



A VENTURE SET-UP PLAN FOR AN EXPORT
TRADING BUSINESS

by

Ms. Nawaporn Vimolphattanatham

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

November, 2001

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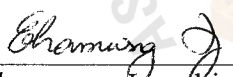
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Project Advisor Dr. Chamnong Jungthirapanich


Academic Year November 2001

The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

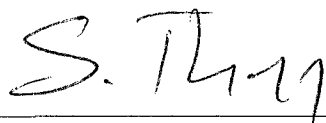
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November 2001

ABSTRACT

This project gathers the exportation information and process, and performs the feasibility of venture set-up plan for an export trading business to provide the necessary data for the exporters, new export comers, and researchers.

The exportation information gathered from both reputable public organizations, and private organizations concerning the exportation such as Department of Export Promotion, Department of Foreign Trade, Thai Chamber of Commerce, Board of Trade, some shipping agents, EXIM Bank, etc. In the project, the colour figure documentation and other pictures are demonstrated so that the details can be explained clearly besides the alphabetical explanation only.

The marketing feasibility, the operational feasibility, and the financial feasibility are practical plans. The result of the feasibility suggests that the project can be referable and adjustable to any countries which exporters want to export the Thai products to.

ACKNOWLEDGEMENTS

I am indebted to the following people and organizations. Without them, this project would not have been possible.

I wish to express sincere gratitude to my advisor and Dean, Dr. Chamnong Jungthirapanich. His patient assistance, guidance, and constant encouragement have led me from the research inception to the research completion.

I would like to thank the authorities and the officials at The Thai Chamber of Commerce and the teams at the shipping companies for their help in providing the exportation information.

Special appreciation is due to my family for their fervent and continuous encouragement. Above all, I am forever grateful to my parents whose willingness to invest in my future has enabled me to achieve my educational goal.

TABLE OF CONTENTS

<u>Chapter</u>	<u>Page</u>
ABSTRACT	i
ACKNOWLEDGEMENTS	ii
LIST OF FIGURES	v
LIST OF TABLES	vii
I. INTRODUCTION	1
1.1 Background	1
1.2 Objectives of the Project	2
1.3 Scope of the Project	3
II. LITERATURE REVIEW	4
2.1 Overview	4
2.2 Finance Institute	6
2.3 Delivery	47
2.4 Customs	66
2.5 Document Preparation	80
III. GENERAL COMPANY DESCRIPTION	95
IV. MARKETING PLAN	97
4.1 Market Analysis	97
4.2 Market Tactics	108
4.3 Conclusion	113
V. OPERATIONAL PLAN	115
5.1 Offering and Ordering	115

<u>Chapter</u>	<u>Page</u>
5.2 Supplying and Shipping	120
5.3 Other Documentations and Bank Negotiation	126
5.4 Conclusion	132
VI. FINANCIAL PLAN	133
6.1 Breakeven Analysis	133
6.2 Sales Forecast	139
6.3 Income Statement	140
6.4 Cash Flow	142
6.5 Balance Sheet	146
6.6 Conclusion	149
VII. CONCLUSIONS	150
VIII. RECOMMENDATIONS	152
BIBLIOGRAPHY	154

LIST OF FIGURES

<u>Figure</u>	<u>Page</u>
2.1 The Export System	5
2.2 Bill for Collection Structure	7
2.3 Basic Structure of a Letter of Credit	10
2.4 Back to Back L/C Structure	16
2.5 Structure of Transferable L/C with Substitution of Invoice	20
2.6 Form of Application for Transferable Credit with Substitution of Invoice	21
2.7 Revolving Letter of Credit	24
2.8 Standby L/C Structure	28
2.9 Pro-forma Invoice	81
2.10 Invoice	83
2.11 Packing List	85
2.12 Bill of Lading	87
2.13 Airway Bill	89
2.14 Certificate of Origin	90
2.15 Letter of Credit	91
2.16 Export Entry	94
4.1 A Segmented Market Strategy with a Single Marketing Mix	97
4.2 Thailand Exportation to USA (in Million)	99
4.3 Thailand Export Value to USA	100
4.4 Random Herbal Products in USA	104
4.5 SKT Aloe Vera Juice	109
4.6 SKT Ginger Herbal Tea	109

<u>Figure</u>	<u>Page</u>
5.1 The SKT Pro-forma Invoice	116
5.2 The Letter of Credit Example	118
5.3 Offering and Ordering Chart	119
5.4 The example of SKT Invoice	121
5.5 The example of SKT Packing List	122
5.6 The example of Export Entry	123
5.7 The Example of Bill of Lading	124
5.8 The Example of Airway Bill	125
5.9 The Example of Certificate of Origin	128
5.10 The Example of Other Certifications of Food	129
5.11 The Example of Other Certifications of Food	130
5.12 The Example of Bill of Exchange	131
6.1 Breakeven Point Graph	134
6.2 Breakeven Point Graph	137
6.3 Balance Sheet for SKT Co., Ltd. for Year 2002	146
6.4 Balance Sheet for SKT Co., Ltd. for Year 2003	147
6.5 Balance Sheet for SKT Co., Ltd. for Year 2004	158

LIST OF TABLES

<u>Table</u>	<u>Page</u>
2.1 Terms Used for Parties to a Letter of Credit	11
2.2 Commissions and Interest for Handling Letters of Credit	29
2.3 Differences between Direct Packing Credit Facilities and Pre-shipment Financing Facilities	43
2.4 Compensation of EXIM Bank According to the Conditions	46
2.5 Size of Containers	59
2.6 Cargo Weight Limitations	65
4.1 Thailand Exportation to USA	98
4.2 Thailand Exportation to USA	99
4.3 Monopolistic Competition Market Structure	102
6.1 Profit and Loss Table	135
6.2 Profit and Loss Table	138
6.3 Sales Forecast for January 2002 – December 2004	140
6.4 Pro-forma Income Statement for SKT Co., Ltd.	141
6.5 Pro-forma Cash Flow for Year 2002 for SKT C., Ltd.	143
6.6 Pro-forma Cash Flow for Year 2003 for SKT C., Ltd.	144
6.7 Pro-forma Cash Flow for Year 2004 for SKT C., Ltd.	145

I. INTRODUCTION

1.1 Background

Since Thailand has met the economic depression, the Thai government has been supporting the export business to other countries. It is the business that can bring revenue in terms of foreign currencies into the country, being, hence, significant to the alleviation of the current national economic crisis. And it is a good opportunity for Thailand to take advantages from exporting the Thai products to other countries especially to United States of America because of the big market and the more difference between Thai Baht value and Dollars value.

At the moment, many public sectors and private sectors in Thailand have many projects supporting SMEs in Thailand to promote the Thai products for competing in the world markets. The sectors in Thailand for examples; Department of Export Promotion, The Thai Chamber of Commerce, EXIM Bank, Department of Foreign Trade, Board of Trade, The Customs Department of Thailand, etc. Moreover, Thailand can take advantages from WTO (World Trade Organization) which it is a member of.

In the exportation of goods, exporters, besides having customers in the American market, must contact various agencies for examples contacting banks to receive transaction documents and to learn of the payment terms under which the American purchasers open letters of credit to the exporters via the banks, contacting shipping companies to book vessels for the transport of goods in case of agreeing to engage in transactions on the cost and freight (CFR) basis, and contacting insurance companies to insure their exported goods against loss and damage in case of agreeing to the transactions on the cost, insurance and freight (CIF) basis. If the transactions are made on the “Free on Board (FOB)” basis, the buyers will themselves arrange transportation

and insurance. Moreover, The Customs Department has an important role in the export business because it is regarded as the country's export gate, being tasked with the examination of exported goods to see if they comply with Customs regulations.

Thereby, this project is prepared for being guidance in studying the steps and preparations to export the Thai natural herb products from Thailand to United States of America. This appropriates for the exporter who wants to set-up an export trading business of Thai herb products to American market.

1.2 Objectives of the Project

Operating the international business is more complicated than operating the local business because the exporter is far from the customers therefore the exporter must have a good plan and preparation about marketing, banking, shipping, customs, documents, and the organizations concerned before starting the business.

This project emphasizes the steps in exporting and the preparation all necessary documents for exporting Thai natural herb products to American market. It is the trading business which is not producer or manufacturer so the exporter has to contact the suppliers who can supply the good quality products in the cheapest price.

The groups of housewives in some provinces in Thailand are the main suppliers. They can make the products but they cannot distribute them to other countries so the trader will do the transaction for them and push their products to compete in the world market. Presently, some sectors had managed the meeting program between such suppliers and the exporters so that the income can be extended to the people in Thailand.

The main objective of this project is to study feasibility and the steps & preparations for exporting the Thai natural herb products from Thailand to United States of America so that the Thai exporters can compete in the world market.

1.3 Scope of the Project

- (1) This project is emphasized on trading business which is the medium between the producers and customers in United States of America therefore exporters must know the steps in exporting. Knowing the export steps unclearly makes the trader's cost increase.
- (2) The manufacturers can only produce the products. They do not know any necessary documents in the export procedures so the trader must prepare all necessary documents needed for the customers, customs department, banks, and shipping.
- (3) The American people are interested in Thai natural herb products increasingly so Thai exporter should take this opportunity to supply the Thai products to American market.

II. LITERATURE REVIEW

2.1 Overview

As Thailand pulls itself along the tide of globalization, most organizations in both public and private sectors increasingly have their efforts coordinated to develop themselves into efficient economic machines and well-prepared to cope with the fast changing circumstances. And in consequence of economic contingencies in many countries and the ever-increasing competition in the liberal business world, Thailand has endeavoured to adapt itself by promoting export despite many problems and barriers.

It is, nevertheless, gratifying that many sectors concerning the export process have realized the existence of such problems and barriers and tried to improve their working systems to create the highest service efficiency for the public. See Figure 2.1.

Thereby, going into the export business is not difficult if the exporter has a good plan and good preparation. Studying all necessary information and agreement is the first preparation for exportation.

Information prepared before set up the export business:

- (1) Payment instrument in international trade, financial facilities, and other agreement concerning through the bank
- (2) The transportation of goods by considering of cost, security, and efficiency
- (3) Customs service
- (4) Documentation and agreement

2.2 Finance Institute

Contacting finance institute is very important for exporters because operating the international business must be concerned to finance institute especially banks concerning. Exporters have to relate to the banks regarding the letter of credit, drawing payment, packing credit, and others.

2.2.1 Payment Instrument in International Trade

There are many tools in payment but the most secure instrument for both buyer and seller is documentary letter of credit. The buyer can make a payment by:

Cash or Advance Payment

The transaction which the buyer makes advance payment to the exporter before he or she receives the goods. This method is used when the seller is the reputable company or the payment is in the small amount of money. Most buyers do not like this method because they must pay before they see the products. However, the buyer and the seller make a contract without bank concerned but payment occurred.

Open Account

The transaction which the buyer transfers money to the seller's account within a limit of time such as a month, 45 days, etc. after the goods is shipped. This method is used when the seller makes a credit to regular buyers. However, the buyer and the seller make a contract without bank concerned but payment occurred.

Bills for Collection

After the seller ships the goods, documents and bills will be sent through the seller's bank to the buyer's bank for payment collection as the agreement made between the buyer and the seller. The seller quite ensures that he or she will get a payment because banks are intermediary of the transaction in documentation and payment arrangement. However, banks will not pay to the seller if they cannot make a collection.

The seller owns the goods until he or she gets paid or the bills are accepted by the buyer.

There are three types of bills for collection:

(1) Documents against payment (D/P)

The buyer must make a payment before he or she receives the documents from the bank.

(2) Documents against payment (D/P Terms)

The bank will submit the documents to the buyer when it gets a payment in a limit of time.

(3) Documents against acceptance (D/A)

The buyer must accept to pay the bills for collection so that he or she can receive the documents from the bank.

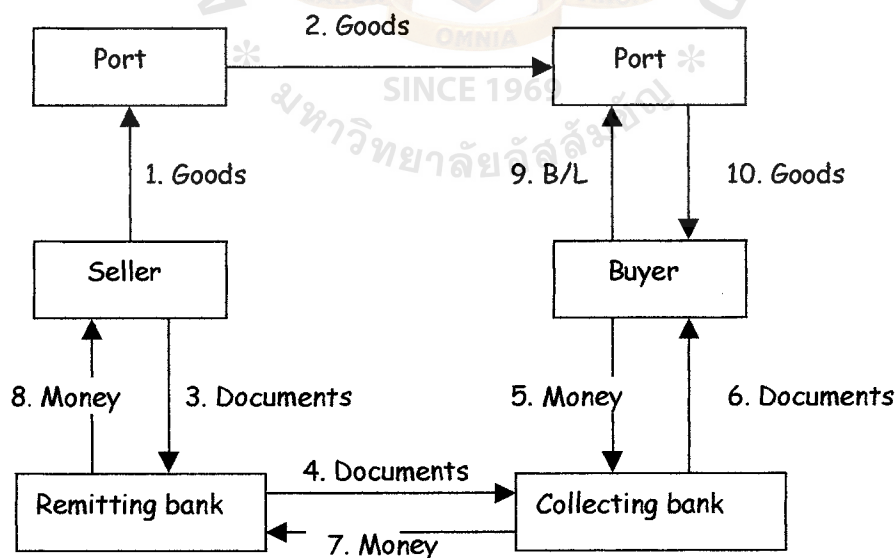


Figure 2.2. Bills for Collection Structure.

Documentary Letter of Credit (L/C)

A letter of credit (L/C) is a list of documents. Also known as a “documentary credit” it represents a secure compromise between a buyer and seller of goods. A letter of credit gives a seller the security of knowing that payment can be collected once the goods have been shipped. It gives the buyer the comfort of knowing that shipment of the goods has taken place before payment has to be made.

Conventional L/Cs are written undertakings, issued by a bank at the request of a customer or a buyer of goods. The bank commits to pay up to a certain amount of money to a named beneficiary within a defined period of time if it receives the documents listed in the L/C, provided they conform to its terms.

There are several essential points to bear in mind:

- (1) L/Cs are entirely separate from any underlying commercial agreement or contract of sale.
- (2) Banks are not bound by any commercial contractual relationship or terms of the commercial contract to which the L/C relates.
- (3) Banks handling L/Cs are concerned with documents not with goods.
- (4) Documents presented under a letter of credit must be correct in every detail.

L/Cs should be issued subject to Uniform Customs and Practice for Documentary Credits. This is a booklet issued by the Paris-based International Chamber of Commerce. The current version of it is ICC Publication 500, 1993 revision in force as at 1 January 1994. It is generally referred to as “UCP 500”. It sets out the ground rules governing the issuance and handling of L/Cs and related documentation and those contemplating becoming involved with L/Cs in any way should read it.

The basic structure of an L/C is shown in Figure 2.3. There is a variety of means given to the parties to an L/C. The precise name will depend on their function in the purchase / sale, shipment / delivery, payment chain. These terms can sometimes be used interchangeably but not necessarily. The buyer may be the importer, applicant, account party and the consignee but each could be someone other than the buyer depending on the specifics of the transaction. See Table 2.1.

Having agreed the terms of sale for goods and that payment will be made by L/C the buyer applies to his or her bank to open or establish the L/C on the buyer's behalf in favour of the beneficiary, who will be the seller or the seller's nominated agent. The opening bank instructs either another of its branches or a different bank, usually located near to or in the same country as the beneficiary to advise the beneficiary that the L/C has been opened in his or her favour. The advising bank forwards a copy of the L/C to the beneficiary.

The advising bank may also confirm the L/C. This means that the documents will need to be presented at its counters and that it has been empowered by the opening bank to inspect the documents and make payment against the drafts or bills of exchange when they are presented to it. As an L/C is merely a list of documents, not a document of payment itself, a draft will usually be required to be presented under it, in order to facilitate payment, in addition to the other documents which it calls for. Where a bank adds its confirmation the L/C is said to be a confirmed L/C.

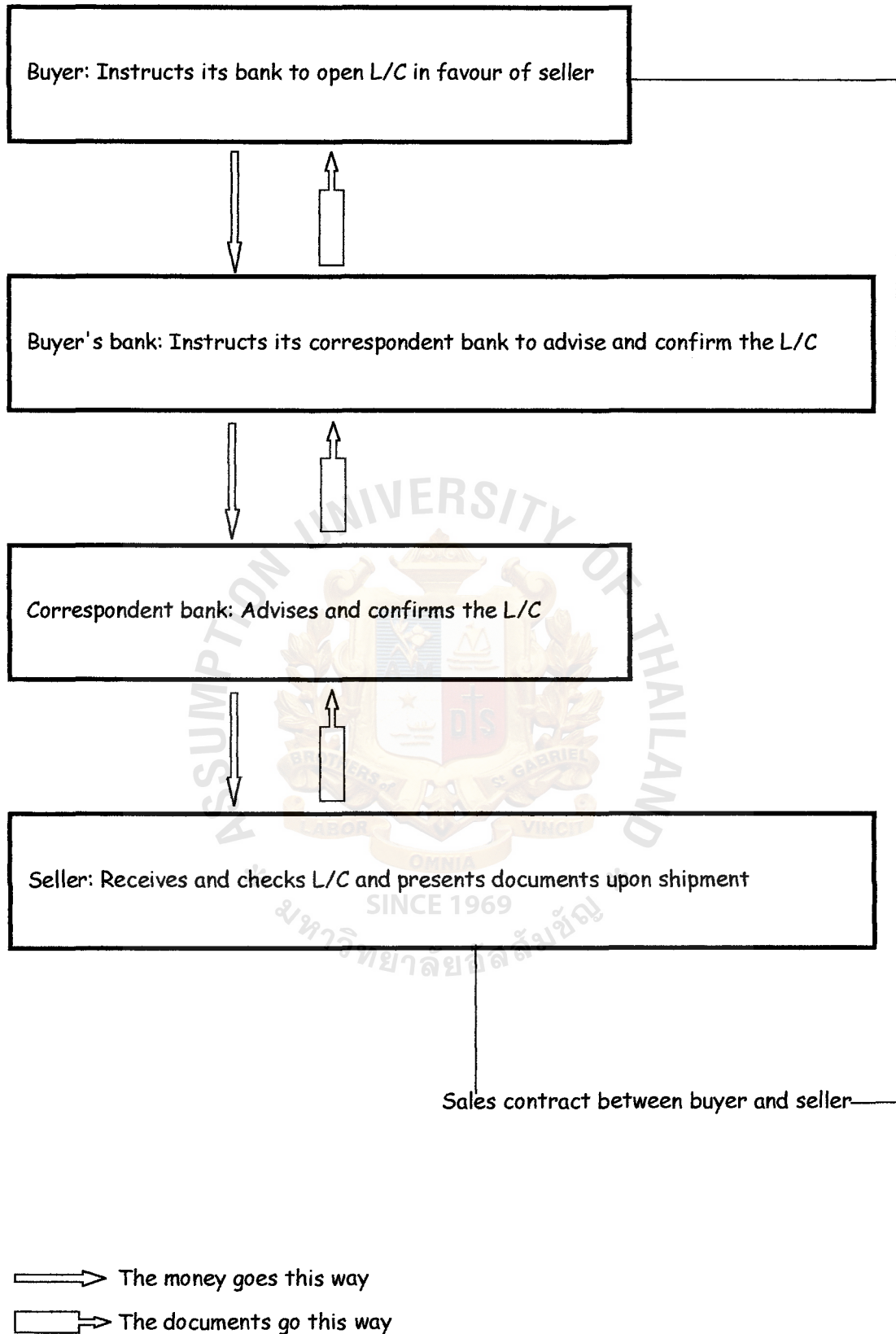


Figure 2.3. Basic Structure of a Letter of Credit.

Table 2.1. Terms Used for Parties to a Letter of Credit.

Buyer	Buyer's bank	Buyer's Correspondent bank	Seller
Importer: (not necessarily the buyer)	Opening bank: (not necessarily the buyer's regular bank)	Advising bank: If its function is to advise the beneficiary. (not necessarily the confirming bank)	Exporter: (not necessarily the seller)
Applicant: The party who applies to the bank to open a letter of credit. (not necessarily the buyer)		Confirming bank: If its function is to add its confirmation to the credit. (not necessarily the advising bank)	Beneficiary: (not necessarily the seller)
Account party: The party to whose account the funds will be debited by the opening bank. (not necessarily the buyer)		Negotiating bank: If it examines documents and purchases drafts. Has recourse to the beneficiary unless confirming a credit on behalf of the opening bank.	Shipper: (not necessarily the seller)
Consignee: The party to whom the goods will be shipped. (not necessarily the buyer)			Consignor: (not necessarily the seller)

The beneficiary, stated on the L/C, will then read the L/C and ensure that he or she can meet its terms. An essential feature of the L/C is that it should specifically state that it is irrevocable. This means that it cannot be rescinded, cancelled or revoked by the buyer of the goods without the beneficiary agreeing to it. If it is not designated as “irrevocable” then it is assumed to be so under UCP 500. If it is revocable the risk that the buyer may revoke it is a real one and the beneficiary should seriously consider whether the risk is worth accepting. In addition to revoking the L/C the buyer may also refuse to pay. The beneficiary should probably reject the L/C and insist on it being both irrevocable and confirmed. Indeed if a revocable credit is an acceptable risk to the seller one might well ask why have an L/C at all as the agreed method of payment because it gives little, if any, of the security which L/Cs are designed to provide.

Usually, revocable L/C is used between the head office and its branch which is in the another country because the credit commission is cheaper than the another one.

L/Cs are used in a number of structures which are based on similar principals and which have evolved for certain specific purposes.

- (1) Confirmed letter of credit
- (2) Back to back letter of credit
- (3) Transferable letter of credit
- (4) Revolving letter of credit
- (5) Red Clause letter of credit
- (6) Sight letter of credit
- (7) Deferred letter of credit
- (8) Standby letter of credit

Confirmed L/C occurs where the beneficiary does not trust the issuing bank or the economics of buyer’s country. He or she may seek a confirmation from a bank. The

advising bank can be the confirming bank who issues confirmed letter of credit. Confirming bank will make a payment to the beneficiary if issuing bank cannot pay it. However, the confirming bank may reject to pay and they must inform the issuing bank immediately.

The buyer, by the same token, needs the confirmed L/C so that he or she gets the trustworthiness from the beneficiary. The confirming bank will charge a confirmation commission to the buyer or beneficiary, however the payer who pays the charge payment depends on the agreement between the buyer and the seller.

The article which is stated for confirmation by the confirming bank is: "This credit bears our confirmation and we engage that documents drawn in conformity with the terms and conditions of this credit will be duly honoured by us provided that they presented at our counter"

Where someone (a merchant) is buying goods from a supplier and selling them on, simultaneously, to customers at a higher price, back to back L/C can be used.

The ultimate buyer opens a master L/C, which is irrevocable L/C, in favour of the merchant while the merchant in turn opens a second L/C in favour of the supplier. The effect is that both payments, from the ultimate buyer to the merchant and from the merchant to the supplier, can be made securely for both beneficiaries. As both payments involve the same goods, some of the same documentation can be used to present under both of these credits. Banks handling such arrangements will insist that both credits are opened through them so that they have control of the issuance and confirmation of both credits. They will also have control of the documentary chain once shipment has been made. The details in second L/C must be the same as master L/C except the total amount of money, the reduced unit price, the expiry date, the latest shipment date, the earlier date of handling documents and the total insurance amount plus 10% at least.

