How to Procure U.S. Grains

The first step in procuring feed grains from the United States is simple and often overlooked - the importer should thoroughly understand and be willing and able to clearly express what the importer wants and needs. An importer with a clear understanding of the end use requirements of the feed grains imported can better evaluate the various quality and price options available to U.S. feed grains customers.

The importer should also possess a detailed knowledge of the various U.S. feed grains and the characteristics of each type. The first chapter of this manual dealt with and explained the different U.S. feed grains; the second with the industrial uses for products derived from them. With this information, the importer can proceed to the next step: finding a responsible supplier for the U.S. feed grains the importer chooses to buy.

This chapter will examine the procurement procedure under both the formal invitation for bid (IFB) and the more informal, and private, direct negotiation with one or more suppliers. It will also explore the use of standard contract forms as well as help to clarify the basic documents often required in the international grain trade. These tools should allow the importer to procure the best value, in a competitive price environment, for the U.S. feed grains the importer needs to purchase.

There are several ways an importer can discover the names of potential U.S. feed grains exporters. When contacting a potential supplier, an importer should be prepared to provide commercial references, banking references, a description of the importer's business or international commodity trading experience, and any other necessary information that might demonstrate an ability to initiate and execute an international grain transaction. The following associations are available to assist importers by placing them in contact with interested suppliers:
THE U.S. GRAINS COUNCIL (USGC)

The USGC is a private, non-profit organization with the goal of developing and expanding export markets for U.S. produced feed grains and their co-products through an international network of 10 offices. The Council is headquartered in Washington, D.C., and maintains offices in Latin America, Europe, the Middle East, Africa and Asia. All of these offices can assist importers with the search for a U.S. supplier. For further information, contact:

U.S. Grains Council
1400 K Street, NW
Suite 1200
Washington, DC 20005 U.S.A.
Phone: (202) 789-0789
Fax: (202) 898-0522
Email: grains@grains.org
Internet: www.grains.org

THE NORTH AMERICAN EXPORT GRAIN ASSOCIATION (NAEGA)

NAEGA is a trade association whose members include many private companies and cooperatives that handle almost all U.S. feed grains exports. Maintaining an office in Washington, D.C., NAEGA can be very helpful in providing importers with the names of interested suppliers of U.S. feed grains and their co-products.

For more information, contact:

North American Export Grain Association
1250 I Street, NW
Washington, DC 20005 U.S.A.
Phone: (202) 682-4030
Fax: (202) 682-4033

U.S. AGRICULTURAL ATTACHES AND COMMERCIAL OFFICERS

The U.S. Embassy or consular office in most countries contains an agricultural attaché or commercial officer who is the overseas representative of the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA). The agricultural attaché can offer the local importer a broad range of information regarding U.S.
government-assisted export programs as well as assistance in finding a number of U.S. feed grains suppliers.

In addition to the above sources, interested importers might contact their local commercial banker or the branch office of a U.S.-based commercial bank for a list of potential suppliers.

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**THE INVITATION FOR BID (IFB)**

After establishing contacts and assembling a list of potential U.S. feed grains suppliers, the importer must decide whether to seek offers through direct, private negotiation or through a more public and formal invitation for bids (IFB).

An IFB is a formal request for offers by an importer extended to a number of potential suppliers. This request is usually made via fax machine or email, and details the importer's requirements for quality and quantity, as well as the terms and conditions submitted offers must meet. The offers (or bids to sell) may be opened in public or privately, in a formal or informal manner.

Formal bids are often submitted in sealed envelopes and opened publicly in either the importer's country or in the United States. Under a U.S. government financed export program, Public Law 480 (PL480), the IFB must be approved by the USDA, and offers are required to be opened in public, usually in Washington, D.C. The following is a list of the essential components of an IFB, components that will form the basis of the subsequent contract for U.S. feed grains:

**Buyer**

The importer should clearly state the full, legal name of the entity making the purchase, contact information (address, telephone, fax) and the date the IFB is issued.

For example:

"The Embassy of Pakistan, on behalf of the Ministry of Food and Agriculture, Government of Pakistan (the purchaser), solicits bids ..." (dated on official embassy stationary).

**Time**

The importer should state the time by which offers must be received by the importer (or his agent) and the time by which the importer's acceptance of the offer must reach the supplier. The longer the amount of time the offers must remain valid, the greater the risk
premium (cost) the supplier will build into the price. Normally, an offer is made in the afternoon, following the close of the U.S. commodity futures exchanges, with a reply expected that same night or prior to the opening of the future’s exchanges on the next day.

