send the volumes requested, but will always try first to have the importer paying the transport cost.

If you eagerly to look for new markets, take certain precautions to avoid losing money. A container (21 pallets) is generally the minimum volume exported by sea freight.

Make sure sample you ship is compliant with client request. Samples give the first concrete sign of how much the exporter is competent.

### For air transported varieties:

- One trial is sufficient to help the importer decide - whether or not - he wishes to do business. There is no need to continue sending several samples. So, be very cautious when an importer says that he wants more than one trial whatever the reason.
- Therefore, once the trial has gone through correctly (as far as quality is concerned), the exporter should be paid for the first trial before sending new fruits or engaging in further business relation.

A request for payment after the transaction gets under way gives the exporter the opportunity to see if the importer is 'regular' and if prices paid ultimately allow him to make a business of exporting.

## 3. Terms of delivery

To prevent lead time problems, the exporter should anticipate by clearly estimating how much time it will take him to gather an order, as the importer already will start 'pre-selling' the expected consignment.

**Sea freight.** Formerly shipped on cold decks, the fruits are now sent by refrigerated container. The sea freight transit time between West Africa and Europe ranges between 10 and 15 days, depending on the port of departure and unforeseen problems (transport of goods to the port, delays at sea or customs hold-ups). [DELMAS](#), [SAFMARINE](#), [MRC](#) are the main shipping lines.

**Air freight** is generally via direct flights (Air France, Brussels Airline) at night with arrival on the next day. The time it takes to deliver the consignment to the warehouse depends on Customs formalities at the EU border.

Some transport options might involve a combination of air and road transportation to reach a specific destination. However, few exporters tend to use them owing to poor cold chain conditions between air and road transport.

**Fast air freight delivery is crucial for success.** Pineapples destined to be sent by air freight are harvested very ripe. When they present well and have an optimal taste (only being harvested after fully ripening on the plant), these fruits remain fragile and have a short shelf life. They are all destined to niche markets ready to pay premium prices as long as the quality is up to clients' expectations. Therefore, fast delivery is crucial for success.

*Keep your buyer informed.* Once the fruits are on their way, importers always appreciate being informed of their departure, either by a phone call during the day or by email if it is late in the evening. Failing to comply with these simple rules does not give a very good professional image of the exporter. Some exporters think that it is up to the client to regularly ask them when the order will be ready. This attitude is not appreciated by EU importers. It is the exporter who should keep them informed.

Delays can occur between an order and its delivery, but the exporter must at all time keep his importing partner informed of these delays so that he can adapt his marketing strategy.

*The number of trucking days from Rotterdam or Antwerp to any city in Europe averages between 1 and 3 days (see below).*

Antwerp – Brussels	= days A - days A
Antwerp – Amsterdam	= days A - days A
Antwerp – Bremen	= days A - days B
Antwerp – Berlin	= days A - days B
Antwerp – Luxembourg	= days A - days A
Antwerp – Paris	= days A - days A
Antwerp – Madrid	= days A - days B
Antwerp – Lisbon	= days A - days C
Antwerp – Vienna	= days A - days B
Antwerp – Roma	= days A - days C

*Note : Days A – Days A means that the consignment is charged and shipped on the same day.*

### Delivery → do's

In a dynamic international business environment dominated by large agro-multinationals and well-organised supermarkets, professionalism and trustworthiness are expected from buyers. In this respect, try to improve the capacity within your own company as follows:

- **Try to share handling, packing and transport cost with other exporters** and work with a 'purchase center'. These centres are in your own country and each adhering company provides its export sales forecast. With these (confirmed) quantities, the centre is able to negotiate the best prices.
- **Double-check with each logistic operator their precise understanding of your pineapple variety** e.g. smooth Cayenne being more vulnerable. Give clear, written and formal instructions on equipment to be used and on the exact timing and have the stuffing done by your own staff.
- **Double-check the routing of vessels** (several times). Is this direct to the destination port or does it stop at a 'port of call'?
- **Invest in orchards and in processing** to have control and to create a larger sense of collaboration with small holders, pickers. Introduce a traceability system of a follow-up indication procedure to achieve a better time management. You could use the KPI (performance indicator)-system.
- **Do write down how operations were carried out**, what was good – what went wrong? This is a good basis for new employees.
- **Get familiar with new techniques used** by the agro-multinationals e.g. chips on the pallets for a track and trace service.

### Delivery → do's (continued)

- **Advise the importer one week before harvesting.** Because fruits are fragile, the importer will assume that the lot is of good quality and will start looking for clients. Any delay in delivering the goods compared to the forecast delivery date will generally get things off to a bad start. Therefore, it is usually agreed that the exporter will advise at least one week before harvesting when he has the expected volumes.
- **Send him a written confirmation.** The exporter will continue the harvesting process when the importer confirms his order. Once the fruits are harvested, packed and shipped, he will send the packing list to the importer. He also informs him of their departure and asks the importer to confirm receipt of the consignment, and to confirm that the quality is as expected. Having a written trace (via email) is always best because it can be used as proof in case of legal action. Therefore, an importer who confirms by email that the quality is OK will have a hard time to prove otherwise.

Problems can be avoided by hiring an independent quality surveyor who is specialised in pineapples (or tropical fruit) who makes up a report about the quality of the arrived consignment. His report is binding. You could also contact a specialised company.