The supplier will make shipment and present documents under the second L/C issued by merchant in order to claim the funds. Once the documents have been found to be in order the bank will pay out in the normal way, confident that it has the shipping documents in its hands, that they are in order and that a larger amount will be payable by the ultimate buyers of goods. The bank will already have satisfied itself that credit risk on the ultimate buyer is adequate as a basis for the entire transaction.

The bank will receive additional documents such as the merchant's invoices which it substitutes for those of the original supplier. The bank effectively presents documents itself under the second L/C.

This structure often provides merchants, wholesalers or traders with the funding for such purchase and sale operations. Working purely on the margin between buying and selling prices they might not otherwise have the substance to sustain L/C issuance in their own name. Where the goods are being supplied to much larger firms such as supermarkets, department stores and large manufacturers it is their standing which enables the operation to be carried out.

Second back to back L/C can be opened within the country or between the countries. However, it depends on the case.

Domestic L/C is a type of back to back L/C which is opened within the country. The merchant must have a line of credit with the bank.

The documents for master L/C are listed below. See Figure 2.4.

- (1) Draft \$10,000
- (2) Invoice \$10,000
- (3) Packing list
- (4) Bill of lading
- (5) Insurance policy

(6) Certification of origin

(7) Other documents

The documents for second L/C are listed below. See Figure 2.4.

(1) Draft \$8,000

(2) Invoice \$8,000

(3) Packing list

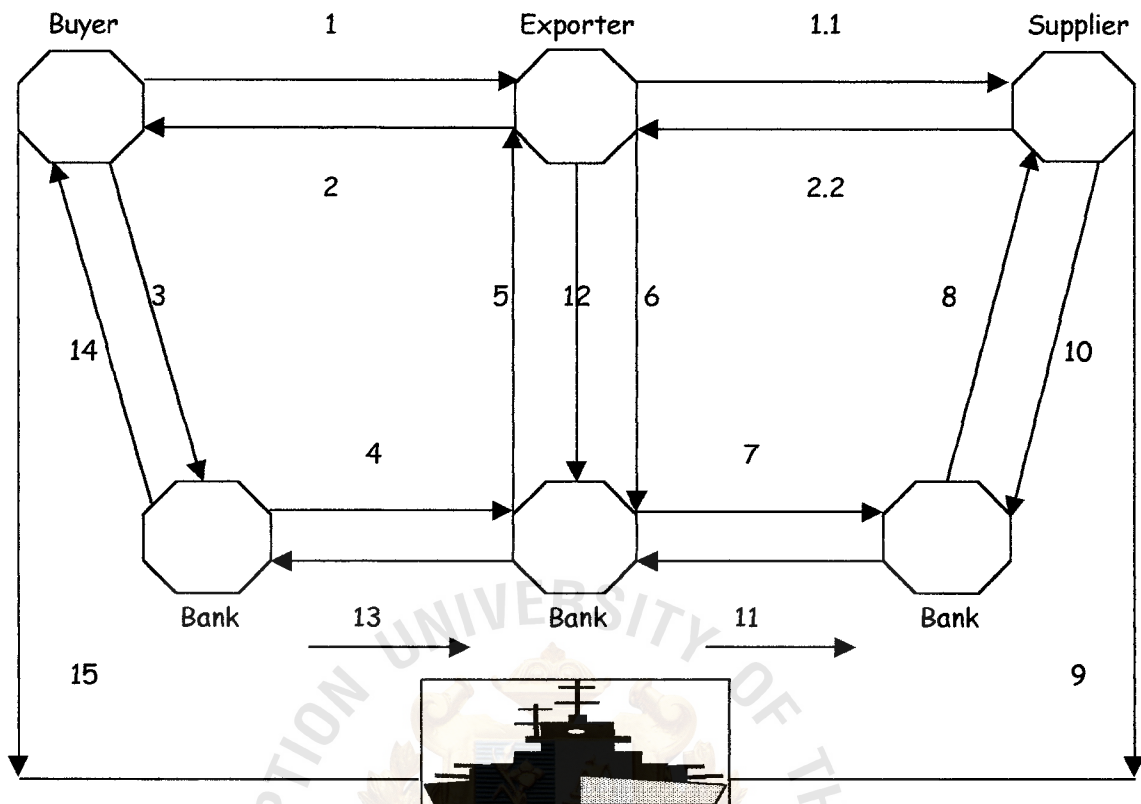
(4) Bill of lading

(5) Insurance policy

(6) Certification of origin

(7) Other documents





1. Purchase order of \$10,000 goods
- 1.1 Purchase order of \$8,000 goods
2. Pro-forma invoice of \$10,000 goods
- 2.2 Pro-forma invoice of \$8,000 goods
3. L/C request of \$10,000 goods
4. L/C of \$10,000 goods
5. Advising L/C of \$10,000 goods
6. L/C request of \$8,000 goods
7. L/C of \$8,000 goods
8. Advising L/C of \$8,000 goods
9. Goods is shipped
10. Supplier negotiating for \$8,000 draw
11. Submitting documents of \$8,000 goods and receiving \$ 8,000 payment
12. Merchant presenting documents of \$10,000 goods and receiving \$2,000 payment
13. Submitting documents of \$10,000 goods and receiving \$ 10,000 payment
14. Bank receiving the money of \$10,000 and submitting documents of \$10,000 goods
15. Buyer receiving the goods with presenting the documents of \$10,000 goods

Figure 2.4. Back to Back L/C.

Letters of credit are not negotiable instruments, like bills of exchange and promissory notes. They cannot be transferred by endorsement to another beneficiary, nor by being physically passed to another holder or bearer. However, the beneficiary under a credit may wish to allow the credit to be another or second beneficiary. In this case the second beneficiary would be able to present documents and draw funds provided the L/C specifically permits this. Such a credit is termed a transferable L/C.

A merchant, trader or other intermediary may be the first beneficiary, as for a back to back L/C. He or she may wish to pass the credit through to the original supplier of goods. In this case the first beneficiary would retain the right to submit invoices and draw drafts under the credit, drawing funds from the transaction. The original supplier would submit documents to draw what was due to him or her. Such transfers are covered by UCP 500. Unless expressly stated to the contrary in the credit, transferable L/C can only be transferred once to a supplier or more.

The difference between transferable L/C and back to back L/C is that the advising bank must make a payment to the first beneficiary and the second beneficiary in the same time in transferable L/C, but it makes a payment to the second beneficiary and then the first beneficiary respectively in back to back L/C.

Transferable L/C is under the conditions of the L/C except:

- (1) The amount of money (can be reduced).
- (2) The unit price (can be reduced).
- (3) The date of presentation (can be earlier).
- (4) The expiry date (can be earlier).
- (5) The shipment date (can be earlier).
- (6) The percentage of insurance (can be added).

- (7) The first beneficiary can replace his or her name to the original L/C opener's name but the L/C is stated to another condition.

Transferable L/C is divided into 2 types: transferable credit with non-substitution of invoice and transferable credit with substitution of invoice.

Transferable credit with non-substitution of invoice:

- (1) Transferable credit in-whole

The bank will endorse the transferable L/C to the second beneficiary in the case of the quantity and the amount of goods is unchanged.

- (2) Transferable credit in-part

Transferable L/C is copied and certified partially by the bank in the case of partial goods. Then the second beneficiary receives the copy of certified transferable L/C. After that the first beneficiary will receive the original L/C which is endorsed for partial amount of money and partial goods. The second beneficiary can present this copied transferable L/C to any banks for drawing.

Transferable credit with substitution of invoice (This is more preferable than transferable credit with non-substitution of invoice).

Another transferable L/C is made by the advising bank under the original transferable L/C conditions but some parts in L/C are changed within the exception of limited conditions. It can be in-whole with the total amount reduced or in-part with the amount reduced. The original L/C will be kept in the bank so that the bank can control the payment.

After shipment, the second beneficiary must submit the transferable L/C which has been made by the bank with invoice and other documents. In this case, the first beneficiary will submit the invoice, draft, and other documents under the credit to

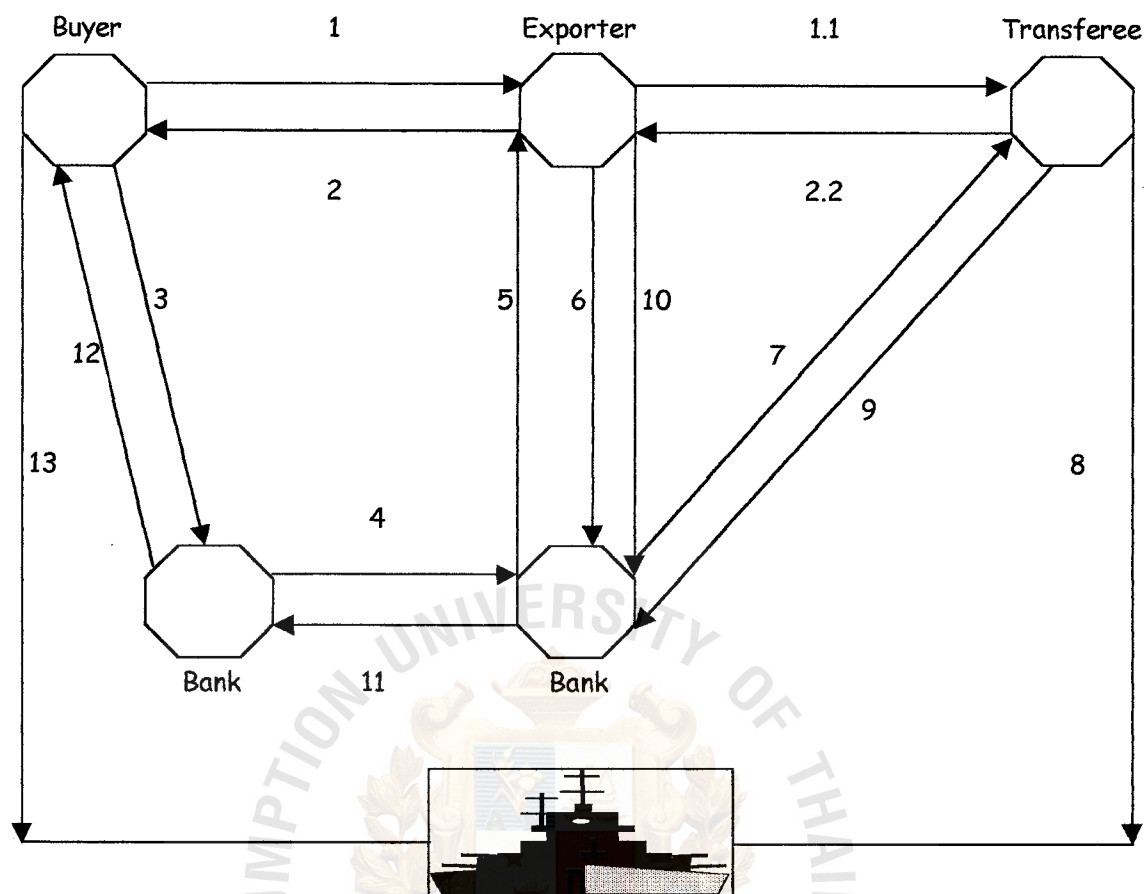
receive the different amount of money payment. This is the method that the first beneficiary can keep secret about the buyer's name, and his or her selling price. The advising bank might be advised back to the opening bank about the second beneficiary so that the opening bank can examine the second beneficiary's credit which can cause the invalid shipment or unexpected goods. However, this must be stated in lists of original L/C.

The documents, which the second beneficiary must submit to the bank for drawing, are listed below (transferable L/C with substitution of invoice). See Figure 2.5.

- (1) Bill of exchange \$8,000
- (2) Invoice \$8,000
- (3) Packing list
- (4) Bill of lading
- (5) Insurance policy
- (6) Other documents

The documents, which the first beneficiary must submit to the bank for drawing, are listed below (transferable L/C with substitution of invoice). See Figure 2.5.

- (1) Bill of exchange \$10,000
- (2) Invoice \$10,000
- (3) Packing list
- (4) Bill of lading
- (5) Insurance policy
- (6) Other documents



1. Purchase order of \$10,000 goods
- 1.1 Purchase order of \$8,000 goods
2. Pro-forma invoice of \$10,000 goods
- 2.2 Pro-forma invoice of \$8,000 goods
3. L/C request of \$10,000 goods
4. L/C of \$10,000 goods
5. Advising L/C of \$10,000 goods
6. Transferable L/C request of \$8,000 goods
7. Transferring L/C of \$8,000 goods
8. Goods is shipped
9. Transferee submitting documents and waiting for \$8,000 payment after No.10
10. Exporter submitting documents of \$10,000 goods and receiving \$2,000 payment
11. Bank sumiting documents and receiving \$10,000 payment
12. Bank receiving the money of \$10,000 and submitting documents of \$10,000 goods
13. Buyer receiving the goods with presenting the documents of \$10,000 goods

Figure 2.5. Structure of Transferable L/C with Substitution of Invoice.

DATE.....

TO

BANK.....

HEAD OFFICE

DEAR SIRS

ATTN : EXPORT CREDIT SECTION

RE : L/C NO.....

FOR.....

WE ENCLOSE HERewith THE ORIGINAL CREDIT ALONG WITH AMENDMENTS AND REQUEST YOU TO TRANSFER ALL OF OUR RIGHT UNDER THE ABOVE CREDIT ON THE TERMS AND CONDITIONS SPECIFIED IN THE ORIGINAL CREDIT WITH THE EXCEPTION AS FOLLOWS:

- () L/C AMOUNT
- () UNIT PRICE
- () SHIPMENT DATE
- () EXPIRY DATE
- () PERIOD FOR PRESENTATION
- () QUANTITY OF MERCHANDISE:
- () TRANFEREE'S NAME AND FULL ADDRESS:

YOUR TRANSFERING COMMISSION IS FOR TRANSFEREE'S ACCOUNT.

WE RESERVE THE RIGHT TO SUBSTITUTE OUR OWN INVOICES AND DRAFTS IN EXCHANGE FOR THE SECOND BENEFICIARY 'S INVOICES AND DRAFTS AND UPON SUBSTITUTE OF INVOICES AND DRAFTS, PLEASE PAY US FOR THE DIFFERENCE BETWEEN OUR INVOICES AND THE SECOND BENEFICIARY'S INVOICES.

YOURS FAITHFULLY

FOR.....

AUTHORIZED SIGNATURE

Figure 2.6. Form of Application for Transferable Credit with Substitution of Invoice.

Assignment of proceeds of a letter of credit is, however, quite different from a transferable credit. Where a credit is not transferable the beneficiary. Simply instructs the paying bank to credit the funds to another party due as a result of a successful documentary presentation.

The assignee of the funds does risk the beneficiary (or assignor) not fulfilling his or her obligations under the credit. The assignee may be involved in entirely separate business activities with the assignor and the function of the assignment is to earmark the particular funds for the assignee's account. If, for example, the assignor had cashflow constraints and wished to assure the assignee that funds owing would be paid he or she could use such an assignment of proceeds under an L/C. In start up or work-out situations, for example, such an assignment could be of value to creditors.

A condition, which is accepted by the beneficiary, stated that "When, as and if such documents are honored by us, we hereby undertake to comply with the foregoing instruction" must be advised to the supplier. Thereby, the supplier must be ensured that he or she does not bear this risk.

An article was inserted in the latest revision of UCP 500 to cover assignment of proceeds. It draws a clear distinction between transferring the rights to the proceeds and the rights to perform in accordance with the terms of the credits. The beneficiary's rights to perform under the credit can only be transferred if the credit is specifically designated as being transferable.

Revolving L/C is a structure which can be used where there are successive shipments and payments passing between the same counterparties.

The credit is issued in favour of the supplier for a particular sum. The supplier ships and presents the documents to the bank in the normal way. Once this has occurred and the funds have been paid out the credit is immediately reinstated to allow for further

drawings up to the same amount. Where there is ongoing repeat business the buyer is able to avoid the administration involved in establishing a new credit for each shipment by simply revolving the existing arrangement. The supplier has a clear idea of what needs to be done to get payment and merely has to repeat what he or she did successfully last time around.

From the issuing bank's point of view the risk on the applicant or buyer remains the same because the credit issued on the buyer's behalf is re-established. Usually, the buyer will be charged a commission by the bank for its ongoing commitment to maintain the revolving facility. In order to protect itself from any weakening in the opener's credit standing the bank should review the credit risk regularly.

The revolving credit structure could be used to make payment if it was decided that partial drawings under a single, global credit were not appropriate. After each cargo was shipped the credit would be reinstated to make way for next shipment.

Revolving credits can revolve by time as well as by amount. If a monthly delivery programme has been agreed between a supplier and a buyer, perhaps for manufactured goods or components, deliveries could take place and drawings be limited to, say, one per month for all shipments or deliveries made during that month.

Another limitation to revolving credits can be the total number or revolutions which the credit can make. Wording in the credit might, for example, read "this credit may revolve three times only". In this case four drawings are permitted because there will be the initial drawing followed by three revolutions re-establishing the credit for three further drawings.

For example, the US\$ 100 million worth of oil deliveries, successive drawings may be made until the US\$ 100 million has been fully drawn. Further deliveries would require an amendment or extension to the value of the credit or a new L/C would need

to be opened. Banks, suppliers and buyers involved in using revolving credits should keep a close watch on drawings, amounts, time limits and expiry dates. It is easy to lose track of what is going on, especially if there are numerous shipments and drawings. See Figure 2.7.

Types of revolving L/C:

(1) Automatically revolving L/C

The beneficiary can use the further drawings automatically after he or she gets the first drawings.

(2) Controlled revolving L/C

After the beneficiary use the first drawing, he or she must be controlled by the bank for reinstating credit.

(3) Cumulative or accumulative

If shipment or drawing do not take place, the arrangement can be cumulated and the credit can be revolved.

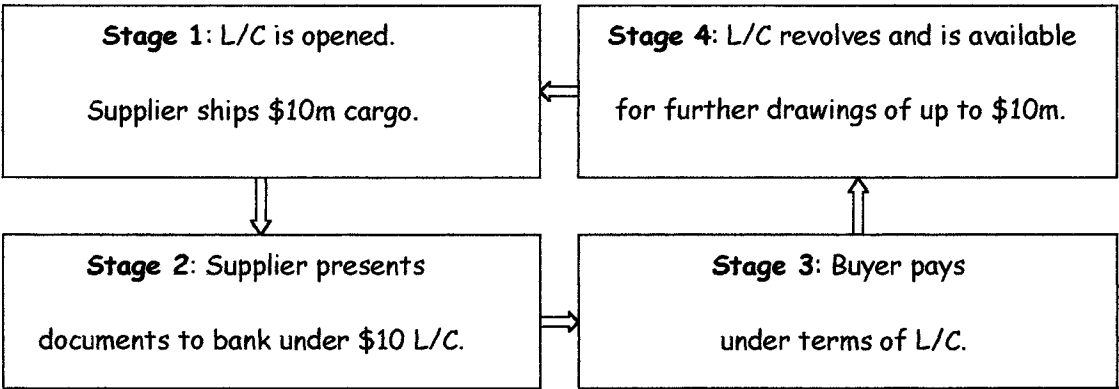


Figure 2.7. Revolving Letter of Credit.

(4) Non-cumulative or Non-accumulative

If shipment does not take place or there are other difficulties in supply, the arrangement may be cancelled and the credit will not be revolved.

Red clause L/C, the essence of it is that funds are made available in advance in whole or in part of goods and cargoes being shipped. This gives the exporter a cashflow advantage in manufacturing or processing goods or otherwise financing the business. This L/C is one type of packing credit. However, the amount of advance loan or the amount of anticipate drawing is stated clearly in the red clause L/C.

Types of red clause L/C:

(1) Red clause L/C for “Advance”

A bank advances the funds to the exporter rather in a manner of a secured loan but the related security package conventionally includes an L/C. The exporter must reimburse this loan with the interest to the bank. The shipping documents and draft must show the total amount of money. It is not necessary to show the amount of advance payment because the bank will arrange for the difference between the amount of funds with interest and the amount of price shown in the draft.

The condition which is stated in the red clause L/C for “Advance” is:
“The negotiating bank is hereby authorized to make advances to you to the extent of.....(amount).....against your receipt for the amount advanced which must state the advance is to be used to pay for the purchase and shipment of the merchandise for which this credit is opened and be accompanied by your written undertaking to deliver documents in conformity with the credit terms to the negotiating bank on or before the

latest date for negotiation. The advances, with interest, is to be deducted from the proceeds of the drafts drawn under this credit. We hereby undertake the payment of such advances, with interest, should they not be repaid to the negotiating bank by you on or before the latest date for negotiation.”

Other conditions can be added or can differ from this condition.

(2) Red clause L/C for “Anticipatory drawing”

This type of L/C is not considered as a loan therefore, the exporter is not necessary to reimburse the anticipatory drawing with the interest to the bank. The exporter must submit the draft and the receipt to the bank in advance.

After shipment, the exporter will present the shipping documents and the draft that is shown the rest of amount of anticipatory drawing. Moreover, invoice must be shown the rest of the abstraction between the total amount of goods and the anticipatory drawing. The outcome of this abstraction must equal to the amount in the draft.

The condition which is stated in the red clause L/C for “Anticipatory drawing” is: “You are authorized to draw clean sight draft on us to the extent of(amount).....accompanied by your signed statement that the amount drawn is to be used for the purchase and shipment of the merchandise for which this credit is opened and your written undertaking to deliver documents in conformity with the credit terms to the negotiating bank on or before the latest date for negotiation.”

Other conditions can be added or can differ from this condition.

Sight L/C or L/C at sight is conventional L/C which the issuing bank will make a payment whenever it receives the proper documents stated in L/C from the negotiating bank. The issuing bank makes a payment by to remit proceeds, to debit account or, to claim reimbursement from reimbursing bank. If the payment is refused by the buyer, however, it must be paid by the issuing bank.