For example:
"Bids must be received by 23 August 2003 at 3:30 pm Eastern Standard Time (EST), and must be valid until 10:00 am EST 24 August 2003.

**Quality**
Grain quality is determined by the official U.S. Standards for Grain, which governs the classification and grading of grain based on several qualitative factors. U.S. feed grains quality and grading standards are discussed thoroughly in Chapter 4.

The importer should specify maximum and minimum grade determining factors required and confirmed by an official export grain inspection certificate, issued by the Federal Grain Inspection Service (FGIS) or an FGIS-authorized state agency. The importer may also specify non-grade determining factors desired and identify the testing agency authorized to perform these tests.

For example: "U.S. No. 2 or better yellow corn, maximum 15.0 percent moisture. Aflatoxin maximum 20 parts per billion as determined by independent lab."

The more precise the quality description, the better the chance the importer will be pleased with the quality obtained. However, an overly restrictive quality requirement can lead to a much higher purchase price.

**QUALITY AND SHIPPING PERIOD:**

The importer must specify the quantity desired and the exact unit of measure. For example: metric ton, long ton, short ton or hundredweight. This amount should usually include a tolerance of 5 or 10 percent of the desired amount. This tolerance allows the provider of the freight for the shipment the flexibility necessary to charter a vessel for the grain cargo. The importer should also specify the method that will be used to establish the price of the quantity above or below the mean contract amount. In most cases this tolerance is priced at the original contract price.

Another quantity issue is the weight of the grain and the certification of that weight. The shipped weight at the load port is usually the
weight that governs. Weights are determined by (or under the supervision of) the FGIS. The weight certificate is final at load and issued by FGIS or an FGIS-supervised state agency.

Occasionally, the weight determined at discharge will govern. In these rare cases, initial payment is still made for the shipped weight at load port, and an adjustment is made once the discharge weight is known. The discharge weight must be determined under procedures acceptable to the seller such as an independent surveyor. When an importer purchases using discharge weights as final, the exporter will usually add a premium to the price that reflects the normal estimated loss of grain in a discharge operation.

The shipping period (or in some cases, the arrival period) should be clearly stated in the IFB. Delays, extensions or charges for late shipment/delivery are covered under the provisions of the NAEGA and GAFTA contracts, discussed later in this chapter.

For example:
"50,000 metric tons (5 percent more/less at contract price) for shipment September 1 through September 20, 2003."

**SHIPPING TERMS AND VESSEL TYPE:**

Tied closely with the shipment period and quantity are the shipping terms and the type of vessel that will carry the cargo. If the importer will provide the freight, a free on board (FOB) contract, then the importer should specify:

1. The U.S. port or range of ports where the grain will be delivered, as well as the number of berths within the port the seller may deliver the cargo from.
2. The type of vessel should be stated (a self-trimming bulk carrier, tween decker or tanker, for example) and a rate of loading (load rate guarantee) for each vessel type, including a determination of when lay time will commence and how lay time will be counted to determine total loading time.
3. A statement declaring which party will assume the cost of spout stowing and trimming the cargo.
4. A demurrage/despatch rate.
5. A statement expressing the pre-advice (the minimum number of days the buyer will advise the seller of the vessel's expected arrival).
6. The rate of carrying charges the buyer will pay the seller in the event the buyer's vessel fails to file in the agreed upon period, as well as the interest rate charged if not included in the carrying charge amount.
Many of these details are covered in the standard NAEGA #2 Export Contract discussed later in this chapter. Vessel types are also discussed in detail in Chapter 5. The charter party, the contract for freightage between the importer and the vessel owner will also cover some of these items.

If the importer is requiring the seller to provide the freight as a cost included in the purchase - cost and freight (CNF) - the importer must provide the exporter with a daily discharge rate at the destination port in place of the load rate guarantee, and specify a minimum salt water arrival draft at the discharge Port and Berth, maximum vessel age allowed and any specific restrictions at the discharge port. The importer may also ask the seller to provide insurance on the cargo - cost, insurance and freight (CIF). The general terms governing these types of shipments are covered in detail in the GAFTA contracts discussed later in this chapter.

