

ESSENTIAL STEPS IN EXPORTING

Step 1 Determine Export Readiness

- Schedule a one-on-one consultation with MEDC's International Trade Program. During the consultation, an International Trade Manager will work with your company to determine export readiness and identify opportunities to grow your business.

Step 2 Classify Your Product for Export

- Locate your Harmonized System (HS) Code and Schedule B Number, which are used by most countries to classify globally traded products. The 6-digit HS code is used to determine duties and taxes, identify the goods being exported, claim preferential tariff treatment, and establish pricing. The 10-digit Schedule B number is used for statistical purposes and when filing Electronic Export Information (EEI). *

Select the Right Market(s) for Your Product

Step 3

- Review export statistics and market research.
- Define potential customers; determine which industry segment imports products similar to yours and the different channels of distribution.
- Identify main competitors in the market to better understand the market landscape.
- Determine restrictions and regulations on product(s) in the market.
- Understand standard business practices; recognize cultural influence on business within the target country, and potential buyer expectations.
- Learn how to find qualified buyers, see page 4.
- Create a one-page company/product summary to present to buyers during meetings and events.

Check Duties, Taxes & Trade Agreements

Step 4

It is important for exporters to know the applicable duties and taxes on their product and whether or not it qualifies under a Free Trade Agreement (FTA) or Trade Promotion Agreement (TPA).

- Identify Rules of Origin to determine if your product qualifies for an FTA or TPA.
- Determine an advantage to claiming preferential tariff treatment.
 - Is my product too expensive in a particular country because of high duties? Is my product duty-free? What is the Value-Added Tax (VAT)? Does the buyer pay the duties and taxes?
- Document origin to prove that your products qualify for preferential tariff treatment. (Duties and tax- es?)

Pricing Your Product for Export

Step 5

Knowing your product's final landed cost will help you effectively price your product for a foreign market. The landed cost will include the original product price, transportation fees, duties, taxes, tariffs, insurance, currency conversion, and more. Your buyer will likely ask you to quote an estimated cost before making a purchase, which is often done by creating a pro forma invoice.

- Review duties and tariffs identified in Step 4. You must have the country and tariff number in order to accurately calculate the duties and taxes.
- Examine export pricing and quoting resources and tools, see page 3.
- Understand common export pricing strategies for your products.
- Create an accurate and timely quotation in pro forma invoice format.

Step 6 **Navigate Export Logistics**

Export logistics includes mode of transport, shipping documentation, roles of customs, export packing method, marine cargo insurance, and filling a claim.

- Determine parties involved in exporting.
- Recognize standardized trade terms and how to use Incoterms.
- Key international shipping documents: exporter can either prepare the export documents they are responsible for or choose to use the services of a freight forwarder.
- Choose modes of transportation: inland carriers, terminal operators, ocean carriers, or air carriers.
- Customs inspection and brokers use the (EEI)*, which includes a customs evaluation prior to export. Customs use HS codes, declared value of the goods, and country of origin to clear products for release.
- Choose proper packaging and shipping.
- Purchase marine cargo insurance.

Step 7 **Export Documentation & Regulations**

Prepare key export documents, such as shipper's letter of instruction, customs and consular invoices/ pre-shipment inspection, certificate of origin for general use, bill of lading, and packing list.

- Determine the necessary export documentation.
- Identify any export regulations (bans & barriers).
- Understand how to completely and accurately prepare the required paperwork:
 - Shipper's Letter of Instruction (SLI): This document includes information necessary to complete the bill of lading and other documents.
 - Certificate of Origin: Used to determine the proper duties to be applied by customs at the destination.
 - Bill of Lading: Serves as a contract of carriage between an exporter and a service provider. It defines the parties to the transaction and their responsibility for payment of transportation and other accessorial fees.
 - Packing List: Used by shipping companies to identify the weight and dimensions of your product. Should be completed in metric form.

Get Paid for Your Export Sales

Step 8

- Evaluate payment options: cash in advance, open account, documentary collection, commercial letters of credit. See page 5 for detailed information on each option.
- Factors to consider: country risk, buyer's bank reputation, credit worthiness of the buyer, competition, volume and value of the shipment.

*EEI is the electronic data filed in the Automated Export System (AES). This information is mandated to be filed through the Automated Export System or ACE AesDirect and is an electronic declaration of merchandise leaving the U.S. for export to a foreign country. The EEI includes information about the sender and receiver of the goods, and about the goods being exported.