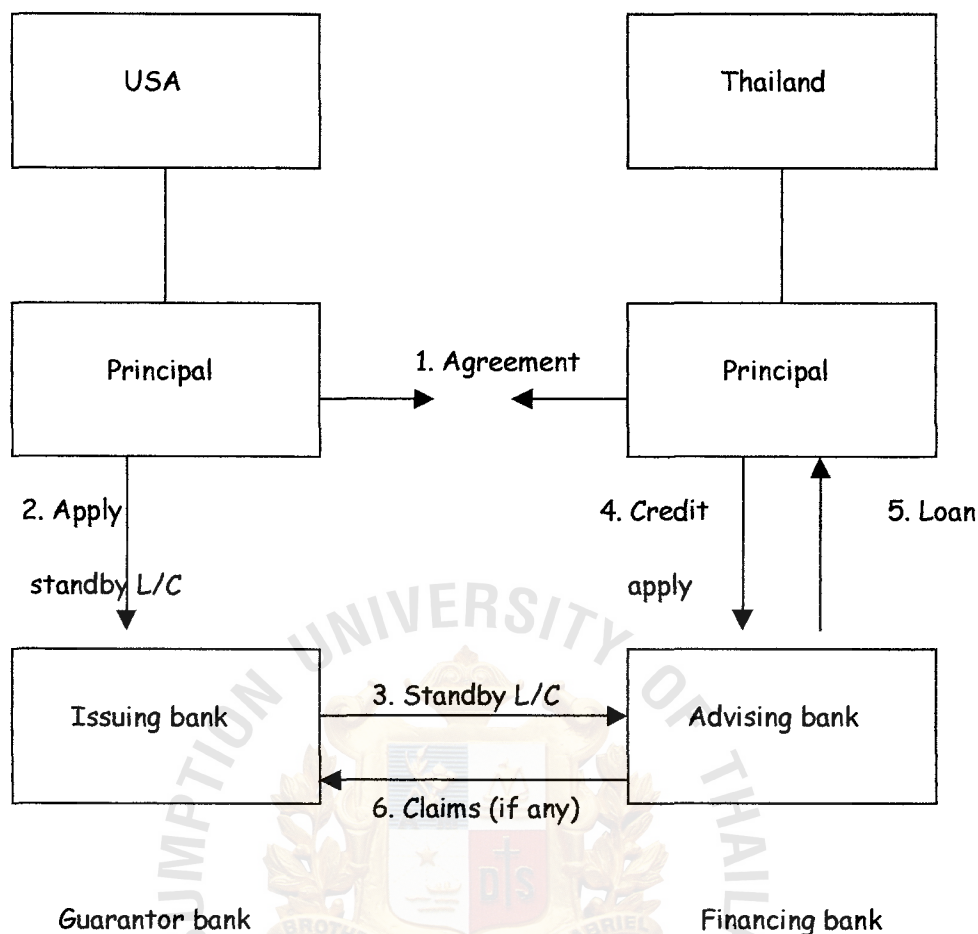
Where the buyer receives the supplier's credit from the beneficiary through the issuing bank called deferred L/C. Whether the beneficiary receives the interest or not depends on the conditions stated in the L/C. Nevertheless, the beneficiary can draw after he or she presents the proper documents whenever the another type of deferred L/C is stated that payment under L/C is available as at sight basis, discounted interest is for applicant's account.

However, terms of L/C is stated in deferred L/C because the buyer needs to ensure his or her asking for trust receipt to the bank when he or she opens the L/C.

The terms standby L/C is used to cover a variety of instruments, some of which are effectively guarantees and others more like the conventional L/Cs. The standby aspect implies a contingency that something has to have happened (or in the case of payment guarantees, failed to happen) before a drawing can be made. See Figure 2.8.

When standby L/C relates to a specific trade transaction, it is often a secondary guarantee to underpin particular payment obligations. If the primary obligor fails to pay, the payer can draw under the standby if it can meet its documentary requirements.

If a beneficiary accepts a standby L/C, he or she should be wholly confident of being able to meet its terms if and when it becomes necessary to make a drawing.



* Figure 2.8. Standby L/C Structure.

Having considered the risks involved in L/C issuance and confirmation and the use of capital employed, pricing has to be set. There are several types of commission which trade financing banks charge for handling letters of credit. These can vary widely depending on the risks involved and therefore specific pricing levels are not listed. A similar commission may also be called by a different name by different banks. The party responsible for paying the fees will be defined in the credit opening form addressed to the opening bank. Typical wordings can be:

- (1) “all charges for the account of the beneficiary”

- (2) “all charges for the account of the opener”
- (3) “all charges outside of the beneficiary’s country are for the account of the opener”
- (4) “all charges outside of the opener’s country are for the account of the beneficiary”

Table 2.2. Commissions and Interest for Handling Letters of Credit.

Name of commission	Description
Opening or issuing commission	Charged by the opening bank for opening the credit. Likely to be calculated as a fixed percentage on the value of credit. There is likely to be a minimum commission.
Advising commission	Charged by the advising bank for advising the beneficiary of receipt of the credit. Minimum charge likely.
Confirmation commission	Charged by the confirming bank for adding its confirmation to the credit.
Commitment commission	Charged on a time basis by the opening bank for its commitment to issue the credit on the opener’s behalf.
Payment commission	Charged by the paying bank for making the payment to the beneficiary. Minimum charge likely.

On being advised of the confirmed, irrevocable L/C drawn under UCP 500 and opened in favour of the beneficiary, he or she needs to review it immediately and make sure that its terms can be met. These are points to look out for:

- (1) Is payment under the credit to be made when and where agreed?

Payment will be due on acceptance of the documents by the confirming bank if payment is to be made at sight. Payment under credits can also be made at a later date against accepted documents under a usance L/C (paying in a limit of time). In this case the credit would stipulate when payment would be made. The beneficiary needs to check that the date of payment is that agreed with the payer.

Likewise the place of payment needs to be as agreed. Most desirable from the beneficiary's point of view is that funds will be payable in the beneficiary's own country, at his or her own bank. If it is anywhere else the beneficiary should consider whether this is desirable and acceptable.

- (2) Is the payment to be made under the credit correct in size and currency?

The amount for which the credit is opened should allow for the full agreed price. This might for example include insurance and freight under a CIF delivery contract. Does the amount allow for contractually agreed price increases or tolerances in the amount of goods shipped? The beneficiary should ensure that all amounts due to be paid will be covered by the credit.

- (3) Are the terms of shipment mentioned in the credit those which have been agreed?

These include FOB, CIF and so on.

- (4) Are the names and addresses of both the beneficiary and buyer correct?

When submitting an invoice as part of the required documentation the beneficiary's details will need to match those given for the beneficiary on the credit itself. A bank may refuse to make payment if they do not.

If the buyer's name is incorrect it is important the name appears consistently on all documents submitted by the beneficiary. This will be necessary to ensure payment. It may, however, create technical difficulties to the buyer when goods are collected or documents taken up. It is advisable to have the matter clarified straight away.

- (5) Are partial shipments permitted?

If the terms of the sales contract permit or require shipment to be made by stages then this should be allowed for in the credit. Under UCP 500, they are permitted unless the credit states otherwise.

- (6) Can the beneficiary present documents within the expiry date of the credit?

This may mean that the beneficiary has to have completed all production, packing, delivery, and document collation tasks to be able to present documents arising from those activities by the expiry date. In any case chamber of commerce documents and inspection certificates need to be presented within 21 days of the shipment date shown on the shipping documents. If this is likely to be impossible then the credit should be drawn to allow a longer period for documents to be presented.

- (7) Where goods are described in the credit are they described accurately and are the details correct?

Again details of goods and packing mentioned in the credit will need to be matched by details given in documents presented. Therefore the beneficiary needs to ensure that this will be achievable.

- (8) Can the documents called for in the credit be provided?

The beneficiary should not agree to present a document which may be impossible to obtain. Likewise if the credit calls for originals rather than copies or specifically excludes or includes copies, faxed or telex messages the beneficiary needs to be confident of being able to present them in accordance with the credit.

- (9) If insurance cover and an insurance certificate are required can these be obtained for the risks stipulated in the credit?

If for example the shipment route was to be to or through or over a war zone, insurance cover for war risks would be difficult to arrange.

- (10) Are charges and commissions listed as payable as agreed?

The opener or the beneficiary will pay the banks' commissions for operating the credit. Sometimes these are shared, sometimes one or other parties pay them all. These should be agreed prior to opening the credit.

- (11) Are there any aspects of the credit which are mistaken, unclear or in any way at odds with the beneficiary's understanding of the transaction and related payment arrangement?

A credit should be amended, corrected or clarified at an early stage either by direct discussion between the buyer and the beneficiary or by communicating through the chain of banks which are parties to it. It is common for amendments to be made and for difficulties to be ironed out early on. The result is a formal amendment to the credit issued by the

opening bank and advised through the advising bank. The amendment then becomes an integral part of the original credit which all parties have agreed to and which is correctly documented.

An agreement between counterparties over the telephone or by fax to accept a document which differs in any way from the terms of the credit should not to be relied upon. Should the person with whom the beneficiary agreed the change leave the buyer's firm there may be no formal record of what was said. More importantly, unless the bank handling the documents has been specifically authorized to accept changes to the documentary requirements stipulated in the credit it must not accept them. Were a bank to do otherwise it would weaken the security which parties seek when using the banking chain to process documents and payments through the use of letters of credit.

Once the beneficiary has reviewed the credit, arranged for it to be amended if necessary and is confident that its terms can be met he or she is in a position to accept it. The next stage will be the presentation of documents.

It is unlikely that any two letters of credit will be the same. Documents are likely to differ depending on the goods, destination, transport, inspection arrangements and so forth. There are some important considerations which will apply to just about every documentary presentation:

- (1) The documents presented must match the credit.

While this may appear to be obvious it remains the case that more than 50% of documents presented under L/Cs are discrepant, that is, do not match the terms of the credit.

- (2) Under UCP a bank is obliged to accept documents which appear on their face to match the terms of the credit.

Documents should also be consistent one with another. If they are not consistent they will be treated by the bank as not being in accordance with the credit.

- (3) Cross check documents against one another.

Invoices, bills of lading, packing lists and so on should show similar details such as descriptions, weights, measures and number of packages. The job of the bank inspecting the documents is to pick up any discrepancies of this sort.

- (4) Double and triple check all documents thoroughly before presenting them to the bank.

In many organizations a junior person is given the task of collating and checking documents. As failure to get it right will cost the company money it is reasonable and prudent that a junior's work is double checked by an experienced person who points out mistakes or oversights so that the junior can learn about what is quite a complex set of requirements.

- (5) Assemble the documents in the right number.

Some credits require extraordinary numbers of documents or copies of them. This usually has to do with local customs or other government requirements in the importer's country. If for example six copies of a 50-page packing list are required then anything less will not be accepted by the bank even if, to the beneficiary, this seems unduly bureaucratic. The importer may have no choice in the matter and the bank must adhere to its

instructions. If originals, copies or authenticated copies are called for, again the beneficiary must ensure that the precise requirements are met.

- (6) The particular definitions of each document must be met.

If the credit specifies that invoices must be made out to include particular information this must be done even if differs from the way the beneficiary normally rises invoices.

- (7) The beneficiary must present documents within the expiry date of the credit and within the 21 days from shipment normally allowed for transport documents, unless the credit allows otherwise.

If documents arrive late they will be declared stale and the bank must not accept them unless it is permitted to do so under the credit and it would be unusual if it were.

Even the most careful collation and double checking cannot eradicate all discrepancies. The inexperienced beneficiary does admittedly have a disadvantage in presenting documents to banks whose business is handling huge volumes of documents.

The bank may have dozens of eagle-eyed staff waiting to pounce on every minor error or omission. The beneficiary sometimes needs to have patience – this is after all what the documentary credit clerk is paid to do. If he or she gets it wrong, the bank may face at best a dispute over why it paid out against discrepant documents or at worst a lengthy and expensive legal wrangle which results in a loss for the bank.

A discrepancy in presented documents is not the end of the world, however. There are several remedies:

(1) Correcting documents

The documents can be retrieved, the alterations made and re-presented to the bank. This needs to be done within the expiry date of the credit and within the transport document time.

(2) 'Permission to pay'

The bank inspecting the documents can contact the opening bank or branch or the beneficiary himself for permission to pay despite the discrepancy. This is usually done telegraphically, perhaps by telex or authenticated SWIFT (Society for Worldwide Interbank Financial Telecommunications) message. It may, however, take time and the beneficiary is in the hands of the customer.

It is in the customer's interest to delay because as the goods are being transported he or she can gain a few extra days credit before paying. Sooner or later the importer is likely to need the shipping documents to collect the goods. As these will be with the confirming bank, the process cannot be delayed indefinitely. In some territories it is not unknown for goods to be spirited into the importer's possession even without, say, bills of lading (although it must be said that it is uncommon).

(3) Payment under indemnity

Payment may be made by the bank if it is prepared to accept a written indemnity from the beneficiary that the funds will be repaid should the documents not eventually be taken up by the customer. This will depend on the beneficiary's credibility with the bank and whether the nature of the documentary discrepancy is so minor as to pose little risk of documents not

being taken up. The beneficiary does, however, have a contingent risk of having to repay the funds until the bank finally releases the indemnity.

(4) Payment under reserve

Similar in effect to payment under indemnity, the bank will make payment to the beneficiary with the reservation that it must be repaid if the documents are not taken up. Interest will be charged by the bank, if the money is clawed back, for the period during which the beneficiary had use of it. Payment under reserve has the advantage of not requiring a written indemnity to be issued.

(5) Documents on collection

The discrepant shipping documents are sent to the issuing bank with the instruction that they will only be released to the importer against payment. The importer may have the opportunity to inspect the documents at the issuing bank's premises and as for 'telex to pay' above, he or she can delay until the last moment before paying.

But, worse, the importer can reject the documents. As the beneficiary has not conformed to the terms of the credit the option is entirely with the importer as to whether the documents are accepted. If the goods are no longer wanted, the documents may be rejected. Although it is more likely that the importer will need the documents to take delivery of the goods.

The beneficiary will still have control over the goods. He or she will not have been paid, however, and by the time payment comes through quite some time may elapsed since shipment.

To amend irrevocable L/C must be permitted by all parties (the buyer, the seller, and the issuing bank).

Normally, the buyer ask for amendment to the issuing bank because the seller cannot follow the L/C' condition(s). Conditions that always be amended are:

- (1) The amount of money
- (2) Quantity of goods
- (3) Total price
- (4) Shipment date
- (5) Transhipment
- (6) Expiry date of L/C

2.2.2 Financial Facilities

Export-Import Bank of Thailand (EXIM Thailand) is a financial institution wholly owned by the Royal Thai Government under the Ministry of Finance's supervision. EXIM's main objective is to serve financial needs of Thai exporters and Thai businesses investing overseas. The bank provides various financial facilities similar to those offered by commercial banks with the exception of accepting deposit from the public.

Pre-Shipment Financing (Baht) Facility

A revolving line of credit provided in Baht directly to exporters of all kinds of products to meet their pre-shipment financial needs.

Utilization:

- (1) Once a credit line is established and a credit agreement signed, exporter can obtain financing using L/C, contract, or purchase order (P/O) as evidence of drawdown.
- (2) For each drawdown, exporter must issue promissory note in Baht to EXIM Bank in an amount proportionate with the value of L/C, contract or P/O. The term of financing is determined by the type of product, which normally does not exceed 120 days.

- (4) After goods are shipped out, exporter can negotiate export bills with EXIM Bank and use the Baht proceeds for paying back the credit while retaining the remainder of the proceeds.
- (5) This is a revolving facility, therefore, any amount repaid will be available for drawdown against other purchasing documents.

Documents required:

- (1) Records of exportation and business performance
- (2) L/C, contract or P/O
- (3) Certificate of company registration
- (4) Company's financial statement and bank statement
- (5) Collateral documents

Pre-Shipment (US Dollar and Yen) Facility

A revolving line of credit to serve exporter's pre-shipment financing needs. EXIM Bank provides this facility directly to exporters in US Dollar or Yen covering all kinds of products. The Yen-denominated facility is available to exporters processing L/C, contract or purchasing order (P/O) in Yen only.

This facility can lessen financial costs of exporters and can reduce foreign exchange risks since exporters could use US dollar or Yen proceeds to pay back the credit.

Utilization:

- (1) Once a credit line is established and a credit agreement signed, exporter can obtain financing using L/C, contract or P/O as evidence of drawdown.
- (2) For each transaction, exporter must issue promissory note in US Dollar or Yen to EXIM Bank in an amount proportionate with the value of L/C,

contract or P/O. The term of financing is determined by the type of product, which normally does not exceed 120 days.

- (3) After goods are shipped, exporter can negotiate export bill with EXIM Bank and use the US Dollar or Yen proceeds for paying back the credit while retaining the remainder of the proceeds.
- (4) This is a revolving facility, therefore, any amount repaid will be available for drawdown against other purchasing documents.

Documents required:

- (1) Records of exportation and business performance
- (2) L/C, contract or P/O
- (3) Certificate of company registration
- (4) Company's financial statement and bank statement
- (5) Collateral documents

Packing Credit

A facility funded by the Bank of Thailand and provided by commercial banks to exporters or export-oriented manufacturers both for pre-shipment financing and post-shipment financing in case of usance export bills.

This facility provides low-cost financing to exporters in local currency. Using Bank of Thailand funds, EXIM Bank partially finances commercial banks' lending at a concessionary interest rate to exporters or export-oriented manufacturers.

Application:

Exporters need to apply for a credit line under this facility at commercial banks. They are also required to apply for an eligible exporter or export-oriented manufacturer status according to EXIM Bank regulation and submit relevant documentation to EXIM Bank through commercial banks.

- (1) Exporter applies for Packing credit line at commercial bank and commercial bank forwards documents for eligible exporter or exported-oriented manufacturer status approval to EXIM Bank.
- (2) Exporter receives purchasing documents from overseas, has stock in possession or has usance export bills.
- (3) Exporters issues promissory note in an amount not more than the total value of goods (100%), with the duration of no longer than 180 days or the expiration date of the purchasing documents, to commercial bank.
- (4) Commercial bank provides credit to exporter with interest rate no more than the rate specified by EXIM Bank.
- (5) Commercial bank issues promissory note to EXIM Bank in an amount according to the contribution ratio specified by EXIM Bank.
- (6) EXIM Bank provides fund to commercial bank according to the amount of promissory note issued by commercial bank.
- (7) Exporter ships out merchandise.
- (8) Exporter brings export documents to commercial banks for negotiation.
- (9) Commercial bank negotiates export bills, discharges the exporter's promissory note and gives the remaining proceeds to exporter.
- (10) Commercial bank pays back for settlement of corresponding promissory note.
- (11) EXIM Bank returns promissory notes to commercial bank.

Credit line approval:

Considerations regarding credit line approval or other relevant details are at commercial banks' discretion.

Direct Packing Credit

A facility denominated in Baht available to exporters of all kinds of agricultural or industrial goods as well as export-oriented manufacturers to serve their pre- or post-shipment working capital needs. With an interest rate lower than that of the Pre-Shipment Financing Facility (Baht), direct packing credit requires exporters or export-oriented manufacturers to submit credit utilization reports similar to those required under packing credit obtained through commercial banks.

Utilization:

- (1) The facility is provided to exporters and export-oriented manufacturers according to regulations outlined by EXIM Bank. Applications for credit lines should be directed to EXIM Bank's Business Promotion Department or all branches.
- (2) Once a credit line is established and a credit agreement signed, exporters or export-oriented manufacturers having purchasing order, usance export bills or stock in possession can issue promissory notes to EXIM Bank in order to obtain financing in an amount not exceeding:

In case of exporters:

90% of the value of letter of credit (L/C),

80% of the amount shown on purchasing agreements or orders,

80% of the value of export stock, and

90% of the amount shown on bill of exchange (B/E).

In case of export-manufacturers:

90% of the amount shown on Domestic L/C,

80% of the amount shown on purchase agreements or orders, and

80% of the stock provided for exporters.

Duration of the promissory note must not exceed 180 days nor the expiration date of the purchasing order.

- (3) After the goods are shipped, exporters or export-oriented manufacturers can negotiate their export bills with EXIM Bank using the Baht proceeds to repay the debt under their promissory notes. The balance of the proceeds is returned to the exporters or manufacturers.
- (4) The facility is a revolving credit line. Any amount repaid will be available for drawdown against other purchasing documents.

Table 2.3. Differences between Direct Packing Credit Facility and Pre-shipment Financing Facilities.

Direct packing credit	Pre-shipment financing
A credit utilization report is required.	A credit utilization report is not required.
Inspection of goods, stock register or stock control records is undertaken.	No inspection of goods, stock register or stock control records is performed.
A penalty fee at the rate of 5.5% is charged for violation of credit utilization regulations.	No penalty fee is charged (except for that generally applied for overdue payment).

Documents required:

- (1) Records of company performance and operating results
- (2) L/C, DL/C, contract or P/O
- (3) Certificate of company registration
- (4) Company's financial statement and bank statement
- (5) Collateral documents

Negotiation of Export Bills

A facility to provide post-shipment finance to exporters through export bills (export bills which are readily negotiable must contain no discrepancies) negotiation.

This facility helps exporters to obtain export proceeds for use as working capital before the due date of export bills and also covers exports to emerging markets.

Types of export bills:

Export bills with or without L/C coverage, sight or usance, for the duration of up to 180 days.

Utilization:

- (1) Used in conjunction with the pre-shipment financing facility. After merchandise is shipped, exporters could negotiate their export bills with EXIM Bank. The proceeds are used to settle outstanding debt under the pre-shipment financing facility. The balance of the proceeds is returned to the exporter. For this type of utilization, exporters need to apply for credit lines for export bill negotiation.
- (2) Used in conjunction with export credit insurance, the insured export bills are readily negotiable. For this type of utilization, a credit line for export bill negotiation is also required.
- (3) Exporters who do not apply for pre-shipment financing or export credit insurance facilities could also negotiate their export bills at EXIM Bank.

In case of exports under L/C, exporters can readily negotiate or discount export bills with EXIM Bank.

In case of exports without L/C, exporters are required to apply for credit lines prior to negotiation of export bills.

Export Credit Insurance

Under this facility, EXIM Bank provides exporters with payment risk coverage for the export of any kinds of products to export markets worldwide. In case merchandise is shipped out in compliance with the contract but the exporters do not

receive any payment due to the fact that importers are not able to or refuse to pay or due to any commercial or political disruptions that obstruct the payment, EXIM Bank will indemnify exporters for the loss.

Export credit insurance provides exporters with confidence in exploring and penetrating new markets as well as new customers in familiar markets. Additionally, it enables Thai exporters to offer their customers with more favorable terms of payment.

Type of service:

EXIM provides four types of export credit insurance services according to terms of payments as follows:

- (1) Export credit insurance for L/C
- (2) Export credit insurance for D/P and D/A
- (3) Export credit insurance for D/P and D/A and O/A
- (4) Small export bill insurance (SEBI)

Application:

Interested exporters should begin by applying for the export credit insurance program. Upon approval, export credit insurance policy and maximum liabilities and buyer's credit limits will be assigned to the exporters.

Utilization:

After each shipment, insured exporters are required to notify any shipment to EXIM Bank and also pay the premium for that shipment. The insured export bills can then be negotiated at any commercial banks or at EXIM Bank.

In case insured exporters are not paid due to any incident under EXIM Bank's export credit insurance coverage, EXIM Bank will compensate according to the conditions in the Table 2.4.

Table 2.4. Compensation of EXIM Bank According to the Conditions.

Types of Service	Term of Payment	Scope of Coverage		Time Frame for Claim Payment
		Commercial Risks	Political Risks	
L/C	* Irrevocable letter of credit *Term not exceeds 180 days	Indemnity: 85% of loss realized *Issuing bank is bankrupt/ insolvent *Issuing bank refuses to pay despite clean documentation	Indemnity: 90% of loss realized *Remittance of hard currency restricted or prohibited by authorities *New regulation prohibiting importation *Occurrence of war, revolution or riot that obstructs payment	Within 120 days after request
D/P and D/A	*Export bills for collection (D/P, D/A) *Term not exceeds 180 days	Indemnity: 85% of loss realized *Buyers are bankrupt/ insolvent	Indemnity: 90% of loss realized *Remittance of hard currency restricted or prohibited by authorities *New regulation prohibiting importation *Occurrence of war, revolution or riot that obstructs payment	COMMERCIAL RISKS *Buyers are bankrupt/insolvent: Immediately upon receipt of evidence *Buyers refuse to pay: Within 120 days after request *Buyers refuse to take delivery: Within 30 days after loss realized POLITICAL RISKS *Within 120 days after request
D/P, D/A and O/A	*Export bills for collection (D/P, D/A) *Term not exceeds 180 days *Open account (T/T after shipment) *Term not exceeds 180 days	*Buyers refuse to pay *Buyers refuse to take delivery		
SEBI	*D/P sight up to D/A 90 days after shipment date	*Indemnity: 70% of loss realized	*Indemnity: 90% of loss realized	*Within 90 days after request

2.3 Delivery

Transportation is the way carrying the products to the destination. Exporters should find the right transportation method so that the products will be shipped in low cost and safety.