For example: "FOB unstowed/untrimmed basis one (1) self-trimming bulk carrier, one (1) safe port/one (1) safe berth U.S. Gulf of Mexico. Load guarantee 5,000 metric tons wwd shex eiu with demurrage/despatch 8,000/4,000. Buyer to give 10 days pre-advice of vessels probable readiness. Carrying charges shall accrue at the rate of 0.20 USD/metric ton per day, inclusive of interest."

**PRICE AND PAYMENT TERMS:**

The importer will state in the IFB whether the importer wishes to purchase with reference to a "flat price" or "on a basis," or whether the importer wishes to receive offers for both methods. A flat price offer is an agreed-upon amount to be paid per unit, usually stated in U.S. dollars per unit. Purchasing on a basis refers to the premium above or discount below a stated commodity futures exchange contract. For a detailed description of how a basis contract works, see Chapter 6. Most buyers use the metric ton as their unit for pricing.

Another issue related to price is the pricing of the tolerance. The contract must provide a method to handle pricing of the amount above or below the mean contract quantity.

The terms of payment required by the importer must be clearly stated. While the most common form of payment is the confirmed, irrevocable, documentary letter of credit payable at sight, other forms of payment exist and are discussed at length in Chapter 6. The importer should specify the documents necessary for payment.
For example:
"Prices to be quoted in U.S. dollars per metric ton."
"Payment by irrevocable letter of credit payable at sight to be confirmed in the seller's favor by a first class New York bank in time to be in the seller's possession, in good order, 15 days prior to beginning of shipment period or within 10 days of contracting and payable against the following documents:

- Commercial invoice
- Full set of clean, on board ocean bills of lading issued to order of shipper
- Official weight and grain inspection certificates
- Certificate of origin
- Phytosanitary certificate"

**U.S. GOVERNMENT PROGRAMS:**

Invitations for bids should also state which, if any, U.S. government program is to apply to the offer or contract, such as the credit guarantee program GSM-102.

**U.S. REGULATIONS:**

U.S. exporters and importers are subject to regulations which restrict the export or re-export of commodities to certain destinations. Exporters must present to the carrier or the U.S. Customs service a "shipper's export declaration" which names the ultimate and intermediate destinations of the cargo. The cargo cannot be delivered to any country that is not named on the declaration.

In addition, a "destination control statement" must be entered on the originals and all copies of the bill of lading and commercial invoice. This means the importer must agree to accept documents bearing the destination control statement.

For example:
"United States law prohibits distribution of these commodities to Libya, North Korea, Cambodia or Cuba, unless authorized by the U.S. government."

U.S. exporters also are subject to U.S. regulations on restrictive trade practices or boycotts. Exporters may not engage in transactions that require the exporter to refuse to do business with a country or individual for boycott reasons.
PURCHASING UNDER DIRECT NEGOTIATION:

The Invitation for Bid (IFB) is a standard, rigid document that allows all exporters invited to offer a known commodity for a fixed shipment (or delivery period). Parties using the IFB method of procurement almost always buy the cheapest offer from those presented with no negotiation. While this is acceptable to some buyers, many importers like to play a more active role in negotiating the terms and conditions of the purchase contract. These importers often engage in direct negotiation with one or more suppliers.

The individual pieces of the final contract (the quality, quantity, shipping terms, and so forth) must still be addressed by the buyer and the seller in a direct negotiation. However, purchasing directly allows the seller to suggest alternatives or options to the buyer that may significantly reduce the importer's purchase price.

For example, an exporter may be able to provide an importer with a discounted price for a slightly later shipment period, or the importer may benefit from taking a slightly higher moisture content in a particular purchase. Importers can compare prices and determine the best time and entity to purchase from. However, it should be noted that most exporters can easily figure out whether or not an importer is a serious buyer.

Regardless of the method used in the procurement process, the following standard form contracts are normally a part of any U.S. feed grains export transaction, and any potential importer should read these forms and understand them thoroughly prior to initiating any discussions with potential trading partners.

Once a buyer and seller agree on all the terms and conditions of an IFB, and a price is fixed, the IFB is converted into a formal grain contract and a contract confirmation is exchanged. Generally, the full-term agreement includes the IFB or, in some cases, the importer's standard terms and standard contract language such as that contained in the North American Export Grain Association's contract form No. 2 (NAEGA 2) or the Grain and Feed Trade Association's contract form No. 27 (GAFTA 27). Detailed descriptions of these two standard contracts follow.
NAEGA publishes a standard form contract. NAEGA 2 is the standard form for FOB contracts for bulk shipments of grain from the United States. See Appendix A for a copy of the NAEGA 2 form. Some important features of the NAEGA 2 contract include:

**Weight**: Clause 5 states that the quantity is to be final at the port of loading in accordance with the customary weight certificates.