### Delivery → don'ts

- **Don't hesitate to work with a reliable freight forwarder,** even if it costs you more it definitely will save you costs in the end as trouble with the car or with cooling systems can be prevented.
- **Don't take unnecessary risks** (e.g. too tight schedule or over-packing) *especially with air freight pineapples* which are extra perishable and must be transported safely.
- **Avoid to be liable for customs clearance or duties** to be paid at arrival countries. This should be negotiated with the buyer.
- **Don't agree to sell the quantity you are not sure to provide.** If you agree on 20 metric tons then you have to supply 20 metric tons.
- **Don't throw away damaged crop** but seek wherever possible to sell them like animal feeds or for renewal energy use.
- **Don't fail to deliver on time,** as this is likely to be subject to penalties. A failure in delivery can result in a cancellation of the order. Inform your customer immediately if a problem with delivery arises.

## 4. Terms of payment

**Your quotation/estimate** to importer should cover the appropriate Incoterm, the terms of payment, credit terms, quantities and the transportation method. Make sure you understand perfectly your duties in the Incoterm and make the necessary preparation in advance.

**General international commercial terms (Incoterms)** most referred to in the fruit and vegetable business are:

- **FOB** (Free on Board): the importer (buyer) pays for transport, insurance and various tax-related fees.
- **CFR** (Cost and Freight): the importer pays for unloading, loading on truck, carriage to place of destination, import customs clearance and other costs.

**Letters of credit (L/C)** are not often used. Buyers do not like the procedures involved in payment by L/C and Cash Against Delivery that require many paperwork, high additional costs and the slow processing time by banks. In addition, buyers can only find out if the pineapples meet their expectation after the payment is made. Quality problems when the fruits arrived have resulted in discussions and negotiations where the importer wants their money back.

**Consignment basis.** In the EU, importers often work on a consignment basis with a minimum guarantee. This can be based on an agreed cost price per box of e.g. € 5 per box with € 3 when the consignment is shipped and € 2 after arrival. The rest will be paid after account of sale e.g. after 21 or 30 days. If the consignment is sold at a higher price than € 5, of e.g. € 9, the difference of € 4 is reduced with the importers' commission being usually 8% plus costs (storage, transport, MRL check etc.) and the remainder for the exporter.

See <http://www.iptu.co.uk/content/pdfs/paymentmethods.pdf> for detailed information on the various methods of payment available for exporters and importers in international trade.

**In order to obtain the shortest payment,** you could highlight the Corporate Social Responsibility in your business. You could explain that your sourcing does not involve brokers/middlemen, but that your pineapples come direct from smallholder or out grower associations to whom you pay fair prices.

**The quotation/estimate is your binding offer.** Issue strictly the invoice on the base of the approved (by client) estimate.

**Invoicing.** Every delivery should be accompanied by an official Customs invoice for Customs declaration. However, if it concerns a consignment for which no price has been fixed, the Customs invoice cannot be used by the buyer. Therefore, buyers will also expect another invoice for their administration. You can send this invoice digitally. The invoice should include:
































- Date
- Reference to order
- Contact details of buyer and supplier
- Invoice number
- Payment conditions ,
- Your International Bank Account Number (IBAN), Swift code and all other information to facilitate easy payment.

**For effective and fast payment,** ask for a bank transfer to minimize the financial charge when you are charged for this, or to share the charge with your buyer. Money transfer firms (Money gram...) could turn out to be quickest way to receive your payment. Although, the fees are higher than traditional bank transfer! Also, ask for a payment confirmation.

**General payment delays varies per importer.** While some will not even wait for the usual 30 days, other importers could delay the payment to 60 days or more. However, 30 days payment seems to be most common. In fact, there is no real rule, and importers often understand that exporters in developing countries have little margin to manoeuvre when it comes to cash flow. Therefore, payment delays are negotiable. In many cases, the importer pays e.g. 50% of the total amount after he has received a copy of the shipping documents. The remainder is pays after arrival if the quality is satisfactory.

## 5. Seasonality

Seasonal decreases in production may have notable effects on market prices. Being able to profit from such shortfalls in supply requires excellent market knowledge, production and logistical flexibility.

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug
Mango												
Papaya												
Pineapple												

**The peak seasons for pineapples** of all varieties in most EU countries are Easter, Christmas and during the summer (June – September). Basically, pineapples are available throughout the whole year in Costa Rica, Ghana (see below) and in many other West African countries.

Nevertheless, the seasons are not as pronounced as with traditional fruits (apples, pears etc..) and demand can be fickle. You are rarely your client's only supplier. The importer will always be juggling between suppliers and pineapple varieties and origins, especially during peak seasons.

For example, an importer working with exporters located in Benin and Cameroon will tend to compensate for low supplies of pineapples during the rainy season in Benin (when fruits are more fragile) by increasing his supplies from Cameroon.

Keep in mind is that the competition is tough between suppliers. Supplying irregularly shaped or bad quality pineapples will always open opportunities for competing DCs because ultimately the importer is more interested in selling good quality fruits and making money than having to deal with bad quality lots.

## 6. Contracts

**The usual issues covered in a contract** concern terms of delivery and payment, including responsibilities, cool chain management, transport, insurance, quality loss or non-compliance. You can find a template from the ITC site at <http://www.intracen.org/itc/exporters/contract-templates/>

**Even though contracts exist, they are less common** when importers are dealing with exporters from West African countries. The main reason is that exporters still lack consistency to respect/follow the different elements of a contract.

Besides, EU buyers prefer to work with open accounts with the conditions for supplies in the order. The e-mail correspondence about the order or a signed estimate by the buyer serves as a formal agreement. In addition, markets fluctuate and trading partners in the fruit and vegetable business always need to be ready to adapt to the situation on hand.

Nevertheless, some large supermarkets insist on contracts. For you this means that you will have to take it case-by-case depending on the size of the importer frequency of the order and the level of seriousness from both sides to build up a long term business relation.

This survey was compiled for CBI by **Searce**  
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