There are two main transportation methods for shipping the Thai products to America: air transportation and water transportation.

2.3.1 Air Transportation

Air transportation is suitable for sending the product samples and perishable products to the customers because product samples are shipped in low quantity and perishable products need the limit of storage time.

Booking and shipping by air transportation is not complicated like water transportation and exporters can use the freight forwarder services for this delivery method. Thereby, water transportation will be more referable in this project.

2.3.2 Water Transportation

There are many shipping agents handling the product delivery for the exporters. It is because the exporters do not own the vessel or own the shipping company. Some shipping companies export their products by themselves so they do not need any shipping agents or any freight forwarders.

The below example is the shipping agent services called Door-To-Door carriage services:

- (1) Cargoes being loaded into container at the shipper's warehouse.
- (2) After the containers are transported to the terminal and have completed customs clearance, these containers will be transferred immediately to shipside and will be loaded onto the vessel using gantry cranes designed especially for containers to save valuable loading time.

- (3) Containers with cargoes will be safely and promptly delivered to the designated ports.
- (4) Container trucks will deliver cargoes to consignee's warehouse at their designated locations.

Before selecting the shipping agent, the exporter should study some shipping information so that it smoothen the export process and low cost of shipping.

Ships are classified into 9 types mainly:

Passenger Ship

Ship designed with a multi-deck hull and superstructure specifically for the carriage of passengers for whom cabin accommodation is provided for twelve or more. The trading may be that of cruising or excursion.

Various features may include:

Additional forward hold or holds for the carriage of cargo, access to which is by lift on / lift off.

Related types include:

- (1) Ferry – a ship designed to carry passengers, cabin accommodation for twelve or less of whom is provided, on a short-haul service.
- (2) Passenger / Roro Cargo – a passenger ship provided with additional decks in the hull for the carriage of laden vehicles, access to which is by stern and / or bow door / ramps.
- (3) Passenger / Roro Cargo / Ferry – a passenger / roro cargo ship with a certificate to carry more passengers than for whom cabin accommodation is provided.

General Cargo

Ship designed with a single deck hull which includes a single hold or arrangement of holds, or a hull which includes an arrangement of holds and 'tween decks, specifically for the carriage of diverse forms of dry cargo.

The cargo handling mode is lift on / lift off to and from the holds (and 'tween decks) by way of weather deck (and 'tween deck) hatches.

Various features may include:

- (1) A single deck, double skin sides and wide deck openings (box shape holds).
Ships of this type may be intended specifically for the carriage of forest products, cargo handling of which may be by use of gantry crane.
- (2) Strengthening for the carriage of heavy cargoes (including ore).
- (3) Certain holds equipped with container securing arrangements, hoistable or movable vehicle decks, or other facilities pertaining to the carriage of a particular type of cargo.
- (4) The weather deck equipped with container securing arrangements, or arrangements for the carriage of timber.
- (5) The carriage of liquid cargo in specially designed tanks.
- (6) A refrigerated cargo space for the carriage of perishable cargoes.
- (7) Additional cargo handling to and from the cargo spaces by way of a side-loading / unloading system (for the carriage of cargo in pallet form and other unitised cargo).
- (8) Additional cargo handling to and from a 'tween deck by way of a stern-, side-, or bow-door / ramp situated below the weather deck, and where additional cargo segregation is provided by hinged 'tween deck openings or a hinged movable bulkhead.

Refrigerated Cargo

Ship designed with a multi deck hull which includes an arrangement of refrigerated holds and 'tween decks specifically for the carriage of perishable cargoes. The cargoes handling mode is lift on / lift off to and from the holds (and 'tween decks) by way of weather deck (and 'tween deck) hatches.

Various features may include:

- (1) Additional side loading by way of side elevators for the specific loading of perishable cargoes on pallets.
- (2) The alternative carriage of other forms of cargo, including facilities for the carriage of road vehicles (by way of special side elevators or shell doors).

Container Ship

Ship designed with a single deck hull which includes an arrangement of holds fitted with cellular guides specifically for the carriage of containers.

The cargo handling mode is lift on / lift off to and from the holds by way of weather deck hatches.

Various features may include:

- (1) Weather deck mounted cellular guides.
- (2) One or more holds with no weather deck hatch covers.
- (3) An additional forward hold or tank for the carriage of dry or liquid cargo.
- (4) Points for electrically cooled refrigerated containers.
- (5) Fully refrigerated holds for the carriage of perishable cargoes in non-refrigerated containers.
- (6) An alt superstructure (garage) section comprising cargo decks (of light construction), accessed by way of a stern ramp, for the carriage of new, unladen road vehicles.

Tanker

A category of ships designed with a single deck hull which includes an arrangement of integral or independent tanks specifically for the bulk carriage of cargo in liquid form. Cargo handling to and from the tanks is by way of shore- and / or ship-based pumping and piping equipment.

Various features may include:

- (1) A double bottom structure, double skin sides and double deck.
- (2) A particular tank structure / tank coating, or other structural features, which reflect the nature and hazard of the cargo carried.
- (3) The additional carriage of quid cargo in independent tanks situated on the weather deck.
- (4) An additional forward hold for the carriage of dry cargo.

Tanker types include:

- (1) Oil tanker
- (2) Chemical tanker
- (3) Oil / chemical tanker
- (4) Liquefied gas tanker (for LPG and / or LNG) – mainly independent tanks
- (5) Liquefied gas tanker / chemical tanker
- (6) Other tankers e.g. asphalt tanker, fruit-juice tanker (with refrigerated holds), wine tanker, water tanker

Bulk Carrier

A ship designed with a single deck hull, which includes an arrangement of topside ballast tanks and holds specifically, designed for the bulk carriage of various types of loose dry cargo of a homogeneous nature.

The cargo handling mode may be lift on / off to and from the holds by way of weather deck hatches or, alternatively, by way of specialized shore-based equipment.

Various features may include:

- (1) Hopper side tanks (which may be combined with the topside tanks).
- (2) Strengthening for the carriage of heavy cargo (include ore).
- (3) Holds equipped for the carriage of containers (container securing arrangements) or for the carriage of vehicles (hoistable vehicle decks, accessed by way of shell side doors).
- (4) A weather deck equipped with stanchions for the carriage of logs.
- (5) Self-discharging apparatus, including hopper-shaped holds, in-hold conveyor belts and a self-unloading boom.
- (6) Design restraints and service restriction pertaining to operations in the Great Lakes of North America.

Related types include:

- (1) Wood chip carrier
- (2) Cement carrier – with no weather deck hatches, but pumping and piping arrangements for the loading and unloading of cement
- (3) Ore carrier – two longitudinal bulk heads, side tanks – ore carried in center holds only
- (4) Ore / Bulk / Oil carrier (OBO) – a bulk carrier with the additional facilities for the alternative (but not simultaneous) bulk carriage

(Offshore) Supply Ship

Ship designed with weather deck space aft specifically for the carriage of stores and equipment, etc., to offshore oil and gas exploration / production installation.

Various features may include:

- (1) Tanks beneath the weather deck for the carriage of drilling mud, cement, etc., for use in the offshore industry.
- (2) Facilities pertaining to additional activities which may include: Towing, anchor handling (stern roller), fire-fighting, stand-by safety (Rescue zone and survivor accommodation), pipe carrying, oil dispersal, or oil (stored in tanks beneath the weather deck), and diving support.

Fishing

Ship designed for the catching of fish by one or more means.

Types include:

- (1) Trawler – designed with trawl gallows for side-trawl net fishing or a stern ramp and trawl gallows for stern stern trawl net fishing.
- (2) Long-liner
- (3) Purse-seiner

Roro Cargo

Ship designed with a multi-deck hull specifically for the carriage of road and / or rail vehicles, and cargo which can be loaded / unloaded by wheeled transport.

The cargo handling mode is roll on / roll off to and from the internal decks by way of a door / ramp situated below the weather deck.

Various features may include:

- (1) One or more decks fitted with fixed rails for the carriage of railway vehicles either exclusively or simultaneously with road vehicles on the same or separate decks.
- (2) Additional cargo handling of lift on / lift off to and from the weather deck, or onto the roro deck by way of weather deck hatches.

- (3) Internal ramps or elevators for the movement of cargo between decks (including the weather deck).
- (4) Cabins for lorry drivers.
- (5) Side loading facilities for the loading of pallet containing such cargoes as paper rolls.

Related types include:

- (1) Landing craft – a ro-ro cargo ship of single deck design where cargo is carried only on the weather deck, and access is by a bow-ramp. Additional features may include tanks beneath the deck for the carriage of oil and / or water.
- (2) Roro cargo / Ferry – a ship designed to carry both ro-ro cargo and passengers, for whom cabin accommodation is not provided, on a short-haul service. The ro-ro cargo may be carried on internal weather decks or on the weather deck. It may also be double-ended for ease of operation.

Vehicles Carrier

Ship designed with a multi-deck hull, or multi-deck hull and superstructure, specifically for the carriage of new unladen road vehicles.

The cargo handling mode is roll on / roll off to and from internal decks (of light construction) by way of doors / ramps and internal ramps between decks.

Various features may include:

The carriage of other (heavier) cargo and / or (laden) vehicles on one or more strengthened vehicle decks.

Unlike the other transport documents the marine or ocean bill of lading is a document of title. A holder of it is able to lay claim to goods. It is also a receipt for goods, evidence that the shipper received the goods for shipment and is signed by the ship's master, carrier or agent. It is also evidence of a contract of carriage.

Typically a 'shipped on board bill of lading' is called for. It can be matched with the commercial invoice and packing lists by comparing descriptions of the cargoes, packing specifications and weights. However, bills of lading do not list the value of the goods.

Bills of lading should not be claused unless specifically acceptable. A clausing suggests that the goods may be damaged, shipped on deck, have damaged packaging or some other shortcoming. When presented under letters of credit, bills of lading are usually held to be 'stale' if presented longer than 21 days after shipment unless the credit stipulates to the contrary. UCP Article 23, 24 and 25 refer in detail to bills of lading.

The details contained in bill of lading are:

- (1) Shipper (Exporter / Consignor)
- (2) Consignee
- (3) Notify Party
- (4) Vessel and Voyage
- (5) Place of Receipt
- (6) Port of Loading
- (7) Port of Discharge
- (8) Place of Delivery
- (9) Transshipment Port
- (10) Cargo Description

- (11) Shipping Mark
- (12) Cargo Weight
- (13) Measurement
- (14) Number of Packing
- (15) Packing Type such as Cartons, Boxes, Pallets, etc.
- (16) Type of Movement
- (17) Container Number
- (18) Seal Number
- (19) Term of Payment
- (20) Exchange Rate
- (21) On Board Date
- (22) Issuing Date
- (23) Number of Original
- (24) Bill of Lading Number
- (25) Booking Number

There are 6 types of container:

Dry Freight Containers

Characteristics:

- (1) Designed for general cargo.
- (2) Extra equipment like hanger beams, extra high payload & extra door-width versions are available.
- (3) Bull rings and lashing bars for added security.

Ideal commodities:

Toys, watches, garments, etc

Reefer Containers

Characteristics:

- (1) Suitable for sensitive or refrigerated cargoes.
- (2) Facilities include controlled atmosphere, humidity control and modern dataloggers.
- (3) Supper freezer containers can freeze your cargo up to –60 Celsius

Ideal commodities:

Fruit, vegetables, meat, fish or dairy products, etc.

Flat rack Containers

Characteristics:

- (1) Special equipment for heavy cargo that needs special attention.
- (2) Suitable for top or side loading.

Ideal commodities:

Heavy machinery, pipes, etc.

Artificial Tweendecks

Characteristics:

Used for out of ordinary container stowage because of its weight or size.

Ideal commodities:

Irregular size equipment, etc.

Open-Top Containers

Characteristics:

- (1) Designed for over-sized cargo.
- (2) Removable roof bows & tarpaulin covers.

Ideal commodities:

Machinery, etc.

Open-Side / Open- Top Containers

Characteristics:

- (1) Designed for easy stuffing and stripping.
- (2) Removable side grating, top rails, roof bows and door headers effective ventilation.

Ideal commodities:

Fresh products e.g. onions, potatoes, etc.

There are 4 types of the product movement and loading:

- (1) CFS (Container Freight Station) – The place that the cargoes are loaded into the container outside the manufacturer.
- (2) CY (Container Yard) – The cargoes are loaded into the container in the manufacturing area. This is also Door-To-Door carriage service.
- (3) LCL (Less Than Container Load) – The cargoes are loaded unfully into the container.
- (4) FCL (Full Container Load) – The cargoes are loaded fully into the container. It can be CFS or CY.

To avoid problems such as cargo overflow or wastage of space, it is essential for shippers to have a stuffing plan before cargo is loaded into the container.

Measurement

Generally speaking, a 20' (feet) container can hold as much as about 28 – 30 cbm. (Cubic meter) or 980 – 1,060 cu.ft. (Cubic feet), while a 40' (feet) can hold about 56 – 60 cbm. or 1,980 – 2,110 cu.ft. . The actual loading capacity of a container depends not only on the dimensions of the carton boxes but also on many other factors such as the packaging material and the competence and experience of the stuffing personnel. See Table 2.5.

Table 2.5. Size of Containers.

Container	Interior Dimensions	Tare Weight	Cubic Capacity	Payload
20' Dry freight container	L : 5,898 mm. W : 2,350 mm. H : 2,390 mm.	2,200 kgs. 4,850 lbs.	33.0 cbm. 1,179 cu.ft.	24,800 kgs. 54,673 lbs.
40' Dry freight container	L : 12,035 mm. W : 2,350 mm. H : 2,393 mm.	3,700 kgs. 8,156 lbs.	67.0 cbm. 2,393 cu.ft.	28,800 kgs. 63,491 lbs.
40' High cube Dry freight container	L : 12,030 mm. W : 2,350 mm. H : 2,690 mm.	3,930 kgs. 8,663 lbs.	76.0 cbm. 2,714 cu.ft.	28,570 kgs. 62,984 lbs.
45' High cube Dry freight container	L : 13,556 mm. W : 2,352 mm. H : 2,695 mm.	4,590 kgs. 10,118 lbs.	86.0 cbm. 3,071 cu.ft.	27,910 kgs. 61,529 lbs.
20' Reefer container	L : 5,440 mm. W : 2,294 mm. H : 2,237 mm.	2,750 kgs. 6,062 lbs.	27.9 cbm. 986 cu.ft.	24,250 kgs. 53,460 lbs.
40' Reefer container	L : 11,577 mm. W : 2,294 mm. H : 2,210 mm.	3,950 kgs. 8,708 lbs.	58.7 cbm. 2,073 cu.ft.	28,550 kgs. 62,940 lbs.
40' High cube Reefer container	L : 11,577 mm. W : 2,294 mm. H : 2,509 mm.	4,150 kgs. 9,148 lbs.	67.0 cbm. 2,366 cu.ft.	28,350 kgs. 62,499 lbs.
45' High cube Reefer container	L : 13,102 mm. W : 2,286 mm. H : 2,509 mm.	5,200 kgs. 11,463 lbs.	75.4 cbm. 2,663 cu.ft.	27,300 kgs. 60,184 lbs.
20' Flat rack container	L : 5,935 mm. W : 2,398 mm. H : 2,327 mm.	2,560 kgs. 5,643 lbs.	-	21,440 kgs. 47,265 lbs.

Table 2.5. Size of Containers. (Continued)

Container	Interior Dimensions	Tare Weight	Cubic Capacity	Payload
20' Collapsible Flat rack container	L : 5,966 mm. W : 2,418 mm. H : 2,286 mm.	2,970 kgs. 6,547 lbs.	-	27,030 kgs. 59,589 lbs
40' Flat rack container	L : 12,080 mm. W : 2,420 mm. H : 2,103 mm.	5,480 kgs. 12,080 lbs.	-	25,000 kgs. 55,113 lbs.
40' Collapsible Flat rack container	L : 12,064 mm. W : 2,369 mm. H : 1,943 mm.	5,200 kgs. 11,463 lbs.	-	39,800 kgs. 87,741 lbs.
40' Artificial tweendeck	L : 11,823 mm. - W : 2,197 mm.	4,860 kgs. 10,714 lbs.	-	39,580 kgs. 87,256 lbs.
20' Open top container	L : 5,893 mm. W : 2,346 mm. H : 2,353 mm.	2,200 kgs. 4,850 lbs.	32.0 cbm. 1,143 cu.ft.	28,280 kgs. 62,344 lbs.
40' Open top container	L : 12,056 mm. W : 2,347 mm. H : 2,379 mm.	3,800 kgs. 8,377 lbs.	67.0 cbm. 2,393 cu.ft.	28,700 kgs. 63,270 lbs.
20' Open side/ Open top container	L : 5,928 mm. W : 2,318 mm. H : 2,257 mm.	2,775 kgs. 6,117 lbs.	31.0 cbm. 1,107 cu.ft.	21,225 kgs. 46,791 lbs.

Weight

Besides the cargo's measurement, the stuffing plan should also take the weight into consideration. It is important to note that in many countries the permissible weight limits for road and rail transportation are lower than the maximum payload a container can afford.

Use of Pallets

Palletization is widely applied in some countries to increase cargo handling efficiency. When pallets are used, it is important to observe that:

- (1) There are two major types of pallets, "Europallet" and "Standard pallets". The size of the "Europallet" is 800 mm. (Milli-meter) x 1,200 mm. per piece while the size of "Standard pallets" is 1,000 mm. x 1,200 mm. per piece. A 20' container can hold eleven "Europallet" in one tier or nine to ten "Standard pallets" in one tier while 40' container can hold 23 – 24 "Europallet" in one tier or 20 – 21 "Standard pallets" in one tier.
- (2) Wooden pallets must be strong enough to allow storage of three tiers when loaded.
- (2) Carton boxes must not overhang the edges of the pallets. On the other hand, boxes which utilize less than 90% of the pallet surface and do not align with the pallet edge can shift in transit.

In many cases, pallets are replaced by slipsheets to save space. Some shippers use neither pallets nor slipsheets in order to stuff more cargo into the container.

It is necessary for exporters to check the vessel schedule in advance because they must manage the suppliers' production lead time and restrictions in the letters of credit. Exporters can ask for the vessel schedule from the shipping agents or checking from the English daily newspapers.

Contacting shipping agents exporters should consider these principles as followings:

Considering the letter of credit conditions about:

- (1) Transshipment is “allow or not allow”.
- (2) L/C expiry date.
- (3) Latest shipment date.
- (4) Are there any shipping agents forbidden?
- (5) Shipment under of which kinds of B/L’s conditions?
- (6) Which watercourse is prohibited?

Asking for more information from the shipping agent about:

- (1) ETA (Estimate time of arrival)
ETD (Estimate time of departure)
The date arrival at the destination
- (2) Ocean freight and charges
- (3) On board date
- (4) Date, time, and place of loading cargoes
- (5) Vessel name, name of the person contacted, and the place of shipment

Booking to the shipping agent. And when cargoes are loaded, the exporter asks for a copy B/L and checks the details with the L/C to revise if there is a mistake.

This project shows booking cargo with Sea-Land Agent:

Critical Booking Data for All Shipment

The following information is necessary at the time of booking:

- (1) Shipper name and address
- (2) Consignee name and address (if different from shipper)
- (3) Commodity

- (4) Weight and / or cube
- (5) Number of containers (If more than one container, can they be split?)
- (6) Container type and size
- (7) Vessel / Voyage and sailing date
- (8) Point of origin if carrier haulage requested
- (9) Vessel port of load
- (10) Vessel port of discharge
- (11) Destination point of carrier haulage requested
- (12) Booking party name and phone number
- (13) Freight forwarder or customs house broker
- (14) Harmonized code or tariff line item, if available, will help to ensure accurate rating

Required Booking Data for Sea-Land Pickup / Delivery

The following information is required when Sea-Land perform pickup and / or delivery

- (1) Cargo pickup point
- (2) Origin contact name and address
- (3) Container spotting and pickup date
- (4) Inland transport requirements at origin
- (5) Inland transport requirements at destination
- (6) Final destination contact name and address
- (7) Requested delivery date at destination

Intermodal Weight Certification

The Intermodal Safe Container Transportation Act effective June 27, 1995, has been postponed until September 27, 1995. This act requires that an “Intermodal

Certification” accompany any intermodal container load with cargo weight over 10,000 pounds while on a U.S. Highway. The act applies to both import, export and domestic container loads.

Intermodal Certification must be generated by the party tendering the container load to the initial motor carrier and must accompany the loaded container or trailer during transportation by a motor carrier. It must contain all of the following information:

- (1) Title “Intermodal Certification”
- (2) Container number
- (3) Actual gross cargo weight
- (4) Reasonable description of cargo
- (5) Name of company and person tendering the loaded container and the date tendered
- (6) Signature of the person tendering or representative tendering loaded container

The above information can be incorporated into existing shipping documents such as dock receipts, pickup orders, trucker’s instructions or shipping instructions. As long as the above information can be easily identified on the document it can be used as the “Intermodal Certification”.

The Act prohibits motor carrier from transporting a loaded container or trailer prior to receiving a tangible certification and such a certification must accompany the driver of the loaded container or trailer during transportation by a motor carrier.

Maximum Cargo Weight – USA / Canada

The following cargo weight restrictions are necessary to stay within federal, state and / or local laws regarding over-the-road movement in the USA and Canada.

Conferences and tradelanes may have additional restrictions regarding weight. Please verify prior to loading.

Table 2.6. Cargo Weight Limitations.

Equipment	Pounds	Kilograms
20' Dry	35,000	15,876
40' / 45' Dry	46,000	20,865
40' Reefer	42,000	19,051

Adherence to these limitations should ensure the laws relative to gross vehicle weight, axle weight and the bridge formula are met, providing shippers evenly distribute cargo over the entire length of the container. Check with the point / port of origin for specific data on weight capacity.

2.4 Customs

2.4.1 What Benefits Will Exporters Receive?

At present, all types of exported goods are exempt from export duties except:

- (1) Raw hides and skins.
- (2) Wood and sawn wood (including lumber).

As regards other types of goods, besides being exempt from export duties, exporters are entitled to the following benefits:

- (1) The benefit from value added tax refunds.
- (2) The benefit from excise duty refunds.
- (3) The benefit to apply for drawback on the raw materials imported to be produced, mixed, assembled or packed for re-export under Section 19 bis of the Customs Act (NO.9), B.E.2482.
- (4) The benefit to apply for tax and duty compensation on exported goods if they are domestically manufactured, whether they partially or wholly use local or overseas raw materials, and if they are not the goods prescribed by the Compensation Committee as not being entitled to compensation or other benefits, such as Section 19 bis or B.O.I.