**Quality and condition final**: Clause 7 states that the quality and condition are final at the port of loading in accordance with official inspection certificates. Delivery of higher grades of the same type and description is permissible.

**Vessel nomination and delivery**: Clause 8 states that the buyer is to provide or nominate to the seller the name of the vessel, its capacity and its date of readiness at the load port. This pre-advice must be made prior to the minimum number of days specified in the IFB or contract in order to allow the seller to have the cargo available for prompt loading. The pre-advice should be in writing and delivered to the seller by any means of rapid communication, covered in Clause 15. It is also the buyer's responsibility to advise the seller of any change in the vessel's date of readiness.

The buyer may substitute a vessel once if the new vessel is of approximately the same size and type and can be ready around the same time. If the substitute vessel was damaged to the point of incapacitation, a second substitute vessel would be allowed. Should the vessel arrive before the delivery period begins, the seller will allow the vessel to file and take its turn in the loading berth's line-up. However, the seller is not obligated to load the vessel before the delivery period begins.

Clause 8 states that delivery shall be made at the discharge end of the loading spout, in other words, FOB unstowed and untrimmed. All export elevators in U.S. loading ports charge fees for facility and/or use of the wharf, based on the vessel's tonnage, the cargo amount and/or the number of days berthed. The rates for facility charges change regularly and may be different for each export facility in a specific port.

**Elevator tariff**: The first sub-clause of Clause 8 of NAEGA 2 states that delivery is subject to the elevator tariff to the extent that the elevator tariff does not conflict with the terms of the contract. When the buyer's vessel is accepted by an elevator, this becomes a contract between the elevator and the vessel to abide by the regulations of
and be liable for the charges in the elevator tariff. This application is usually accompanied by documents which include but are not limited to the following:

1. Certification by the USDA that the vessel's cargo holds are clear.
2. Certification by the National Cargo Bureau (NCB) of the vessel's readiness in all compartments.
3. Evidence that the vessel has entered at a U.S. custom house.
4. Evidence that the vessel has been tendered to and accepted by the charterer (buyer).
5. Written description of the vessel and the proposed stowage.

Once the berth application is accepted by the elevator, the vessel is assigned a berth in chronological order in relation to other vessels, based on when the vessel filed. However, the elevator can change that order if operating difficulties arise. If the vessel is bypassed, it shall return to the line-up immediately after the bypassing vessel completes loading and vacates the berth.

The elevator can also require continuous loading of a vessel through 24-hour periods, with the overtime expenses charged to the vessel or split between the vessel and the elevator. If a vessel refuses to work overtime, it can be asked to vacate the berth in favor of the next vessel willing to work overtime.

**Price:** Clause 10 covers the price. The range of ports of loading and the number of port/berth options allowed by the importer should be stated here. Clause 10 also addresses the methods used to establish a settlement price for any quantity loaded and shipped above or below the mean quantity.

As the tolerance of most contracts is designed to facilitate the vessel loading, many importers simply specify that the tolerance will be settled at contract price.

**Advice of shipment:** When the cargo is delivered to the vessel, the seller must promptly advise the buyer of the delivery as specified in Clause 13. The seller must provide the vessel name, bill of lading date(s), quantity and quality.

**Insurance:** Clause 14 requires the buyer to secure marine and war risk insurance with first-class approved companies and/or underwriters. Written confirmation from the insurer must be presented at least five days prior to the expected readiness of the vessel. If this confirmation is not forthcoming, the seller must secure the necessary insurance and charge the cost to the buyer's account.
Late pick-up: Clause 18 specifies that the buyer is in breach of contract if the vessel fails to file and be accepted before the delivery period expires. The seller subsequently holds the grain at the buyer's expense, subject to the carrying grain contract charges agreed to during negotiation or included in the IFB.

Carrying charges, normally expressed as a fixed amount per ton or bushel per day, typically represent storage and insurance charges and can be inclusive or exclusive of interest charges, which are stated at a fixed rate or a rate related to the "prime rate" currently in force in New York City, N.Y. Interest charges are assessed from the first day following the last day of the delivery period of the vessel. Charges for storage and insurance are calculated from the first day following the last day of the shipment period on only that portion of the cargo that has not been loaded, as verified on a daily basis by the stevedore's loading log. The importer is responsible to pay for the carrying charges upon receipt of the bill for these charges.