(Refer to Page 3-5 for Exporting Resources for Each Step)

Exporting Resources

Step 1. Determine Export Readiness

- a. [Contact the International Trade Program & schedule a consultation](#)
- b. [Export Essentials Online Module 1 - Exporting the Time is Right](#)

Step 2. Classify Your Product for Export

- a. [Export Essentials Online Module 2 - Classify Your Products for Export](#)
- b. [HTS Search](#)

Step 3. Select the Right Market(s) for Your Product

- a. [Export Essentials Online Module 3 - Use Market Research for Competitive Advantage](#)
- b. [Webinar: How to Use Data to Support Your Export Strategy](#)
- c. [USA Trade Online](#)
- f. [International Marketing Program Export Intel](#)

Step 4. Check Duties, Taxes & Trade Agreements

- a. [Export Essentials Online Module 4 - Take Advantage of Free Trade Agreements](#)
- b. [Webinar: Free Trade Agreements: How to Track Tariff Reductions](#)
- c. [Webinar: Understanding the NAFTA Rules of Origin](#)
- d. [Webinar: How to Complete the NAFTA Certificate of Origin](#)
- e. [The FTA Tariff Tool](#)
- f. [The Agriculture Tariff Tracker Tool](#)
- g. [USDA GAIN Reports](#)

Step 5. Pricing Your Product for Export

- a. [Export Essentials Online Module 5 - Price Your Products for Export Markets](#)
- b. [Webinar: The ABCs of Export Pricing](#)

Step 6. Navigate Export Logistics

- a. [Export Essentials Online Module 6 - Use International Terms of Sale](#)
- b. [Export Essentials Online Module 7 - Master International Logistics](#)
- c. [Webinar: An Updated Look at Using Incoterms](#)
- d. [Finding a Freight Forwarder](#)
- e. [Webinar: How to Select a Freight Forwarder](#)
- f. [Webinar: Working with a Freight Forwarder to Prepare Your Export Shipment](#)
- g. [Webinar: How to Use the ACE Portal](#)

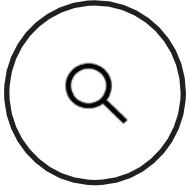
Step 7. Export Documentation & Regulations

- a. [Export Essentials Online Module 8 - Navigate Export Regulation](#)
- b. [Export Essentials Online Module 9 - Prepare Commercial Export Documentation](#)
- c. [Certificate of Origin, Phytosanitary Certificate, Certificate of Free Sale & Additional Documentation and Information](#)

Step 8. Get Paid for Your Export Sales

- a. [Online Export Essentials Module 10: Get Paid for Your Export Sales](#)
- b. [Webinar: Demystifying Letter of Credit](#)
- c. [Webinar: Protect Against Non Payment with Ex-Im Bank](#)
- d. See page 5 for payment options

Find Qualified Buyers



Market Builder:

Provides customized research to help your company uncover potential in international markets through two components: market scan and rep finder.

- [Food Export's Activities](#)



Trade Leads:

Connect with international buyers without leaving your desk by signing up for a free company profile at MIAgExport.com.

- [MIAgExport.com](#)
- [Export Essentials: Sharpen Your Approach to International Leads](#)



MI-STEP Program:

Provides up to 50% cost reimbursement for export-related activities and expenses.

- <https://www.michiganbusiness.org/services/international-trade/>



Trade Missions:

Experience total market immersion for your product and brand. Trade Missions include one-on-one meetings with pre-qualified buyers, distributors, and agents; and a market briefing.

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- [International Trade Program Events](#)
- [Export Essentials Online: How to Prepare for Meetings with Foreign Buyers](#)

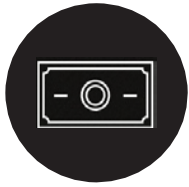


Trade Shows:

The International Trade Program offers booth space to Michigan SMEs at various international trade shows.

- [International Trade Program Events](#)

Payment Options



CASH IN ADVANCE



WIRE TRANSFER



FOREIGN CHECK



OPEN ACCOUNT



DRAFT



**COMMERCIAL
LETTER OF CREDIT**

Benefits	Lower value shipments	Fastest way for the seller to be payed; Easier to trace fund movement; PIN for authorized use; Payment in any currency	Convenient when the routing details for payments are unknown	Offers a competitive advantage to the exporter	Bank controls the document	Minimal risk for the seller; Protects both parties involved in the transaction
When to Use	Buyer has a significant interest in the product and is quite fiscally sound		Easy for buyers to stop payment	Existing customer with good credit history; Customer's preference		Risk of non-payment is high
Concerns	Least preferred method for buyers and most attractive method for seller	Transaction fees; Complicated when a transfer is lost; Not possible to stop an executed payment	Transit time can be slow; If paid in another currency the value may change due to currency fluctuations	No risk to the buyer as all risks are borne by the seller; Documents expedited to buyer's control	The seller is at risk if the buyer refuses to honor the draft; The bank's involvement is restricted in protecting you, unless the drafts are drawn on them	The issuing bank is not obligated to pay the seller if there are discrepancies in the documents
Notes	When the value is higher (>\$15,000) and you are custom making the product, a deposit to cover the cost of raw material and labor to protect yourself should be requested			Back up this method with bank guarantee from the buyer's bank OR by foreign credit insurance on your receivables; Do not begin a business deal with an open account, instead opt for cash in advance or letters of credit	Drawing a time draft to the buyer's bank reduces risk; Consigning the bill of landing to the buyer's bank or to "order of shipper" is recommended	The buyer may get financing and protection against delayed shipment, improper insurance coverage, or shipment of incorrect amount or type of products.