Tax and duty compensation is prescribed as a percentage of the F.O.B. value of exported goods, for example sets of automobile brakes, bumpers and wheels will be subject to the compensation rate of 7.99% of the F.O.B. value while home appliances made of plastic are entitled to the compensation rate of 3.51% of the F.O.B. value.

2.4.2 The Role of the Customs Department toward Export

The Customs Department is regarded as the country's export gate, being tasked with the examination of exported goods to see if they comply with Customs regulations,

for instance whether such goods are accompanied by a correct license from the concerned agency if they are so required.

The examination is divided into 2 parts: examination of export documents and examination of exported goods.

Examination of Export Documents

The documents exporters must submit to the Customs Department in general cases are:

- (1) Managers' or authorized persons' signature cards which are issued by the Customs Department; in case the exporters authorize Customs brokers to perform the work on their behalf, Customs brokers' identification cards must also be displayed to Customs officers.
- (2) Export entries which are the Customs forms to be filled in by the exporters by giving the particulars concerning the description, value (F.O.B. value) and quantity of goods as well as the port and country of destination.
- (3) Invoices
- (4) Packing list
- (5) Oversea business form (Thor Tor 1) for the value of goods in excess of 500,000 baht.
- (6) Licenses or certificates in case the exported goods require export licenses or certificates.

In the event that the exporters wish to apply for drawback on raw materials, for tax and duty compensation or for refunds of other taxes, the exporters must, in addition to the documents to be submitted in normal cases, submit the following additional documents, as the case may be:

- (1) In case of the application for drawback on imported raw materials under Section 19 bis, the exporters must present export entry attachments to be used in conjunction with other documents for the application for drawback from the Customs Department.
- (2) In case of the application for tax and duty compensation, the exporters must add another copy of the “Blue Corner” export entry to be used for the application for tax and duty compensation for the exported goods from the Customs Department.
- (3) In the case of the application for refunds of value added tax, the exporters must add another copy of the “Blue Corner” export entry to be used for the application for refunds of value added tax from the Revenue Department.
- (4) In case of the application for refunds of excise duties, the exporters must add another copy of the “Blue Corner” export entry to be used for the application for refunds of excise duties from the Excise Department.
- (5) In case of the allocation of the Ministry of Commerce’s export quotas, the exporters must supplement another copy of the “Blue Corner” export entry.
- (6) In case of the adjustment of the B.O.I. raw materials account, the exporters must follow the same procedure as in the above.

Examination of Exported Goods

Following the examination of export documents which takes approximately 15-20 minutes, Customs officers will examine the particulars declared on the export entries against the goods to be exported prior to the delivery of the goods to be loaded onto an outbound vessel. The length of time required for the examination of the goods is about 15-30 minutes, depending on the volume of the goods.

In case of the exportation of the goods subject to the application for drawback on imported raw materials under Section 19 bis of the Customs Act, Customs officers will normally take samples of the goods for the examination of drawback on imported raw materials in accordance with the previously approved manufacturing formula.

2.4.3 Customs Modernization Reform

Toward the end of 1997, the Customs Department initiated a Customs modernization reform program. Up until now, several measures have been launched to improve the services given to the public by focusing on the simplification of Customs procedures and, in particular, on facilitation to exporters. With its strong determination toward service improvement, the Customs Department has since the beginning of the fiscal year 1998 realigned the following principal services.

Categorization of Customs Brokers

The Customs Department carries out the selection process of well-versed and experienced Customs brokers who specialize in the execution of Customs formalities in compliance with the official regulations by classifying them into good-grade and special-grade Customs brokers. These Customs brokers are allowed to take their customers' imported or exported goods out of Customs custody without having to go through the procedure of tariff and value verification at the time of importation or exportation. They are also entitled to have their goods opened for inspection by half the normal opening rate, including the right to be on line with the Customs Department's computer network. Besides, special-grade Customs brokers are entitled to pre-receive drawback or compensation money (within 1 working day) and the verification will be conducted on a later day.

“Long Room” Customs Procedures

This is the simplification of customs procedures whereby importers can finish the import procedure within 2 steps (formerly 8 steps), taking no more than 30 minutes, and exporters can complete the export procedure within 1 step, taking no more than 15 minutes. This measure will help entrepreneurs save time and costs.

Drawback under Section 19 Bis

The customs department has stipulated some measures to expedite drawback and provided various benefits to reduce the problems and burdens of entrepreneurs as well as to promote export trade in accordance with the government’s policy. These include:

- (1) One-stop service drawback, providing entrepreneurs into 6 groups as follows:

The entrepreneurs using a bank’s guarantee will be granted drawback within 5 minutes.

Special-grade customs brokers will be granted drawback within 1 day.

Good-grade customs brokers will be granted drawback within 15 days.

Special-grade exporters will be granted drawback within 15 days.

Good-grade exporters will be granted drawback within 20 days.

General drawback applicants will be granted drawback within 30 days.

- (2) Drawback under section 19 bis by means of a bank’s guarantee via on-line computer linkage with the bank by entrepreneurs notifying the amount of guarantee to be approved by the bank which will charge a fee according to the total taxes and duties levied on imported raw materials, the process being completed with the guarantee returned to the bank within 5 minutes, helping to reduce the costs associated with the guarantee amount;

- (3) Drawback under section 19 bis via the special-grade customs brokers system by providing services for the entrepreneurs who are special-grade customs brokers, these customs brokers being well-versed, experienced and capable of verifying the customers' correctness on behalf of the customs department and will be granted drawback within 1 day;
- (4) Relief of importer' guarantee burden under Section 19 bis, resulting in the convenience of goods clearance, expenditure reduction and the ability to solve the liquidity problem of the importers by:

Granting drawback on the articles used up in consumption on an actual basis without having to use the duty exemption privilege according to the Investment Promotion Law.

Exempting the collection of 10% special duty on the imported goods under Section 19 bis, thereby reducing manufacturing costs and improving liquidity.

Reducing the burden of duty payment or tax guarantee on the raw materials imported under Section 19 bis by half the normal amount or to only 5% of the general collectible rate.

Facilitating importers or exporters to receive Customs entry attachments after the clearance of goods or after the analysis of goods so that these attachments can be retained by the importers or exporters to prevent the problem of late drawback approval or the documents being lost.

Electronic Data Interchange (EDI)

The Customs Department has improved its services by introducing computerization in the execution of Customs procedures between entrepreneurs and the Customs Department, linking the transfer of data regarding Customs entries with

exporters or Customs brokers by using the Electronic Data Interchange (EDI) system. Export via the EDI system can help entrepreneurs save costs and time to a great extent, because they can rapidly file the data concerning Customs entries for preliminary verification by Customs officers, which takes no more than 5 minutes. The most important thing is that the entrepreneurs will have a chance to directly meet the officers only during the verification of documents; the rest will be processed through the EDI system.

Exportation via EDI System

Exporters or Customs brokers file the data concerning export entries via the on-line computer network of the Customs Department, which will receive the data for verification before notifying result to the exporters or Customs brokers, who will type relevant data on export entries for submission at any Customs office together with the other documents. The goods not subject to tariff and value verification can pass through green channels whereas the goods subject to tariff and value verification must proceed through red channels for verification at the Export Procedure Sub-Division and for duty payment (if any). Customs officers will thereafter check the completeness of documents against the data in the computer at the Goods Inspection Sub-Division, and the computer will automatically assign Customs inspectors to undertake the clearance of goods.

The Customs Department's Export Promotion Measures

The Customs Department has improved its efficiency on export promotion to be compatible with the economic situation and in response to the Government's policy on the enhancement of export productivity as follows:

Formality facilitation measures:

- (1) Categorization of Customs brokers to be entitled to some privileges.

- (2) Modernization of the computer system to internationalize Thailand's export system by the introduction of the Electronic Data Interchange (EDI) system.
- (3) Simplification of the export procedures by the introduction of the on-line computer system.
- (4) Permission to the Council of the Thai Chamber of Commerce and the Department of Foreign Trade of the Ministry of Commerce to set up their offices at the Bangkok International Airport and at the Bangkok Port Customs Export Bureau to provide the services regarding the issuance of certificates of origin (C/O) to exporters.
- (5) Simplification of the export procedures via the "Long Room" system.
- (6) Simplification of the procedure on the sealing of "RTC" metal labels on containers for the clearance of exports at every port of departure.
- (7) Simplification of the procedure on the processing of the incoming passengers who bring in as accompanied baggage machinery spare parts and accessories essential for use urgently in manufacture.
- (8) Revision of the Customs procedure regarding the importation of chemical fertilizers.
- (9) Revision of the regulations on the examination of export entries to facilitate the execution of Customs formalities.
- (10) Establishment of the center for export promotion and privileges or "The Customs Clinic" to provide consultation and recommendations to exporters.
- (11) Provision of 24-hour export services both at the Bangkok Port and at the Bangkok International Airport.

Other export promotion measures:

- (1) Reduction of duty rates on plastic products to develop local industries.

- (2) Cancellation of the reduction and increase of duty rates on corns and oil refuse for feeding animals to conform to the obligations of the Marakesh Agreement establishing the World Trade Organization.
- (3) Permission to take the goods from one export processing zone to be containerized in another export processing zone to reduce the expenses associated with container rental.
- (4) Permission to transport the goods-in-transit from the Laem Chabang and Mab Ta Put Seaports to various inland container depots (ICD) at both private piers and the Bangkok Port for the execution of formality requirements.
- (5) Amendment of the regulations concerning the inland storage of transhipped goods to be more convenient and expeditious.

Under the Government's policy which encourages the export of Thai products, Customs services rendered at the Bangkok International Airport Customs Bureau have emphasized the facilitation of Customs clearance procedure, especially the processing of export entries which can be done within 5 minutes.

Customs Clearance Procedure for Export Entries

Exportation at the Bangkok International Airport requires two steps:

- (1) Document procedure – comprises 2 systems and exporters are allowed to select either one of them.

Manual system:

The Department has implemented the system called "Long Room" since 1st May 1998. The system requires exporters or their authorized agents to lodge documents for formality checks at the Entry Submission Unit and retrieve them from the Entry Return Unit after the documents have been checked by

Customs officials. Following the lodgment, the documents will be processed by Customs officials. Furthermore, there has been a reduction in the steps required from 4 – 2 steps as indicated below:

Completeness check of export entries / supporting documents and inspection order (by assessment officials), and

Issuance of entry numbers and duty exemption numbers (by formality officials).

These two steps will approximately be completed within 5 minutes.

Electronic Data Interchange (EDI) system:

The Department has opened its first EDI service system for export at the Bangkok International Airport Customs Bureau on 1st April 1998. The system involves the following process:

Exporters / authorized agents transmit the information concerning their exportation from their computers to the Department's computers,

The Department's computers will then process the received information; if correct, entry numbers will be issued and the exporters will be notified through computers; if correct, correction orders will be transmitted, and

Exporters / authorized agents will prepare the entries by using the computer data submit them to certain officials, depending on the types of entries:

The entry that requires no checking (Green Line) – must be lodged at the warehouse designated as the port of export. In this case, a warehouse official will record the number of airway bill in the computer, and the computer will automatically specify the name of official for the clearance of goods. A Customs chief inspector stationed at the warehouse will review the

completeness of all documents and endorse them prior to the release of goods.

The entry that falls under the checking conditions specified in the system – must be lodged at the Export Formality Sub-Division. This type of entries consists of less than 1 percent of the total number of entries. After being checked, the entry will be ready for the next step: the release of goods. A warehouse official will record the number of airway bill in the computer.

(2) Clearance of goods

The entries processed through the manual system have clearance steps as follows:

Registration → Customs official assignment → Goods inspection

The entries processed through the EDI system:

Working hours – The Export Formality Sub-Division, besides rendering services within office hours, also provides identical services during the overtime period from 4.30 p.m. to 8.30 a.m. on the following day.

The Customs Department's EDI System Development

The EDI system has been implemented in an effort to develop Thailand's import and export system to meet the international accepted standard. It is expected to substantially reduce the management and administrative costs of the trading community and to simultaneously expedite the Customs clearance process.

The implementation of the EDI system stems from rapid and consistent changes in the international trade environment. Information technology has become a main factor in gaining a competitive edge in the business environment. The Customs Department has long realized the importance of the system and has currently implemented the

system to improve management, service quality and operational effectiveness. The system is planned to be installed to provide all import and export facilities.

The EDI system will be subject to modification on the export procedure, including the clearance of goods to facilitate exporters. The clients who need to use the system must have their own programs for the transmission of data, e.g. entry, invoice, airway bill and manifest. The clients themselves can develop their own programs or have the programs done by a software house.

As regards the formality execution process and the clearance of goods under the EDI system, exporters must load the information on invoices and entries into the computer linked with the Department's computer system for verification. If the information is correct, officials will number the entries and notify the exporters through the computer, which will automatically assign an inspector or a chief inspector. The exporters can thereafter submit the entries for examination and for recording the clearance data at any formality section before the process is completed. This process is much faster than old process; the problems regarding corruption, smuggling and Customs fraud will especially be reduced.

The benefits to be received by clients are expeditious exportation, error reduction, lower management costs, reduced paperwork expenses and less time required.

The EDI project will yield a worthy outcome only when all the parties concerned work in harmony. Large organizations themselves can set their own EDI system. As for small and medium-sized enterprises, it will be worth more using the EDI services rendered by authorized Customs brokers or by the Customs brokers having their system linked with the Department.

2.4.4 The Roles and Responsibilities of the Customs Department

The main roles of the Customs Department are to provide the country's income and to facilitate business transactions both domestically and internationally, having been structured with the grouping of units with similar and related work as follows:

- (1) To enforce tax laws and other related laws, including the tariffs levied on various import / export items. The revenue collected by the Department consists of: Customs duty, value added tax (VAT) for the Revenue Department, excise tax for the Excise Department, municipal tax for the Ministry of Interior, surcharges under the Investment Promotion Act, and charges and fees under Customs and related laws.
- (2) To prevent, suppress and control smuggling. This involves monitoring investigating, and cracking down on illegal activities. It is meant to protect honest entrepreneurs, and to enhance the tax collecting capacity of the Department, including:
Establishing measures against tax and duty evasion as well as rebate fraud.
Undertaking intensive surveillance and control over the smuggling of narcotics, weapons and protected flora and fauna.
Exchanging information / intelligence with other Customs administrations and other related agencies.
- (3) To promote export through tax measures, including tax reimbursement for the raw materials imported to be produced, mixed, assembled or packed for re-export. Also tax exemption is granted on the raw materials imported for bonded warehouses to be re-exported from the Export Processing Zone (EPZ). Tariff reduction is also accorded to those with promotional privileges from the Board of Investment.

There are several other ways and means to promote export, with the provision of incentives for investors:

Simplifying Customs formalities.

Providing temporary goods depots for Customs inspection and packing of exported goods to be transported out of the port area by the containerized system.

Providing advice on policy-related matters to reform the tariff structure and the use of tax measures beneficial to natural economy.

Other operations defined by law as responsibilities of the Department or those assigned by the Ministry of Finance or by the Cabinet.



2.5 Document Preparation

In dealing with the structures and risk involved in international trade, it referred to financing shipping and other complementary documents. This project describes and examines some of the most commonly used of those documents.

Documents can take a variety of different forms. Moreover, there are great many specialized documents, which can be called for under letters of credit or in the context of particular financing arrangements. They may relate to specific types of goods and industries.

It is important to remember the documents are prima facie evidence of a trade transaction, which those involved in buying and selling goods and handling the payment mechanism use as proxy for the trade itself. It is all that has to go on much of time, short of hauling down to the quayside or warehouse to inspect the goods themselves. For this reason documentation has to be complete, correct, must match and should not include extraneous material.

Any parties involved with checking documents whatever their role in process, inside or outside of banks, should make it a fundamental operational practice to double or even triple check documents. Obvious as this may sound, and however often this advice is repeated, more than 50 percent of documents presented under delay and ultimately costs money, typically for exporters whose payment is delayed.

2.5.1 Pro-forma Invoice

The pro-forma invoice is the document the buyer requires for opening the letter of credit. The pro-forma invoice will contain the details of seller, buyer, number, date, transportation method, destination, and details of goods with quantity and price. See Figure 2.9.

Address.....Telephone:.....Fax:.....

Buyer's order No.:

Consignee: (the opening bank)

Notify: (the buyer)

Port of loading: Bangkok

Port of destination:

Country of origin: Thailand

Departure date:

Transportation method:

Terms of deliver and payment: By irrevocable letter of credit at sight against shipping documents.

Packing:[illegible]

Figure 2.9. Pro-forma Invoice.

2.5.2 Commercial Invoice

The commercial invoice is a basic piece of evidence for this trade transaction, whether it concerns sales of goods, equipment or services. See Figure 2.10.

The commercial invoice must appear on their face to be issued by the Beneficiary named in the credit and must be made out in the name of applicant.

According to the letter of credit, the bank can reject invoices with values in excess of the credit value. It is important to adhere precisely to the description of the invoice given on a letter of credit or which is set out in any form of payment request. Remember that a document is acceptable provided that it appears on its face to be what is required. Make sure that the invoice is in the right number of original and copies and that any particular requirements with regard to signature, authentication and so on are adhere to.

The description of the goods in the commercial invoice must correspond with the description in the credit. In all other documents, the goods may be described in general terms not inconsistent with the description of the goods in the credit.

Where there are too many details to be included on the commercial invoice, an invoice continuation sheet is used for as many pages as necessary. The top section of each page of the continuation sheet will contain the details of the seller, consignee, invoice reference, date, sheet number, buyer's reference and buyer in order to appear consistent with the main invoice.

XXX CO., LTD. (SKT)

Address.....Telephone:.....Fax:.....

Invoice No.:Date:As per Pro-forma invoice No.:.....

Buyer's order No.:

Consignor: (the beneficiary)

Consignee: (the opening bank)

Notify: (the buyer)

Port of loading: Bangkok

Port of destination: New York

Country of origin: Thailand

Loading on or about:By: (Seafreight or airfreight)

Vessel name and Voy/ Flight NO.:

**Terms of deliver and payment: By irrevocable letter of credit No.....at sight
against shipping documents.**

Marks	Descriptions	Quantity	Per unit	Amount
	xxxxxx	<u>Dozens</u>	<u>US\$</u>	<u>US\$</u>
1.				
2.				
3.				
		FOB Bangkok		xxxx
		Freight		xxxx
Total CFR, NewYork				xxxxx

Packing:

Figure 2.10. Invoice.

2.5.3 Packing List

As the name suggests, the packing list is an inventory of how the goods were packed when prepared for transportation whether by air, sea, road or rail. Packing lists are concerned with containers, crates, bundles, cases, packages and so on and will list them in detail including weights and measures. They do not show the value of goods.

To be able to match with the commercial invoice, both documents must contain details, which are consistent even if the commercial invoice will exclude full packing details and the packing list excludes value.

Packing lists often run to several pages, depending on the configuration of the goods and their containers. As required under a letter of credit, they will usually be defined in number and detail and whether they are to be originals or copies will be specified. An example is shown in Figure 2.11.

2.5.4 Export Cargo Shipping Instructions

These provide instructions about the shipment to the freight forwarder. They cover not only the cargo and the routing but also details of documentation, freight payment, stowage instructions and value of cargo and are helpful for completing customs formalities. Some forwarders have similar forms of their own.

XXX CO., LTD. (SKT)

Address.....Telephone:.....Fax:.....

Packing list No.:Date:As per Invoice No.:.....

Buyer's order No.:

Consignor: (the beneficiary)

Consignee: (the opening bank)

Notify: (the buyer)

Port of loading: Bangkok

Port of destination: New York

Country of origin: Thailand

Loading on or about:By: (Seafreight or airfreight)

Vessel name and Voy / Flight NO.:

Terms of delivery and payment: CFR, New York

Marks	Descriptions	Quantity
	xxxx	<u>Dozens</u>
	1.	
	2.*	
	3.	
	Total	

Total Quantity: ... cartons

Total Net Weight: ... kgs.

Total Gross Weight: ... kgs.

Packing:

Figure 2.11. Packing List.

2.5.5 Bill of Lading

This type of document is stated once in page 56 of Delivery part. There are many types of bill of lading: Through Bill of Lading, Combined Transport Bill of Lading, Seaway Bill, Clean Bill of Lading, Surrender Bill of Lading and so on.

Unlike the other transport documents the marine or ocean bill of lading is a document of title. A holder of it is able to lay claim to goods. It is also a receipt for goods, evidence that the shipper received the goods for shipment and is signed by the ship's master, carrier or agent. It is also evidence of a contract of carriage.

Typically a 'shipped on board bill of lading' is called for. It can be matched with the commercial invoice and packing lists by comparing descriptions of the cargoes, packing specifications and weights. However, bills of lading do not list the value of the goods.

Bills of lading should not be claused unless specifically acceptable. A clausing suggests that the goods may be damaged, shipped on deck, have damaged packaging or some other shortcoming. When presented under letters of credit, bills of lading are usually held to be 'stale' if presented longer than 21 days after shipment unless the credit stipulates to the contrary. See Figure 2.12.

Shipper: **M/S SIMAC INTERNATIONAL CO., LTD**
 237-237/1-2 LARN LUANG ROAD,
 BANGKOK 10100, THAILAND
 TEL : (622) 282-2151, 628-0820
 FAX : (622) 280-1444, 628-0823

Consignee:
TO THE ORDER OF BANK TEJARAT

Notify address: (carrier not to be responsible for failure to notify)
M/S IRAN AIR CONDITION
MANUFACTURING CO.
TEHRAN I.R. OF IRAN

BILL OF LADING

B/L No.:

IRIBKKF0354

Islamic Republic of Iran
Shipping Lines



* Local vessel: **KOTA SERI V. KSE112** * from: **BANGKOK / THAILAND**
 (Ocean) vessel: Port of loading:

IRAN TEHRAN V. PCL-182 **BANGKOK / THAILAND**

Port of discharge: **BANDAR ABBAS** * Final destination (if on-carriage): **BANGKOK** Freight payable at: Number of original Bs/L: **3 (THREE)**

Marks & Nos.:	Number and kind of packages; description of goods:	Gross weight kg
PERSIAN GULF	CFS/CY 5 X 20' FT CONTAINERS STC: 100 PALLETS KULTHORN KIRBY HERMETIC COMPRESSOR WITH RUN CAPACITOR AND OIL CHARGED WITH MOUNTING 3--LEGS, 3 GROMMETS AND SLEEVES 220 - 240V / 50HZ / 1PH. PACKING : STANDARD MULTI PACK. 32 PCS PER PALLET AS PER NEW P/INVOICE NO. PI - 011 / 2000 - RI DD. 12 OCT 2000 AND FAX DD 13TH SEP 2000 IRANIAN CUSTOMS TARIFF NO. 8414 / 30 REG. NO. 94080922 L / C NO. 0700 / 78800806 ASIA INSURANCE CO. POLICY NO. V.1131002 / 79 / 000583 AND TELEX NO. 213684 DETAILS AS PER INVOICE NO. SM 121A / 2000 ON CFR BASIS FROM BANGKOK / THAILAND TO BANDAR ABBAS	G.W. 94,100.00 KGS.
CONTAINER NO. & SEAL NO.		
20' MLCU 2918663 / 0250381 =		
(20 PALLETS = 18,820.00 KGS.)		
20' MLCU 2979083 / 0250373 =		
(20 PALLETS = 18,820.00 KGS.)		
20' UXXU 2201701 / 0250403 =		
(20 PALLETS = 18,820.00 KGS.)		
20' TEXU 2376085 / 0250339 =		
(20 PALLETS = 18,820.00 KGS.)		
20' TEXU 2086717 / 0250349 =		
(20 PALLETS = 18,820.00 KGS.)		