Strike clause: The strike clause, Clause 20, applies if the seller cannot supply the commodity at the agreed-upon time due to events beyond his control. To invoke this clause, the seller must promptly notify the buyer of the problem and, if requested by the buyer, provide the documentation required by Clause 20. The seller's obligation to deliver is suspended while the circumstances continue. However, if the buyer is already on carrying charges when the strike clause is invoked, the carrying charges continue to accrue without interruption until completion of the delivery.

Arbitration: Clause 30 specifies that settlement of any disputes which may arise from or in connection with the contract should be settled by arbitration in the city of New York under the International Arbitration Rules of the American Arbitration Association (AAA). Under these rules, the AAA appoints a panel of three experts to hear and decide the case. The AAA’s decision is final; there is no appeal. A copy of the Arbitration Rules of the American Arbitration Association can be found in Appendix C.

Load guaranty: Addendum No. 1 loading rate guaranty is an optional part of the standard NAEGA 2 contract, requiring the seller to guarantee delivery to the vessel of an agreed tonnage during a weather working day of 24 hours (subject to the exceptions in Clause 1 of Addendum No. 1). If the seller fails to deliver at the agreed rate, the seller will pay the buyer a penalty, called demurrage, at an agreed rate. If the seller delivers the cargo at a faster rate than guaranteed, the buyer will pay the seller a premium, called despatch,
at an agreed rate, usually half the rate of demurrage. Both the
demurrage and despatch are paid for each day, pro-rated, of the time
lost or saved. Addendum No. 1 includes such items as filing times,
holiday time, overtime responsibilities, payment terms, documents
necessary for claims and interest charges for failure to make
payment on time. Importers should be fully aware of all the terms
and conditions of this important and useful contract addendum as it
is almost always included with the NAEGA 2 contract. A copy of
Addendum No. 1 may be found in Appendix B.

GAFTA, based in London, publishes several standard form
contracts. GAFTA No. 30 is a standard contract for less-than-full
cargo (parcels) bulk shipments of grain from the United States that
are purchased under CNF or CIF terms, while GAFTA No. 27 is the
contract form for full cargoes. Both contracts are to be found in the
appendices.

Some important features of these contracts include:

Quality and condition final: Under GAFTA No. 27, Clause 5 and
GAFTA 30, Clause 6 declares that quality as stated in the certificate
of inspection at the time of loading shall be final. Delivery of higher
grades of grain of the same type and description is permissible.

Quantity: Under GAFTA 30, the tolerance is at the seller's option,
with two percent more or less at the contract price and a further three
percent more or less to be settled at the CNF or CIF market price on
the final bills of lading date. If more than one shipment is made
under one contract, each shipment is to be considered a separate
contract, but the quantity tolerance of the mean contract quantity will
not change.

Under GAFTA 27, the tolerance is 5 percent more or less at contract
price and an additional 5 percent, at the seller's option, to be settled
at the CNF or CIF market price on the final bills of lading date. It is
common, particularly under U.S. government programs, for all
tolerances to be priced at the contract price.

Weights: Under both contracts, Clause 18 specifies that the entire
cargo is weighed at loading. Any deficiency from the bills of lading
weight (shipped weight) will be settled by the seller to the buyer; any
excess, from the buyer to the seller. In each case, settlement is at
contract price. In most cases, this provision is superseded by the
terms of the contract.
Extension: If the seller fails to ship the cargo within the specified shipment period for which bills of lading must be dated, the seller has an additional eight consecutive days in which to ship the cargo as long as the seller notifies the buyer by the first business day that follows the expiration of the original shipment period. The extension clauses are Clause 10 in GAFTA 27 and Clause 11 in GAFTA 30.

These clauses also specify a formula to compensate the buyer for the extension, based on a percentage of the CNF or CIF price, and is deducted from the original contract price at time of payment.

Strike clause: Like the NAEGA No. 2 contract, GAFTA provides a strike clause to cover prevention of shipment because of riots, strikes or lockouts. The strike clause is Clause 23 in GAFTA 27 and Clause 24 in GAFTA 30. The clause is invoked if causes occur during the last 28 days of the guaranteed shipment time (if the guaranteed shipment time is greater than 28 days) or at any time if the guaranteed time is less than 28 days. In order to invoke the clause, the seller must send notice by cable or fax no later than two business days after the last day of guaranteed shipment.

Arbitration: Clause 30 of GAFTA 27 and Clause 31 of GAFTA 30 specify that all disputes arising from the contracts will be settled by arbitration in London, England, in accordance with the arbitration rule No. 125 of GAFTA. Under this rule, the parties each appoint their own arbitrators who in turn choose a third arbitrator. GAFTA arbitration rulings can be appealed. However, the parties must obtain an award from the arbitrators or a board of appeal before any legal action may be claimed with respect to any dispute arising under the contract. See Appendix F for a copy of arbitration rule No. 125 of GAFTA.

Insurance: Unless terms are CIF, the buyer is responsible for securing marine insurance. Clause 22 of GAFTA 30 and Clause 21 of GAFTA 27 show that the type of insurance the seller must provide is "free of particular average" (FPA), along with war and strike risk insurance. FPA insurance does not cover damage unless the vessel is sunk, stranded, on fire or in a collision, in which case it covers all the resulting damage. On an invitation for offers of a CIF basis, buyers can ask for either "with particular average" (WPA) or "all risk insurance" (ARI), but these cost more and the offered price will be correspondingly higher. WPA insurance includes coverage as provided under FPA, but adds coverage for damage caused by seawater or inclement weather. ARI insurance covers all risks of physical loss or damage from external causes.
Appropriation (advice of shipment): FOB contracts require the seller to notify the buyer of delivery, while CNF and CIF contracts require the seller to notify the buyer of shipment. Clause 12 of GAFTA 30 and Clause 11 of GAFTA 27 provide the appropriate clause in detail. Such a clause is required to insure that the buyer has timely notice of the vessel name, the date of the bill(s) of lading, the quantity loaded and the contract number to which the shipment applies.

Basic Documents Employed in the Grains Trade

This section will take a look at some of the basic documents used in the international feed grains trade. These documents constitute the core of the transaction and are the mechanism by which title, or ownership, of the cargo is transferred from one party to another.

The Draft: A draft is an instrument by which one party directs another party to make payment and/or acceptance. The exporter, who is requesting payment, is the drawer, and the importer, who is responsible for paying the draft, is called the drawee. In order to be negotiable, such instruments:

1. Must be in writing and signed by the drawer;
2. Must contain an unconditional promise or order to pay a certain sum of money;
3. Must be payable on demand or at a fixed, determinable future time;
4. Must be payable to order or to bearer;
5. Must name the drawee or otherwise indicate the drawee therein with reasonable certainty.

Drafts can be drawn payable on demand and are called sight or demand drafts. Drafts also may be time drafts, which are payable at a later date. The type of draft depends on the payment or finance method used by the importer. The draft covering the export of grain and co-products from the United States is generally expressed in U.S. dollars but may also be expressed in other currencies. The draft may be payable either to the drawer or exporter, but more often it is payable to the seller's bank. Exhibit 1 in Appendix G gives an example of a sight draft.

Invoices: The most common invoice used in the grain trade is the commercial invoice, which is a bill for the purchased grain and is non-negotiable. It describes the goods being sold and the amount to be paid by the importer, including any charges in connection with the shipment of the grain as well as the terms of shipment (FOB, CIF or CNF).
The invoice should be dated and contain the name and address of both the exporter and the importer, the name of the vessel (or carrier), the port or location of loading and, in the case of a CIF or CNF transaction, the name of the destination.

There may be additional requirements in order to comply with customs and exchange controls in the importer's country, including the use of an additional customs invoice. The description of the goods sold in the commercial invoice must correspond exactly with the description contained in the letter of credit if this payment method is used. The commercial invoice also should be consistent with the information contained in other documents accompanying the invoice. See Exhibit 2 in Appendix G for a sample commercial invoice.

In addition, some countries require a legalized or consular invoice to accompany the commercial invoice and other shipping documents. This invoice is simply a commercial invoice that must be presented, legalized and given a visa or stamp by the embassy or consular office of the importer's country.

**Bills of Lading:** The bills of lading convey title to the goods therein described. It is a contract by a carrier for the delivery of the goods and a receipt by the carrier for the merchandise being shipped. The bills of lading should show the name of the shipper, the vessel or carrier transporting the goods, the type of grain being exported, the port or location of shipment, the destination, the consignee and the party to be notified upon arrival of the grain.