(TOTAL 5X20' FT CONTAINERS : ONE HUNDRED PALLETS ONLY)

" FREIGHT PREPAID "
 " SHIPPED ON BOARD NOVEMBER 20, 2000 AT BANGKOK,
 THAILAND BY KOTA SERI V. KSE112 "
 " TRANSHIPMENT AT SINGAPORE ONTO
 IRAN TEHRAN V. PCL - 182 "

Shipper's Ref.: **FP NUMBER : 14220 / 6 / 81022**

Freight and charges:
AGENT OF PORT OF DESTINATION
ISLAMIC REPUBLIC OF IRAN SHIPPING LINES
IRISL BUILDING NO. 875, VALI - E - ASR SQ.,
TEHRAN - IRAN
P.O. BOX : 1587514848 CABLE : SHIPPING CO.
TEL: (+98) 21 8893801, 8893820
FAX: (+98) 21 8808413, 837555.
TLX : 212286, 213856 - 7, 213240, 212400



*) Applicable only when documents are presented.

SHIPPED in apparent good order and condition unless otherwise specified on board the aforementioned vessel the goods described above (the particulars given being supplied by the Shipper and the measurement, weight, quantity, brand, contents, marks, numbers, quality and value being unknown to the carrier) for the carriage to the port of discharge or to near thereunto as they may safely go subject to the terms, conditions and exemptions of this Bill of Lading.

In accepting this Bill of Lading the Owners of the goods expressly accept and agree to all its stipulations on both pages, whether written, printed, stamped or otherwise incorporated, as fully as if they were all signed to the Owners of the Goods.

In WITNESS whereof the Master, Purser or Agent of the said vessel has signed the number of original Bills of Lading stated above, all of this tenor and date, one of which being accomplished, the others stand void. One of the Bills of Lading must be given up, fully endorsed in exchange for the goods.

Place and date of issue:

BANGKOK, NOVEMBER 20, 2000

for the Master:

For and on behalf of

UNIVERSAL TRANSPORTATION LIMITED

As Agents for the Carrier
 of Islamic Republic of Iran Shipping Lines

SERIAL - B No. 32415

PARTICULARS FURNISHED BY SHIPPER OF GOODS

Figure 2.12. Bill of Lading.

2.5.6 Airway Bill

Airway bill is the receipt and evidence document like bill of lading but it is different in some details such as the flight number and date, and the transportation method. See Figure 2.13.

2.5.7 Certificate of Origin

This document is used to prove the origin of the goods. Certificates of origin are often required in order to conform to regulations in an importer's country and may also be needed in order to prove that goods can enjoy a lower import tariff rate where favoured nation treatment is applicable.

Figure 12.14 is shown the certificate of origin issued by The Thai Chamber of Commerce.

2.5.8 Letter of Credit


This document represents a secure compromise between a buyer and seller of goods. This is operated through the buyer's bank and the seller's bank. It is the best payment method which the seller often use. See Figure 12.15.

2.5.9 Export Entry

The document is issued by the Customs Department when the cargo is ship out of the country. Now, export via the EDI system can help the exporters save cost and time because they can rapidly file the data concerning Export Entries for preliminary verification by Customs officers. See Figure 12.16.

176BKK 1618 6634

176-1618 6634



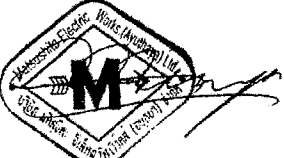
Shipper's Name and Address MOUAWAD BANGKOK RERE JEWELRY MANUFACTURERS CO., LTD. 324/1-4 SURAWONGSE ROAD BANGRAK, BANGKOK 10500 THAILAND. TEL: 66-2-237 5325-9 FAX: 66-2-237 7138		Shipper's Account Number Not Negotiable Air Waybill Issued by Emirates P.O. Box 666, Dubai, United Arab Emirates Member of the International Air Transport Association 																	
Consignee's Name and Address MOUAWAD NATIONAL COMPANY SHARAFIAH, MADINAH ROAD. P.O. BOX 1526, 21441 JEDDAH SAUDI ARABIA, / ATTN: MR. ZIAD NADER TEL: 966 2 665 2051		Consignee's Account Number It is agreed that the goods described herein are accepted in apparent good order and condition (except as noted) for carriage SUBJECT TO THE CONDITIONS OF CONTRACT ON THE REVERSE HEREOF. ALL GOODS MAY BE CARRIED BY ANY OTHER MEANS INCLUDING ROAD OR ANY OTHER CARRIER UNLESS SPECIFIC CONTRARY INSTRUCTIONS ARE GIVEN HEREON BY THE SHIPPER, AND SHIPPER AGREES THAT THE SHIPMENT MAY BE CARRIED VIA INTERMEDIATE STOPPING PLACES WHICH THE CARRIER DEEMS APPROPRIATE. THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIER'S LIMITATION OF LIABILITY. Shipper may increase such limitation of liability by declaring a higher value for carriage and paying a supplemental charge if required.																	
Issuing Carrier's Agent Name and City Agent's IATA Code Account No. Airport of Departure (Addr. of First Carrier) and Requested Routing		Accounting Information																	
By First Carrier DXB EK		Declared Value for Carriage USD500.00																	
Airport of Destination JEDDAH, SAUDI ARABIA		Declared Value for Customs NVD																	
Amount of Insurance 01.2001 XXX		INSURANCE - If carrier offers insurance, and such insurance is requested in accordance with the conditions thereof, indicate amount to be insured in figures in box marked "Amount of Insurance".																	
Handling Information VALUABLE CARGO																			
<table border="1"> <thead> <tr> <th>No. of Pieces RCP</th> <th>Gross Weight</th> <th>kg</th> <th>Rate Class</th> <th>Chargeable Weight</th> <th>Rate</th> <th>Total</th> <th>Nature and Quantity of Goods (incl. Dimensions or Volume)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>19.55</td> <td>K 5</td> <td>N200</td> <td>20.00</td> <td>452.00</td> <td>9,040.00</td> <td> ** VALUABLE CARGO ** ONE PARCEL ONLY SAID TO CONTAIN: 18K GOLD JEWELRY NW. 4,648.95 GRAMS. INV. NO. 1504/00-1511/00, 1524/00 AND 1533/01 MARKS : ADDRESS DIMS: 41x41x41CMS/1. </td> </tr> </tbody> </table>				No. of Pieces RCP	Gross Weight	kg	Rate Class	Chargeable Weight	Rate	Total	Nature and Quantity of Goods (incl. Dimensions or Volume)	1	19.55	K 5	N200	20.00	452.00	9,040.00	** VALUABLE CARGO ** ONE PARCEL ONLY SAID TO CONTAIN: 18K GOLD JEWELRY NW. 4,648.95 GRAMS. INV. NO. 1504/00-1511/00, 1524/00 AND 1533/01 MARKS : ADDRESS DIMS: 41x41x41CMS/1.
No. of Pieces RCP	Gross Weight	kg	Rate Class	Chargeable Weight	Rate	Total	Nature and Quantity of Goods (incl. Dimensions or Volume)												
1	19.55	K 5	N200	20.00	452.00	9,040.00	** VALUABLE CARGO ** ONE PARCEL ONLY SAID TO CONTAIN: 18K GOLD JEWELRY NW. 4,648.95 GRAMS. INV. NO. 1504/00-1511/00, 1524/00 AND 1533/01 MARKS : ADDRESS DIMS: 41x41x41CMS/1.												
Prepaid 9,040.00		Other Charges (A). AWB.THB.200.00 (C). T/C.THB.200.00 SECURITY HANDLING CHG.THB.500.00																	
Weight Charge 80.00		Valuation Charge 200.00																	
Tax VAT 0%		Total Other Charges Due Agent 700.00																	
Total Prepaid 10,020.00		Total Collect 700.00																	
Currency Conversion Rates CC Charges in Dest. Currency		26/01/2001. Executed on (date) Total Collect Charges																	
For Carrier's Use only at Destination		Signature of Issuing Carrier or its Agent Rachin Dechakumthong Documentation Supervisor BKK/AIRPORT RCD.																	

Printed at United Kingdom by Aero Print Ltd.

Original 3 (for Shipper)

10-3 TH101 19/31 26-1002-N01-92

Figure 2.13. Airway Bill.

CONSIGNOR ORIGINAL MATSUSHITA ELECTRIC WORKS (AYUTHAYA) LTD. ON BEHALF OF MATSUSHITA ELECTRIC WORKS (MIDDLE EAST) FZE. P.O. BOX 16910 (LOB- 13F-11 JEBEL ALI FREE ZONE), DUBAI U.A.E.		CERTIFICATE NO. 1000250	
CONSIGNEE TO THE ORDER OF SAUDI AMERICAN BANK JEDDAH		 CERTIFICATE OF ORIGIN ISSUED BY THAI CHAMBER OF COMMERCE BANGKOK-THAILAND	
VESSEL CAPE CANAVERAL V.105W / MAERSK BRISBANE V.0101		DESTINATION JEBEL ALI DUBAI	
LOADING ON OR ABOUT 26-DEC-2000		INVOICE NO. & DATE INVOICE NO. 412000582 DATED : 26-DEC-2000	
MARKS	DESCRIPTIONS	QUANTITY	WEIGHT
NO MARKS	ELECTRICAL GOODS LETTER OF CREDIT NO. 200240529 DATED 20-12-2000 "THE NAME AND ADDRESS OF MANUFACTURE" MATSUSHITA ELECTRIC WORKS (AYUTHAYA) LTD. ROJANA INDUSTRIAL PARK 1/69 (XX) 5 ROJANA (ROAD), TAMBOL KANHAM AMPHUR UTHAI AYUTHAYA 13210 THAILAND. COUNTRY OF ORIGIN : THAILAND.	1,536 CARTONS	(G.W.) 33,792.00 KGS. (N.W.) 28,755.92 KGS.
This certificate is based on the information supplied to the Thai Chamber of Commerce by the Consignor and it is not to be taken as amounting to a warranty or representation of fact by the Thai Chamber of Commerce or representatives. This is issued at Bangkok on 26 JAN 2001 in triplicate with additional..... copies.		The undersigned, duly authorized by the Company, swears that the above-mentioned goods have been produced or manufactured in THAILAND. Signed on..... 26 JAN 2001	
 Mr. Taisoon Eiamdomrong (Authorized Signature)		 (Authorized Signature)	

หน่วยงาน
THE THAI CHAMBER OF COMMERCE
 150 ถนนราชดำเนิน กรุงเทพมหานคร 10200 : 150 RAJBOPIT ROAD, BANGKOK 10200 Tel. 6221880-76
 FAX : (662) 2253372, 6221879 P. O. BOX 2-146 website : www.tcc.or.th E-mail : tcc@tcc.or.th

C/O-002-42- No 094784

Figure 2.14. Certificate of Origin.

Standard Chartered

Bangkok Main Office
Tel. 636-1000

359 SH REL.DATE=041000 REL.TIME=112648 DEAL=359110683099-C ISS000
MT700 ARR.DATE=001003 ARR.TIME=1614 REF.NO.D340418 ST=CL
AUTH: TEST AGREED SENDER:CCBPRPPMTG
B.I.C.S. BANQUE POPULAIRE MONTRouGEMONTRouGE

:27: SEQUENCE OF TOTAL
1/2
:40A: FORM OF DOCUMENTARY CRED
IRREVOCABLE
:20: DOCUMENTARY CREDIT NUMBER
D340418
:31D: DATE AND PLACE OF EXPIRY
001110THAILAND
:50: APPLICANT
GIMEX INTERNATIONAL SA
73 AVENUE JEAN JAURES
91761 PALAISEAU CEDEX
FRANCE
:59: BENEFICIARY
AK PACK AND MACHINERY CO LTD
63/2 MU 2 SOI SANGPETCH (SOI 68)
BANG KHAE NUA PHASICHAROEN
BANGKOK THAILANDE
:32B: CURRENCY CODE, AMOUNT
USD83950,37
:39C: ADDITIONAL AMOUNTS COVERED
MORE OR LESS 10 PER CENT
:41D: AVAILABLE WITH... BY
WITH ANY BANK IN THAILAND
EVENTUAL DISCOUNT CHARGES ARE
FOR BENEFICIARY S ACCOUNT
BY NEGOTIATION
:42C: DRAFTS AT
90 DAYS AFTER SHIPMENT DATE
:42A: DRAWEE
CCBPRPPMTG B.I.C.S. BANQUE POPULAIRE MONTRouGEMONTRouGE
:43P: PARTIAL SHIPMENTS
ALLOWED
:43T: TRANSSHIPMENT
PROHIBITED
:44A: LOADING ON BOARD/DISPATCH/TAKING IN CHARGE AT/FROM...
BANGKOK PORT NO LATER THAN SEE 2ND MESSAGE
:44B: FOR TRANSPORTATION TO
LE HAVRE
:45A: DESCRIPTION OF GOODS AND/OR SERVICES
SEE 2ND MESSAGE
:46A: DOCUMENTS REQUIRED
+ SIGNED COMMERCIAL INVOICE IN 04 FOLDS
+ FULL SET CLEAN ON BOARD BILL OF LADING TO ORDER BICS
BP 100 91420 MORANGIS NOTIFY APPLICANT WITH FULL ADDRESS

THIS CREDIT IS VALID ONLY WHEN USED IN CONJUNCTION WITH OUR

NOTIFICATION OF LC ADVICE NO. 359110683099-C DATED 04/10/00

THIS CREDIT IS VALID ONLY WHEN USED IN CONJUNCTION WITH OUR
NOTIFICATION OF LC ADVICE NO. 359110683099-C

Standard Chartered Bank



PAGE 1/... TO BE CONTINUED ON NEXT PAGE.



Figure 2.15. Letter of Credit.

Tel. 636-1000

359 SH REL.DATE=041000 REL.TIME=112648 DEAL=359110683099-C ISS000
MT700 ARR.DATE=001003 ARR.TIME=1614 REF.NO.D340418 ST=CL
AUTH: TEST AGREED SENDER:CCBPPRPAMTG
B.I.C.S. BANQUE POPULAIRE MONTROUGEMONTROUGE

MARKED FREIGHT PREPAID

+ INSURANCE CERTIFICATE/ POLICY COVERING AND INDICATING ALL
RISKS FOR 110 PER CENT OF THE CIF GOODS VALUE

+ WEIGHT NOTE IN 02 COPIES

+ PACKING LIST IN 03 COPIES

+ CERTIFICATE OF ORIGIN IN 1 ORIGINAL ISSUED BY CHAMBER OF
COMMERCE OR OTHER COMPETENT AUTHORITY

DOCUMENTS DATED BEFORE OPENING L/C ARE PROHIBITED

THIRD PARTY DOCUMENTS PROHIBITED

:71B:CHARGES

ALL BANKING CHARGES AND FEES OUT

OF FRANCE ARE FOR BENEFICIARY S

ACCOUNT EVEN IF UNUSED OR CANCELLED

ALL AMENDMENT CHARGES ARE FOR

BENEFICIARY S ACCOUNT

:48: PERIOD FOR PRESENTATION

20 DAYS

:49: CONFIRMATION INSTRUCTIONS

WITHOUT

:78: INSTRUCTIONS TO THE PAYING/ACCEPTING/NEGOTIATING BANK

AT THE BEST CONVENIENCE OF THE NEGOTIATING BANK AT MATURITY

DATE

THE NEGOTIATED AMOUNT MUST BE DULY ENDORSED ON THE REVERSE OF THE
NEGOTIATING BANK

L/C NBR MUST BE QUOTED ON ALL REQUIRED DOCUMENTS

AS PER RULES ICC REVISED 1993

:72: SENDER TO RECEIVER INFORMATION

DOCUMENTS MUST BE SENT TO US BY DHL

TO BICS SERVICE INTL G3

11 15 AV FD DE LESSEPS 91423

MORANGIS CEDEX

:***:

:27: SEQUENCE OF TOTAL

2/2

:20: DOCUMENTARY CREDIT NUMBER

D340418

:45B:DESCRIPTION OF GOODS AND/OR SERVICES

SACS EMBALLAGES PLASTIQUES AS PER PROFORMA INVOICE

MT776-1818/2000-DD-180900 SHIPMENT NOT LATER THAN

SEPTEMBER 29, 2000 CIF LE HAVRE

THIS CREDIT IS VALID ONLY WHEN USED IN CONJUNCTION WITH OUR

NOTIFICATION OF LC ADVICE NO. 359110683099-C DATED 04/10/00

PAGE 2/... TO BE CONTINUED ON NEXT PAGE.



Figure 2.15. Letter of Credit. (Continued)

Standard Chartered

Bangkok Main Office
Tel. 636-1000

359 SH REL.DATE=041000 REL.TIME=112648 DEAL=359110683099-C ISS000
MT700 ARR.DATE=001003 ARR.TIME=1614 REF.NO.D340418 ST=CL
AUTH: TEST AGREED SENDER:CCBPFRPPAMTG
B.I.C.S. BANQUE POPULAIRE MONTRouGEMONTROUGE

+ SACS EMBALLAGES PLASTIQUES AS PER PROFORMA INVOICE
AK1767-1634/2000 DD 120900 SHIPMENT NOT LATER THAN
OCTOBER 14, 2000 CIF LE HAVRE
+ SACS EMBALLAGES PLASTIQUES AS PER PROFORMA INVOICE
AK1771-1638/2000 DD 12/09/00 SHIPMENT NOT LATER THAN
OCTOBER 21, 2000 CIF LE HAVRE
MENTIONS SHOULD APPEAR ON DEFINITIVE INVOICE

THIS CREDIT IS VALID ONLY WHEN USED IN CONJUNCTION WITH OUR

NOTIFICATION OF LC ADVICE NO. 359110683099-C DATED 04/10/00

PAGE 3/ ** END OF MESSAGE **



Figure 2.15. Letter of Credit. (Continued)



Figure 2.16. Export Entry.

III. GENERAL COMPANY DESCRIPTION

SUK-KHO THAIINTEREXIM CO., LTD, (SKT) is a startup export trading business which is established by seven people who have different field of working experiences; exporting, marketing, sales promoting, customer servicing, computer programming, and shipping. SKT initiates Baht 1,400,000 corporate registration of seven stockholders equally. The account agent handling the corporate registration and the tax registration at Department of Commercial Registration and at Revenue Department respectively charges for Baht 12,000 to the SKT.

SKT is a customer of Metropolitan Bank with two accounts of Baht 1,400,000 current account and saving account. Thereby, SKT's office is near the Headquarters of Metropolitan Bank so that cheques and letters of credit are operated quickly.

Presently, American people are interested in healthy foods, organic foods, and nutritious foods increasingly especially they are interested in Thai natural herb products which are hardly found in other countries but in Thailand.

SKT tends to serve the customers with the export services of Thai natural herb products. The ultimate potential customers whom it serves are health-concern customers who live in United States of America. Since SKT is the exporter therefore, its distributors are the retailers and the agents who sell the health products imported from other countries. SKT emphasizes on the export process of Thai natural herb products which fulfills the international demands with local supplies.

One examples of situations that a group producing herb products in Thailand called the Thai Chamber of Commerce to ask for the export process of their products to United States of America because they lack of experiences. Their first exportation comes from the coming of the American group requiring importation their herb

products. Moreover, many companies' calls to Export Certification Department of Thai Chamber of Commerce are asking about the export process. These are the reasons supported to SKT in planning for export process of Thai natural herb products to American market.

SKT advertises its services through the Internet and export directories. SKT is charged for Web Site fee and directories fee yearly which its cost of Web Site and directories are included in the company's fixed cost.

Most SKT export process, documentation, and public organization concerned are handled by itself, but some process are handled by the agents such as shipping service, customs handling, etc.

The followings are the plan for SKT startup export trading business and export process preparation. Marketing plan, operational plan, and financial plan are its essential parts to see if this business goes well.

IV. MARKETING PLAN

4.1 Market Analysis

4.1.1 Market Segmentation

SKT segments its target market by using Geographic Segment and Benefit Segment. The American people who are health-concern are SKT's target market.

Because of being small business of it, it reaches only one segment or implements a single-segmentation strategy. See Figure 4.1. This approach is probably the best strategy for SKT business during initial marketing efforts.

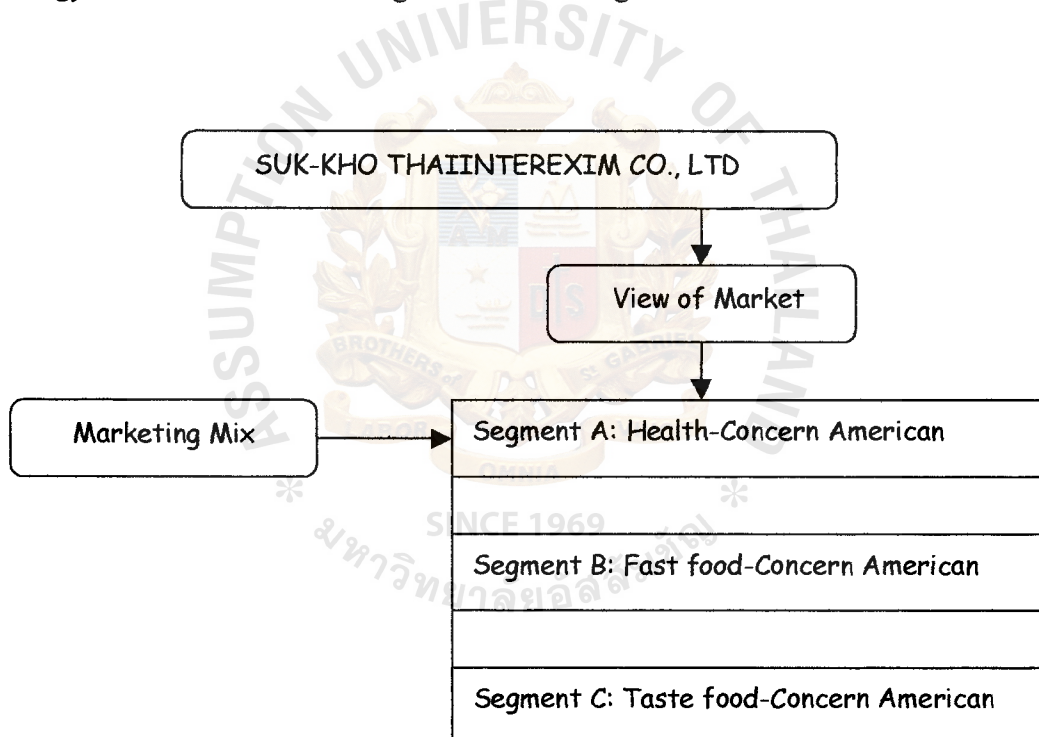


Figure 4.1. A Segmented Market Strategy with a Single Marketing Mix.