Bills of lading can be issued in two forms: "straight" (non-negotiable) or "to order" (negotiable). Some countries prohibit the issue of "to order" bills of lading. In such cases, the seller normally consigns the "straight" bill of lading to an agent or bank at the destination, with instructions to release the bill(s) of lading to the buyer only upon confirmation of payment. The shipping company should not surrender the bills of lading without the agreement of the agent or bank. If the "straight" bills are consigned to the buyer, the buyer can take possession of the goods upon identification without being required to present the bills of lading themselves.

Most bills of lading used in exporting feed grains are charter party bills of lading "to order." They are issued by the steamship company in two or three original sets, each of which is negotiable. Thus, any one set gives the holder title to the goods. The presentation of any properly endorsed original will allow a holder to pick up the merchandise at the port of destination. The bills of lading may be
endorsed in blank or endorsed to the buyer, his agent or some other third party.

The bills of lading must contain a dated "on board" endorsement initialed by the carrier or its agent indicating that the grain has been loaded. Exhibit 3 of Appendix G shows a sample bill of lading.

**Insurance Policy or Certification**: The contract between the buyer and the seller should specify the extent and the value of insurance coverage for the feed grain, which party is required to obtain the policy or certificate and who must pay for the insurance. The coverage available under marine policies can range from specific risks, such as fire, collision or sinking, to general "all risks" coverage. However, all risks coverage does not necessarily cover war, strikes, riots and civil commotion. Such circumstances could require special endorsements or policies, such as war risk insurance.

**Official Export Inspection Certificate**: Under the U.S. Grain Standards Act, grain being exported must be officially inspected by USDA-licensed inspectors from either the Federal Grain Inspection Service (FGIS) or an FGIS-authorized state agency, who will then issue an official certificate showing the commodity type, class, grade, quality, condition and quantity of grain and the loading location. Some importers may also require a copy of the official grain inspection log, which is a record of the individual lots of grain that comprised the cargo. A sample inspection certificate is shown as Exhibit 4 in Appendix G.

**Official Grain Weight Certificate**: In addition to the official inspection certificate, FGIS or an FGIS-authorized state agency will issue an official weight certificate which indicates the net weight, date and place of issue, the name of the carrier, location of the grain, kind of grain and the date and time the loading started and finished. A sample weight certificate is shown in Exhibit 5 of Appendix G.

**Phytosanitary Certificate**: A phytosanitary certificate is issued by the USDA's Animal and Plant Health Inspection Service (APHIS) or an authorized state agency. The document certifies that the grain being shipped is free of quarantine pests and generally conforms to the phytosanitary requirements of the importer's country. A sample phytosanitary certificate is shown as Exhibit 6 of Appendix G.

**Certificate of Origin**: A certificate of origin is normally issued by the exporter and certified by a recognized chamber of commerce and certifies that the grain is a product originating in the United States of America. The certificate identifies the seller or the agent and the
name of the carrier, and it gives a general description of the commodity. A sample certificate of origin is shown as Exhibit 7 in Appendix G.

**Other Documents:** Some other documents often required by importers include: a certificate of fumigation, often provided by a certified fumigation company or marine chemist; a certificate from a private laboratory for quality tests not covered under the official grain inspection certificate; an official stowage examination certificate, stating that the vessel holds were duly examined prior to loading and found to be substantially clean; and a crop year certificate, usually issued by the supplier, certifying that the feed grain loaded was grown in a certain crop year.

**Landing Certificate:** While landing certificates are not required by the importer, the exporter may require this document. When utilizing commercial U.S. government programs (namely, the GSM credit guarantee programs and the Export Enhancement Program), exporters are required to obtain and maintain official records that can demonstrate to USDA the commodity actually arrived at the importer’s designated destination. The records or documents must be in English or be accompanied by a translation acceptable to USDA. Records acceptable to meet this requirement include an original certification of entry signed by an authorized customs or port official of the importing country, by the importer, by an agent or by a representative of the vessel or shipping company which delivered the commodity to the importing country or by a private surveyor in the importing country. Important points which must be included in a landing certificate are:

1. Certification that the commodity entered the importing country;
2. Identification of the export carrier;
3. Quantity of the commodity sold;
4. Kind, type, grade and/or class of the agricultural commodity;
5. Date and place of unloading of the commodity in the importing country.