4.1.2 Market Research

Generally speaking, secondary data are less expensive to gather than new data. Moreover, SKT is exportation business therefore secondary data is appropriated to its nature of business. However, some primary data are gathered without charging because one of SKT team is an authority of the Export Certification Department of Thai Chamber of Commerce. The informational requirements for SKT decision are searched from the Internet, public organizations, and some private organizations. The data searched below will support SKT's decision in launching Thai natural herb products in United States of America.

Secondary Data

www.dft.moc.go.th:

This Web Site created by Department of Foreign Trade demonstrates the trade figures between Thailand and United State of America. Exporting to USA increased comparing between (Jan – May) 2000 and (Jan – May) 2001. See Table 4.1 and Figure 4.2.

Table 4.1. Thailand Exportation to USA.

Year	Jan - May 2000	Jan - May 2001
Value (US\$) (in Million)	4,575.40	5,149.50

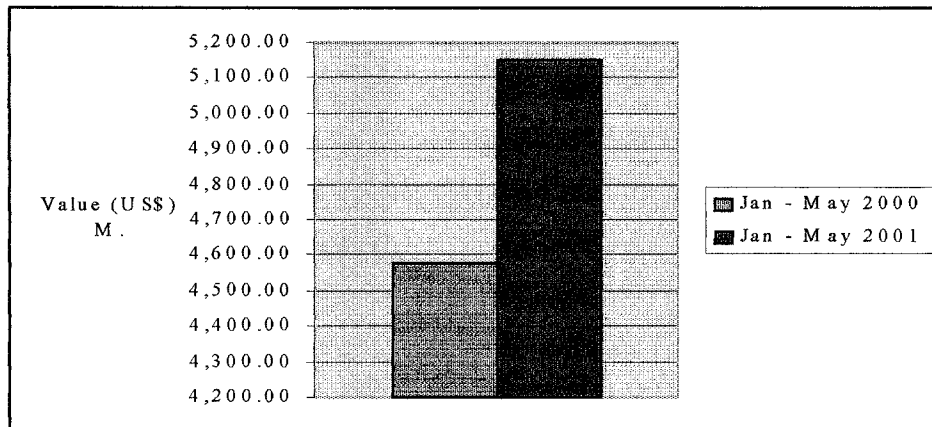


Figure 4.2. Thailand Exportation to USA (in Million).

www.thailand.com:

This Web Site created by an organization shows the export figures, obtained from the Department of Business Economics source, between Thailand and USA during year 1996 to year 2000. The export figure was dropping between year 1999 and year 2000. See Table 4.2 and Figure 4.3.

Table 4.2. Thailand Export Value to USA.

Year	1996	1997	1998	1999	2000
Value (US\$) (in Million)	10,061.30	11,340.90	12,167.20	12,654.30	9,591.90

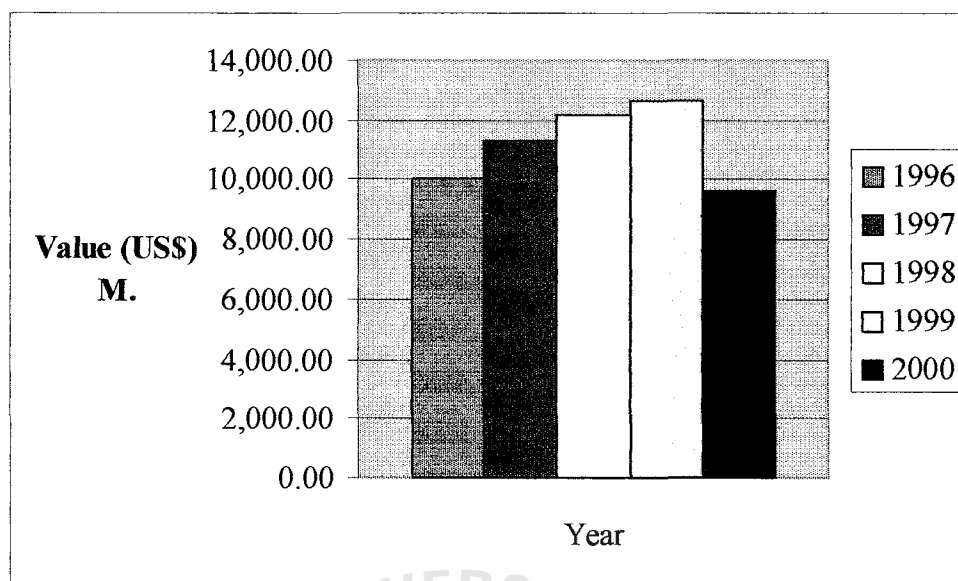


Figure 4.3. Thailand Export Value to USA (in Million).

www.foodmarketexchange.com:

This Web Site demonstrates the trend of exportation of Thai natural herb products to USA. The market value of natural herb products in USA is as high as 5.5 % of market value of natural herb products in the world. Moreover, market demand of natural herb products still is high in USA. Few years ago, Thai natural herb products begin to be exported to USA, so far American people rather accept the quality of Thai natural herb products increasingly.

www.drweil.com:

This Web Site demonstrates the self-healing and it also shows that the food is like medicine. This includes the explanation about the herbal medicine. This Web Site is created by American who wants to show that everybody can heal himself or herself by using nutritious and herbal foods.

www.healthwell.com:

This Web Site demonstrates many kinds of herbs. This is shown that the people now are interested in natural herb products.

Primary Data

Thai Chamber of Commerce:

Since one of the management team (SKT team) is an authority of the Export Certification Department of Thai Chamber of Commerce, therefore the information of Thai herb product exporters are gathered by summarizing from the exporters' callings. These data are gathered from February 2001 until July 2001.

The random data of exporters' callings to Export Certification Department of Thai Chamber of Commerce are shown below:

- (1) Calling from a group who makes Thai natural herb products.

They asked for the export process because this is their first exportation. They said that an American agent came to order for their Thai natural herb products to USA.

- (2) Calling from a company who exports Thai natural herb products to USA.

He asked for documentation process in exportation because he thinks Thai Chamber of Commerce is the one of the best consultant.

- (3) Calling from an agent who wants to export the Thai natural herb products to USA.

He asked for the USA restrictions and the payment concerning to the letter of credit.

- (4) Calling from exporters who export Thai food products to USA.

They asked for the certificate of origin Form A. But this form is issued by Department of Foreign Trade.

- (5) Calling from exporters who export Thai products worldwide.

They asked for second stamps by Thai Chamber of Commerce to any certifications for example; stamping on Form A, Form B, Form C, and Form D issued by Department of Foreign Trade which are asked by their customers in USA through letters of credit.

American Family:

One of SKT team has American friends who live in Roseville, Michigan. They came to Thailand for travelling twice a year. Mr. David Garriott, 47 year-old, and his sisters like the Thai natural herb products so much especially Aloe Vera juice and Ginger juice. Moreover, they said American people now are more interested in Thai natural herb products than in the past.

By doing the secondary research and primary research are shown that the trend in Thai natural herb products exportation is growing and there still be the high demand for the natural herb products in USA.

4.1.3 Competitors Analysis

Going into monopolistic competition market, SKT analyzes the nature of the market as shown in Table 4.3.

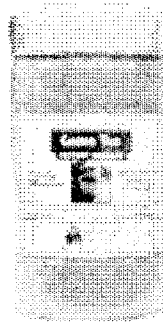
Table 4.3. Monopolistic Competition Market Structure.

Market and Competition	Monopolistic Competition Market (USA)
1. Number of competitors	* Increasing
2. Size of business in the market	* Different size
3. Product feature	* Different feature
4. Price characteristics	* Depending on the cost and competitors
5. Jumping into the business	* Easy

Thai natural herb products are available only in Thailand by the same token Chinese natural herb products are available only in China, and Indian natural herb products are available only in India so the competition is not too severe but it depends on the quality of products and creating awareness of quality of herbal products. However, many public sectors in Thailand are trying to improve the quality and production process of Thai natural herb products to compete in the American market and in the world market.

USA is very strict in food and drug imported therefore an organization in USA called FDA (Food and Drug Administration) is responsible for controlling the quality of the food before they are sold in any retailers. Thereby, the Thai natural herb products must be checked about safety and disease by some public organizations before exportation.

www.herbal-remedies.com and www.getvitamins.com are searched for herb products in USA randomly. See Figure 4.4.



Instant Green Tea (2.80 Ounce, US\$8.49)



Green Tea (20 Tea bags, US\$3.54)



Master Herbal Tea (20 Tea bags, US\$3.99)

Figure 4.4. Random Herbal Products in USA.



Siberian Ginseng Vascutone Herbal Tea (20 Tea bags, US\$3.99)

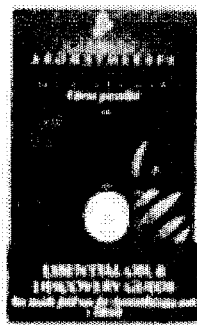


Ginger Herbal Tea (20 Tea bags, US\$3.99)

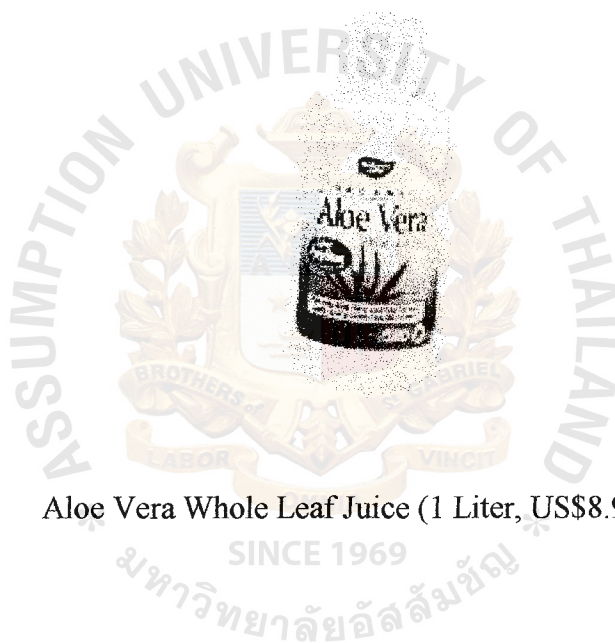


Reishi Liver Guard Herbal Tea (20 Tea bags, US\$3.99)

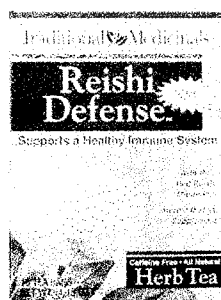
Figure 4.4. Random Herbal Products in USA. (Continued)



Essential Oil Rosemary (1 Drum, US\$9.90)



Aloe Vera Whole Leaf Juice (1 Liter, US\$8.99)



Reishi Defense Herbal Tea (16 Tea bags, US\$4.76)

Figure 4.4. Random Herbal Products in USA. (Continued)

4.1.4 SWOT Analysis

Strengths

SKT is formed by the strong team with different field of working experiences; exporting, computer programming, marketing, sales promoting, customer servicing, and shipping. Moreover, one of the SKT team is an authority of Thai Chamber of Commerce thereby SKT is available with a plenty of export information. And another one of SKT team has American friends who travel Thailand twice a year. These are strengths of SKT because a strong team of SKT can manage the whole export process efficiently with available of information both inside Thailand and USA.

Weaknesses

Since SKT is a start-up business and small business with small fund, it has no experience in actual export practice of whole export process and its products. SKT can not accept a very large volume order because of a limit of fund. And the bank considers SKT as a new customer therefore SKT may not get a full credit of negotiation if it has no a credit of foreign bill purchased (FBP).

Opportunities

From the Board of Trade source, the value of exportation from Thailand to Japan and USA is 33% of the value of whole exportation. And Thai Chamber of Commerce speculates that worldwide exportation growth rate in the end of year 2002 is 0 – 1.5% and Ministry of Commerce speculates that worldwide exportation growth rate in the end of year 2002 is 1 – 3%.

Recently, the government settles a prize for a good exporter so that it motivates the exportation. Furthermore, the public sectors support the exportation businesses to compete in the world market and to boost up the economy of Thailand.

Presently, the American people are interested in herbal products pertaining to their health. These opportunities cause SKT to consider the exportation business.

Treats

After midyear, the economic in USA is dropping and the importation of USA is decreasing. The Federal Bank of USA declares the decreasing of interest. This situation affects Thailand for example; the dollar value compared with Thai Baht is decreasing, and the importation of USA for some products from Thailand is decreasing.

Besides the economic downturn in USA, it uses the non-tariff barriers issues to obstruct importation to USA. such as Food and Drug Administration (FDA) for food and drug imported, quotas for garment imported, Agreement on the International Dolphin Conservation Program (IDCP) for tuna imported, etc.

4.2 Marketing Tactics

4.2.1 Product and Packaging

Since Thai natural herbs products are in the introduction stage of product life cycle and the American people do not know many Thai natural herb products yet such as Saf Flower, Butterfly Pea, Lemon Grass, Rhizome, Rosette, etc. therefore the products must be introduced with the herbal quality label. The package and the brand must be shown that the products are natural and sanitary. And all Thai natural herb products must be checked and certified by the public organization concerning to.

As SKT is the export business, the large volume products must be sold via the agents mainly. Mostly, the agents in USA like to specify the products and ingredients, and design the packages through the exporters in Thailand thereby Thai natural herb products of SKT are varied. However, SKT designing the packages of the products to be tough and beautiful naturally so that the potential customers can perceive the

product features as the international products. However SKT designs the packaging for offering to the agents as shown in Figure 4.5 and Figure 4.6.



Figure 4.5. SKT Aloe Vera Juice.

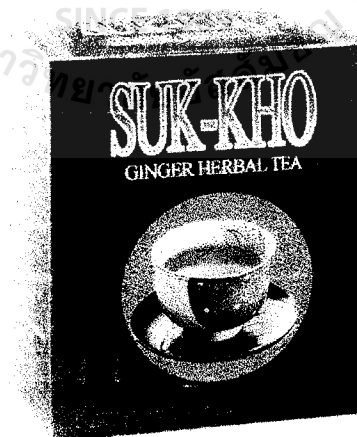


Figure 4.6. SKT Ginger Herbal Tea.

4.2.2 Price

The price of Thai natural herb products is quite low in Thailand but when the products are exported to USA, they must be sold in rather large volume via the agents therefore the price is added to be high with the total cost of raw materials, packaging, shipping, and documentation.

SKT sells the herbal products via the agents and retailers in US Dollars with the inco-terms of CFR (Cost & Freight) to ultimate customers by using the cost basis in price calculation as following:

Fixed cost / month

Office Rent	: Bht20,000
Utility Expense	: Bht3,000
Telephone/Fax Expense	: Bht3,000
Office Supplies	: Bht1,500
Salary Expense (8 people)	: Bht64,000
Web Site Cost	: Bht350 (Bht4,200/yr.)
Directories Advertising Cost	: Bht400 (Bht4,800/yr.)
Miscellaneous Expense	: <u>Bht3,000</u>
Total Fixed Cost	: Bht95,250

Variable Cost (per 1 order / 100 cartons / 200 dozens)

Destination	-	New York (East Coast)
Minimum order	-	100 cartons / 500 kgs. / 1 order
Transportation Method	-	By Air (Air Waybill)
Products	-	Perishable herb products i.e. Aloe Vera Juice, Butterfly Pea Juice

Raw material and Packages & Label Cost	: Bht19,200
L/C Advising Cost	: Bht500
Other Certificates Cost	: Bht4,000
Shipping Cost	
Freight (Baht131 / kg.)	: Bht65,500
Customs Formality	: Bht1,500
Road Transportation & Loading	: Bht1,200
Air Waybill Issued (AWB)	: Bht300
Vat 7%	: <u>Bht4,795</u>
Total	: <u>Bht73,295</u>

Total Variable Cost : Bht96,995

Selling Price

SKT applies penetration pricing strategy for selling price setting thereby it marks up for the profit of 15% of variable cost therefore the selling price is Bht111,544.25 (US\$2,478.76) or US\$12.39 per dozen or US\$1.03 per cup of CFR Inco-Term (Cost & Freight). However, the agents and retailers can mark up for the profit of 45% - 50% each respectively to the competitive price of US\$2.1 – US\$2.3 per ¼ liter. Nevertheless, this SKT price is offered to the agents for the minimum order of 100 cartons per order. And the products are shipped by air because they are easy to perish.

Variable Cost (per 1 order / 100 cartons / 200 dozens)

Destination	-	New York (East Coast)
Minimum order	-	100 cartons / 1.8 cbm. / 1 order
Transportation Method	-	By Sea (Bill of Lading)
Container Term	-	LCL
Products	-	Unperishable herb products i.e. Saf

Flower Herbal Tea, Ginger Herbal Tea

Raw material and Packages & Label Cost	: Bht40,800
L/C Advising Cost	: Bht500
Other Certificates Cost	: Bht4,000
Shipping Cost	
Freight (US\$85 / cbm.)	: Bht6,885
Customs Formality	: Bht2,500
Road Transportation & Loading	: Bht1,500
Bill of Lading Issued (B/L)	: Bht500
Vat 7%	: <u>Bht797</u>
Total	: <u>Bht12,182</u>
Total Variable Cost	: Bht57,482

Selling Price

SKT applies variable pricing strategy for selling price setting. SKT makes price concessions to individual agents even though it advertises a uniform price because SKT has wide range of profit marked up which depends on the freight cost. Thereby, SKT marks up for the profit of 50% of variable cost so the selling price is Bht86,223 (US\$1,916.10) or US\$9.58 per dozen or US\$0.8 per box of CFR Inco-Term (Cost & Freight).

However, the agents and retailers can mark up for the profit of 120% each respectively to the competitive price of US\$3.9 per box. Nevertheless, this SKT price is offered to the agents for the minimum order of 100 cartons per order. And the products are shipped by sea because they can be kept for a long period.

4.2.3 Place

SKT distributes the products via the agents and retailers in USA because it's hard to SKT to sell the products to the ultimate customers directly. Each agent orders for the minimum order of 100 cartons to sell to the retailers for ultimate customer shopping. These products are aimed to the healthy and herbal product stores to sell to the health-concern people in USA.

4.2.4 Promotion

The products will be promoted through the Internet and through the export directories of some organizations in Thailand such as Thai Chamber of Commerce, Department of Export Promotion, etc. The Web Site must show the quality of the Thai natural herb products scientifically and refers to the some organizations that certify the quality of the products.

As the herb products, which are shipped by sea, are very low price, and SKT does not need to mark up more than 50% because SKT is a start-up business and also wants to promote the low price products to the agents. Therefore, the agents and retailers can mark up to 120% each.

4.3 Conclusion

It's feasible for SKT to start the Thai natural herb products export business to USA because:

- (1) Thailand exportation to USA was increasing comparing between January – May 2000 and January – May 2001.
- (2) The market value of natural herb products in USA is as high as 5.5 % of market value of natural herb products in the world.
- (3) The demand of natural herb products is increasing in USA.

- (4) The American people are interested in Thai natural herb products increasingly.
- (5) More groups and more companies are interested in exportation of Thai natural herb products to USA.
- (6) No exact competitor in the same products because each country is specialized about the products available in the country but the quality of the herbs themselves.
- (7) The strong SKT team of different field of working experiences.
- (8) There is available of export information.
- (9) The government sector is supporting the exportation business.
- (10) The Thai natural herb products cost that are shipped by sea are quite low therefore, SKT can mark up to 50 % for it's profit to promote the Thai products.
- (11) SKT does not sell the products to the ultimate customers directly but sells through the agents thereby the agents will specify the products by themselves because they are closed to the ultimate customers than SKT.

However, SKT should consider the weak points as followings:

- (1) Thailand exportation value to USA is dropping from year 1999 to year 2000.
- (2) The qualities of herbs by their nature of other countries are well promoted.
- (3) The economy in USA is dropping and there is less importation.
- (4) There are non-tariff barriers for importation to USA.
- (5) SKT is a small business and has a limit of fund.
- (6) The cost of products shipped by air is quite high.

V. OPERATIONAL PLAN

As SKT is the exporter of Thai natural herb products, the core business of SKT is exportation process. The whole process from the customers inquiring for the price until SKT receiving the money is explained in the part of operational plan.

5.1 Offering & Ordering

- (1) The agent (buyer, applicant, or notify) from USA makes an enquiry to SKT (seller, beneficiary, or consignor) for the price list and the product samples by e-mail, telephone, fax, or letter.
- (2) SKT prepares for the quotation price list for offering to the buyer and prepares for the product samples for sending to the buyer by DHL, TNT, or FedEx.
- (3) After buyer and SKT negotiation, the buyer then asks for the pro-forma invoice from SKT to be used in L/C (Letter of Credit) application attachment at the bank of buyer's country. See Figure 5.1. Meanwhile, the buyer prepares for the purchase order (P/O) which includes the price and inco-term, the quantity of products, terms of payment, shipment date, and documents required to SKT.
- (4) After the buyer makes an application for documentary credit at the opening bank and receives the number of L/C, the buyer must advise the L/C number and the name of opening bank to SKT.
- (5) The opening bank in the buyer's country will open L/C through the advising bank in the seller's country (Metropolitan bank in Thailand) and then the advising bank will advise to SKT.

Address.....Telephone:.....Fax:.....

Packing:

[illegible]

116

- (6) When the advising bank receives the L/C from the opening bank, the advising bank will make an authentication to that L/C by using test number method or SWIFT method (Society for Worldwide Interbank Financial Telecommunication). Then the advising bank will advise to SKT for L/C receiving with the fee of Baht500. The L/C example, which is copied from another source legally, is shown in Figure 5.2.
- (7) When SKT receives the L/C from the Metropolitan bank, it immediately checks for all conditions in the L/C if they conform to the agreement between the buyer and SKT. If not SKT urgently inform to the buyer to ask for the L/C amendment.

The main conditions that SKT should take a look are:

Number of L/C and type of L/C

Applicant and Beneficiary

L/C expiry date

Date of shipment

Partial shipment is allowed or not

Total amount of money

Product quantity

Destination

Other documents required

Other conditions required

ตัวอย่าง L/C ที่ออกโดยทาง TELEX

FROM: COMMERCE BANK LTD, NEW YORK
TO: RATANAKOSIN BANK, BANGKOK.
JANUARY 6, 1999

PLEASE ADVISE THAT WE HEREBY OPEN OUR IRREVOCABLE LETTER OF CREDIT NO.9141000
WITHOUT ADDING YOUR CONFIRMATION. DATE AND PLACE EXPIRY: 990330 IN BANGKOK.

APPLICANT: THE NEW YORK IMPORT CO.,LTD
33 WEST BROADWAY,NEW YORK,N.Y. 10015

BENEFICIARY: THE SIAM EXPORT CO.,LTD
190/2 RAJPRAROP RD.,BANGKOK, THAILAND

AMOUNT : USD55,800.- (SAY: U.S.DOLLARS FIFTY FIVE THOUSAND EIGHT HUNDRED ONLY)

CREDIT AVAILABLE WITH ADVISING BANK BY NEGOTIATION BY YOUR DRAFT AT SIGHT
DRAWN ON US. ACCOMPANIED BY:

- COMPLETE SET OF CLEAN RECEIVED OCEAN BILLS OF LADING PLUS
TWO NON-NEGOTIABLE COPIES INDICATING THIS CREDIT NUMBER MADE OUT
OR ENDORSED TO THE ORDER OF THE COMMERCE BANK LTD, NEW YORK.
MARKED FREIGHT PREPAID NOTIFY APPLICANT.
- SIGNED COMMERCIAL INVOICE IN EIGHT COPIES SHOWING FCA VALUE,
FREIGHT CHARGES AND INSURANCE PREMIUM SEPERATELY.
- INSURANCE POLICY OR CERTIFICATE IN DUPLICATE,ENDORSED IN BLANK
FOR 110 PERCENT OF INVOICE VALUE,STATING CLAIMS PAYABLE IN USA
FOR CURRENCY OF THE DRAFTS,COVERING INSTITUTE CARGO CLAUSES (A),
INSTITUTE WAR CLAUSES (CARGO) AND INSTITUTE STRIKES CLAUSES (CARGO)
- A BENEFICIARY'S CERTIFICATE ACCOMPANIED BY POSTAL REGISTERED
RECEIPT CERTIFYING THAT ONE SET OF NON-NEGOTIABLE SHIPPING
DOCUMENTS HAVE BEEN SENT DIRECT TO APPLICANT WITHIN THREE DAYS
AFTER SHIPMENT.
- CERTIFICATE OF ORIGIN (G.S.P.FORM A) IN DUPLICATE.
- PACKING LIST IN SIX COPIES.
- ALL DRAFTS MUST BE MARKED DRAWN UNDER COMMERCE BANK LTD,NEW YORK
LC NO. 9141000 DATED JANUARY 6, 1999

PARTIAL SHIPMENTS ALLOWED. TRANSHIPMENT ALLOWED. SHIPMENT FROM THAILAND TO NEW YORK
BILL OF LADING MUST BE DATED LOADING ON BOARD NOT LATER THAN MARCH 20, 1999
COVERING: 1,400 DOZEN OF CHILDREN'S GARMENT:

T-SHIRT WITH SHORT SLEEVES 100 PCT COTTON JERSEY.

CIP NEW YORK AS PROFORMA INVOICE NO. 123/98 DATED JANUARY 01, 1999

DOCUMENTS MUST BE PRESENTED FOR NEGOTIATION WITHIN 10 DAYS AFTER SHIPMENT DATE
BUT WITHIN VALIDITY OF THE CREDIT.

THE NEGOTIATING BANK WILL FORWARD ALL DOCUMENTS TO US BY TWO CONSECUTIVE COURIER
AND CLAIM REIMBURSEMENT BY DRAWING ON OUR ACCOUNT WITH PHILADELPHAI INT'L BANK,
NEW YORK,NY,U.S.A.UNDER NEGOTIATING BANK'S THREE WORKING DAY AUTHENTICATED SWIFT/
TELEX PREADVISE TO US.

ALL BANKING CHARGES INCURRED OUTSIDE U.S.A INCLUDING ADVISING BANK COMMISSION,
POSTAGE/COURIER/TELEX CHARGES,PAYMENT COMMISSION ARE FOR BENEFICIARY'S ACCOUNT.

WE HEREBY AGREE WITH DRAWERS,ENDORSEES AND BONA FIDE HOLDERS OF DRAFTS DRAWN UNDER
AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THE CREDIT THAT THE SAME SHALL
BE DULY HONoured IS NEGOTIATED WITHIN THE VALIDITY DATE OF THE CREDIT.
THE AMOUNT OF ANY DRAFTS DRAWN UNDER THIS CREDIT MUST BE ENDORSED ON THE REVERSE
HEREOF BY NEGOTIATING BANK.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED,THIS CREDIT IS SUBJECT TO UCP
(1993 REVISION) ICC PUBLICATION NO. 500

THIS IS THE OPERATIVE CREDIT INSTRUMENT.

Figure 5.2. The Letter of Credit Example.

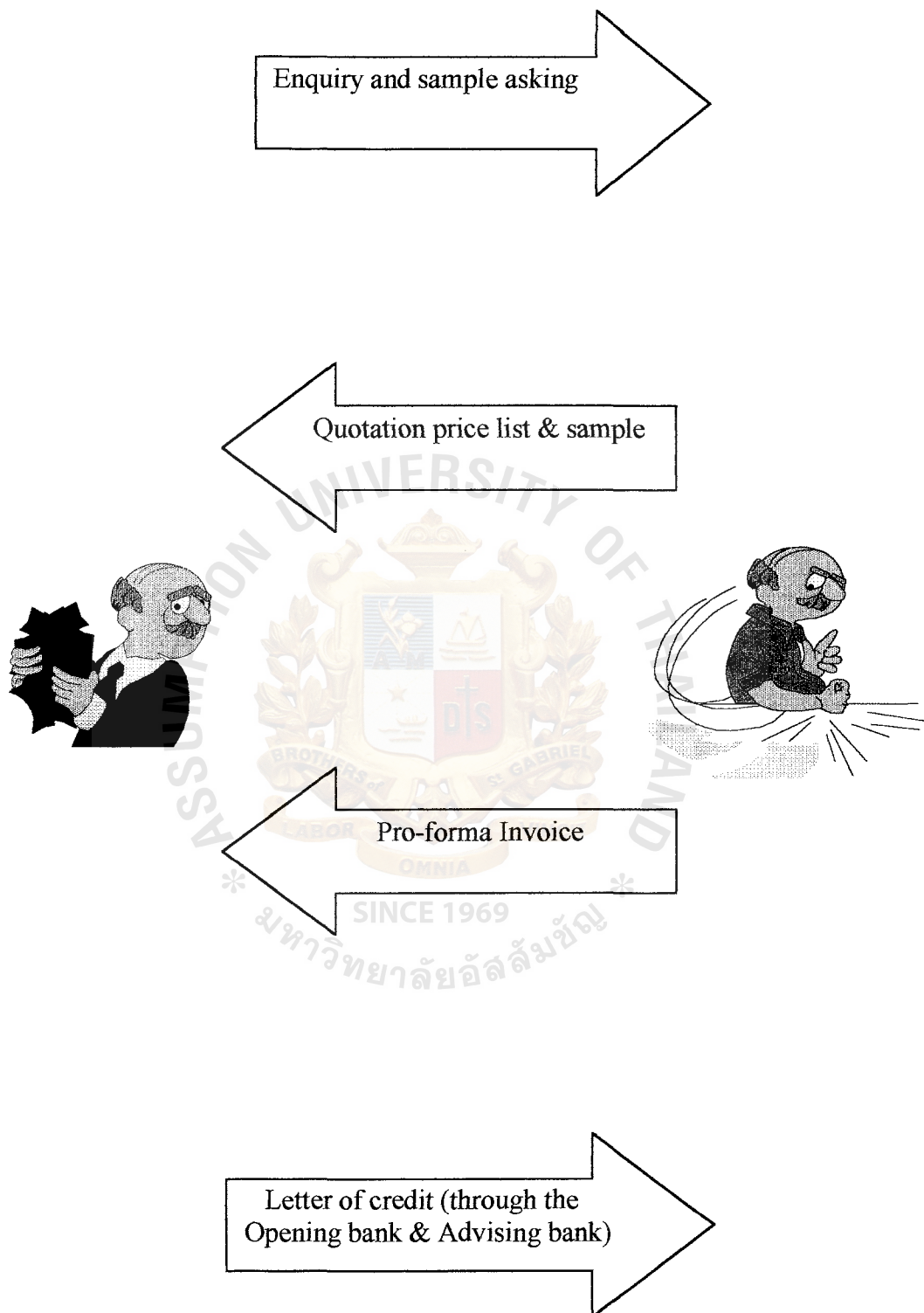


Figure 5.3. Offering and Ordering Chart.

5.2 Supplying and Shipping

- (1) SKT prepares for the Thai natural herb products by ordering to the suppliers with the lead-time and date of products finished according to the L/C.
- (2) Meanwhile SKT makes a booking for the air transportation or sea transportation, and fills up the shipping particular form for Air Waybill issued or Bill of Lading issued by the shipping agent.
- (3) When the products are nearly finished, SKT prepares for the invoice and packing list to the shipping agent and for the L/C attachment. The examples of SKT invoice and packing list are shown in Figure 5.4 and Figure 5.5 respectively.
- (4) The truck from the shipping agent will handle the products loading from the suppliers to the port and loading the products to the container by less container loading method (LCL). The truck and loading charge are includes in the shipping cost.
- (5) When the products are in the port, the shipping agent will handle for the customs clearance and export entry document for SKT. The export entry example is shown in Figure 5.6.
- (6) After the products are loaded into the ship or airplane, the shipping agent will issue the Bill of Lading (B/L) for seafreight or Air Way Bill (AWB) for airfreight to SKT. The examples of Bill of Lading and Air Waybill are shown in Figure 5.7 and Figure 5.8 respectively.

SUK-KHO THAIINTEREXIM CO., LTD. (SKT)

Address.....Telephone:.....Fax:.....

Invoice No.: Date: As per Pro-forma invoice No.:.....

Buyer's order No.:

Consignor: SUK-KHO THAIINTEREXIN CO., LTD.

Consignee: (the opening bank)

Notify: (the buyer)

Port of loading: Bangkok

Port of destination: New York

Country of origin: Thailand

Loading on or about:

By: (Seafreight or airfreight)

Vessel name and Voy:

Terms of deliver and payment: By irrevocable letter of credit No..... at sight
against shipping documents.

Packing: 2 dozens per carton, 5 kgs. per export carton

Marks	Descriptions	Quantity	Per unit	Amount
	Herbal food	<u>Dozens</u>	<u>US\$</u>	<u>US\$</u>
	1.			
	2.			
	3.			
		FOB Bangkok		xxxx
		Freight		xxxx

Total CFR, NewYork xxxxx

Figure 5.4. The Example of SKT Invoice.

SUK-KHO THAIINTEREXIM CO., LTD. (SKT)

Address.....Telephone:.....Fax:.....

Packing list No.:Date:As per Invoice No.:.....

Buyer's order No.:

Consignor: SUK-KHO THAIINTEREXIN CO., LTD.

Consignee: (the opening bank) Notify: (the buyer)

Port of loading: Bangkok Port of destination: New York

Country of origin: Thailand

Loading on or about: By: (Seafreight or airfreight)

Vessel name and Voy:

Terms of delivery and payment: CFR, New York

Packing: 2 dozens per carton, 5 kgs. per export carton

Marks	Descriptions	Quantity
	Herbal food	<u>Dozens</u>
	1.	
	2.	
	3.	
	Total	

Total Quantity: 100 cartons

Total Net Weight: 470 kgs.

Total Gross Weight: 500 kgs.

Figure 5.5. The Example of SKT Packing List.



BILL OF LADING

(THROUGH TRANSPORT CLUB S/L SERIES 100)

ORIGINAL


(ALL TERMS, CONDITIONS AND EXCEPTIONS AS PER ORIGINAL BILL OF LADING)

Shipper THE SIAM EXPORT CO., LTD. 190/2 RAJPRAROP RD., BANGKOK		WEITA INTERNATIONAL CORPORATION THE INTERNATIONAL COMBINED TRANSPORT OPERATOR & CARRIER LICENSED BY MINISTRY OF COMMUNICATIONS UNDER LICENSE NO.080 Forwarding Agent - References	
Consignee THE COMMERCE BANK LTD. NEW YORK			
Notify Party (No claim shall attach for failure to notify) THE NEWYORK IMPORT CO., LTD. 35 WEST BROADWAY, NEW YORK, N.Y. 10015		Point and Country of Origin (for the merchant's reference only) Excess Value Declaration: Refer to Clause 8(4) (B) + (C) on reverse side	
Freightage By PIYA BHUM V.33		Place of Receipt BANGKOK	
Via MANHATTAN BRIDGE V.36		Port of Discharge NEW YORK	
		Port of Loading SINGAPORE	
		Place of Delivery NEW YORK	
Particulars Furnished by the Shipper			
Container No. and Seal No. YYYX0192491 SEAL A54318 UN-EC NEW YORK/USA	Quantity and Kind of Package 26 CARTONS	Description of Goods 26 CARTONS CHILDREN'S GARMENTS CIF NEW YORK AS PER PROFORMA INVOICE NO.123/98 DATED 1ST JAN, 1999	Measurement (M³) 1.170 Gross Weight (KG) 650
LOADED ON BOARD PIYA BHUM V.33 AT BANGKOK 2ND MARCH 1999 IRREVOCABLE L/C NO. 9141000 LCL/LCL Temporary General Instructions			
TOTAL NUMBER OF CONTAINERS OR PACKAGES (IN WORDS)			
FREIGHT & CHARGES			
Revenue Tons	Rates	Freight	Collect
		FREIGHT PREPAID	
Exchange Rate		Total Freight in Local Currency	Prepaid at
			Payable at
RECEIVED by the Carrier the Goods as specified above in apparent good order and condition unless otherwise stated, to be transported to such place as agreed, authorized or permitted herein and subject to all the terms and conditions appearing on the front and reverse of this Bill of Lading to which the Merchant agrees by accepting this Bill of Lading, any local privileges and customs notwithstanding. The particulars given above as stated by the shipper and the weight, measure, quantity, condition, contents and value of the Goods are unknown to the Carrier. In WITNESS whereof one (1) original Bill of Lading has been signed if not otherwise stated below, the same being acknowledged the other(s), if any, to be void, if required by the Carrier one (1) original Bill of Lading must be surrendered as duty endorsed in exchange for the Goods or delivery order.			
B/L No. Number of original B/L issued 3/3 (THREE) Place and date of issue, BANGKOK 1ST MARCH 1999 S/O No. Laden on board the vessel		Signed on behalf of the Carrier: WEITA INTERNATIONAL CORPORATION ANFREIGHT CO., LTD. AS AGENT OF THE CARRIER	

註冊地址：新加坡 200 禧街 304 室
 電話：(06) 231 2311
 傳真：(06) 231 2312

Registered Address: Room 304 3rd Floor No. 200 Selegie Road
 Taipei (10430) Taiwan Republic of China

Figure 5.7. The Example of Bill of Lading.

176 BKK 1618 6634		176-1618 6634	
Shipper's Name and Address MOUAWAD BANGKOK RERE JEWELRY MANUFACTURERS CO., LTD. 324/1-4 SURAWONGSE-ROAD BANGRAK, BANGKOK 10500 THAILAND. TEL: 66-2-237 5325-9 FAX: 66-2-237 7138		Shipper's Account Number Not Negotiable Air Waybill Issued by Emirates P.O. Box 685, Dubai, United Arab Emirates Member of the International Air Transport Association 	
Consignee's Name and Address MOUAWAD NATIONAL COMPANY SHARAFIAH, MADINAH ROAD. P.O. BOX 1526, 21441 JEDDAH SAUDI ARABIA, / ATTN: MR. ZIAD NADER TEL: 966 2 665 2051		Consignee's Account Number It is agreed that the goods described herein are accepted in apparent good order and condition (except as noted) for carriage SUBJECT TO THE CONDITIONS OF CONTRACT ON THE REVERSE HEREOF. ALL GOODS MAY BE CARRIED BY ANY OTHER MEANS INCLUDING ROAD OR ANY OTHER CARRIER UNLESS SPECIFIC CONTRARY INSTRUCTIONS ARE GIVEN HEREON BY THE SHIPPER, AND SHIPPER AGREES THAT THE SHIPMENT MAY BE CARRIED VIA INTERMEDIATE STOPPING PLACES WHICH THE CARRIER DEEMS APPROPRIATE. THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIER'S LIMITATION OF LIABILITY. Shipper may increase such limitation of liability by declaring a higher value for carriage and paying a supplemental charge if required.	
Issuing Carrier's Agent Name and City Agent's IATA Code Account No. Airport of Departure (Addr. of First Carrier) and Requested Routing		Accounting Information	
DXB By First Carrier EK to JED by EK Airport of Destination JEDDAH, SAUDI ARABIA EK083/27 - EK301/27		Currency THB Declared Value for Carriage USD500.00 Declared Value for Customs NVD Amount of Insurance 01.2001 XXX INSURANCE - If carrier offers insurance, and such insurance is requested in accordance with the conditions thereof, indicate amount to be insured in figures in box marked "Amount of Insurance".	
Handling Information VALUABLE CARGO			
No. of Pieces RCP Gross Weight Rate Class Commodity Item No. Chargeable Weight Rate / Charge Total Nature and Quantity of Goods (incl. Dimensions or Volume)			
1	19.55	K S N200	20.00 452.00 9,040.00
** VALUABLE CARGO ** ONE PARCEL ONLY SAID TO CONTAIN: 18K GOLD JEWELRY NW. 4,648.95 GRAMS. NV. NO. 1504/00-1511/00, 1524/00 AND 1533/01 MARKS : ADDRESS DIMS: 41x41x41CMS/1.			
Prepaid Weight Charge Collect 9,040.00 Valuation Charge 80.00 Tax VAT 0% Total Other Charges Due Agent 200.00 Total Other Charges Due Carrier 700.00 Total Prepaid 10,020.00 Currency Conversion Rates For Carrier's Use only at Destination		Other Charges (A). AWH.THB.200.00 (C). T/C.THB.200.00 SECURITY HANDLING CHG.THB.500.00 Shipper certifies that the particulars on the face hereof are correct and that insofar as any is contains dangerous goods, such part is properly described by name and is in proper condition according to the applicable Dangerous Goods Regulations. B Certified true copy Brink's (Thailand) Limited BRINK'S (THAILAND) LTD. Signature of Shipper or its Agent Rachin Dechakarn Documentation Supervisor 26/01/2001. Executed on (date) Total Collect Charges	
Total Collect		Signature of Issuing Carrier or its Agent BKK/AIRPORT RCD. 176-1618 6634	

Printed in United Kingdom by Aero-Print Ltd.

Original 3 (for Shipper)

2

13:11 1002-NH-92


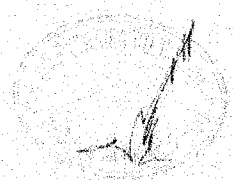
Figure 5.8. The Example of Airway Bill.

5.3 Other Documentations and Bank Negotiation

- (1) SKT prepares for the certificate of origin by asking for the C/O at the Thai Chamber of Commerce or the Department of Foreign Trade. And asking for the food certificate at the Ministry of Public Health. SKT product samples must be checked by the public organization before the shipment date.
- (2) SKT prepares for the non-negotiable documents; Bill of Lading or Air Waybill, Invoice, Certificate of Origin, and other certifications of food to the buyer after the shipment date so that the buyer can prepare for the customs clearance. See Figure 5.9, Figure 5.10, and Figure 5.11.
- (3) Then SKT attached the bill of exchange including the other original negotiable shipping documents; Bill of Lading or Air Waybill, Invoice, Packing list, and other original documents with the original L/C to Metropolitan bank for negotiating. As SKT is the new customer of the bank and with the start-up business, SKT has to ask for the line of credit of foreign bill purchased (FBP) to the Metropolitan bank in advance so that it can be negotiated for receiving the payment. The example of the bill of Exchange is shown in Figure 5.12.
- (4) When SKT negotiates at the Metropolitan bank, SKT has not yet made an availment immediately. The bank must check or examine for that L/C with the attachments and the discrepancies if they are correct and are accepted by the buyer respectively.
- (5) SKT will receive the payment from the Metropolitan bank before the due date but the total amount of payment received will be deducted for the interest rate depending on each case and the time.

- (6) All the documents required by the buyer will be sent through the opening bank of the buyer's country by the advising bank for the payment of goods.



CONSIGNOR N.S.F(THAILAND) CO.,LTD. 200 SOI BAROMRATCHACHONNEE 2 BAROMRATCHACHONNEE ROAD BANGBAMRU, BANGPLAD, BANGKOK 10700 THAILAND		CERTIFICATE NO. ๗๗๐3๕๐๕1  CERTIFICATE OF ORIGIN ISSUED BY THAI CHAMBER OF COMMERCE BANGKOK THAILAND	
CONSIGNEE P.T.KEDAUNG INDUSTRIAL LTD. KP. POPLAR KEDAUNG KALIANGE, JAKARTA BARAT, INDONESIA, POSTAL ADDRESS : P.I.BOX 2716, JAKARTA 1001, INDONESIA.		NOTIFY SAME AS CONSIGNEE	
VESSEL SINAR BALI V.176 , SINAR SUNDA V.125		DESTINATION JAKARTA , INDONESIA	
LOADING ON OR ABOUT AUGUST 1, 2001		INVOICE NO. & DATE CT 001 - 01 DATE : 26/07/2001	
MARKS	DESCRIPTIONS	QUANTITY	WEIGHT
PALLET NOS : 1-17 P.T.KEDAUNG INDUSTRIAL LTD. / JAKARTA INDONESIA / N.S.F(THAILAND) CO.,LTD.	HEAT TRANSFER PAPER SIZE : 50X70 Cm (JWTP175) HS No: 4811.40.000	1,224 Reams (17 Pallets)	19,068.00 Kgs. Net weight 18,743.00 Kgs.
This certificate is based on the information supplied to the Thai Chamber of Commerce by the Consignor and it is not to be taken as amounting to a warranty or representation of fact by the Thai Chamber of Commerce or representatives. This is issued at Bangkok on in duplicate with additional copies		The undersigned duly authorized by the Company swears that the above-mentioned goods have been produced or manufactured in THAILAND Signed on  (Authorized Signature)	

หน่วยงาน
 THE THAI CHAMBER OF COMMERCE
 150 หมู่ 1 ถนนวิภาวดีรังสิต 10200-150 แขวงจตุจักร กรุงเทพฯ 10200 โทร 02-2546076
 FAX : 02-2546076, 02-2546077 E-MAIL : www.thc.or.th E-MAIL : thc@thc.or.th

Rev.O
 FM-CO-08

C/O-001-44-

No 014773

Figure 5.9. The Example of Certificate of Origin.

(COPY)



REFERENCE NO.0409.1/ 5810

CERTIFICATE OF FRUIT, FOOD, VEGETABLE QUARANTINE
DEPARTMENT OF COMMUNICABLE DISEASE CONTROL
MINISTRY OF PUBLIC HEALTH
BANGKOK THAILAND

1. Products consigned from (Exporter's business name, address, country) GOLDEN PRIZE CANNING CO.,LTD. 55/4 MOO 3,KOK-KHAM ROAD..BANGYAPRAEK MUANG,SAMUTHSAKORN 14000 THAILAND	2. Products consigned to (Consignee's name, address country) NADI INTER TRADE N.I.T.CORP-EGYPT 87.A KING ABDEL AZIZ AL SOUD ST. CAIRO,EGYPT TEL:3620205-3620206-3640525
3. Description of products 3.1 Name DETAILS AS PER ATTACHED SHEET 3.2 Quantity 21 000 CARTONS 3.3 Kind of packages DETAILS AS PER ATTACHED SHEET	4. Description of transport 4.1 Means of transport and route SEA FREIGHT 4.2 Date of departure 20/11/2000 4.3 Port of entry DAMIETTA PORT,EGYPT
5. Origin of products 5.1 Producers (Samples as Ref) CUSTOM OFFICE 5.2 Province BANGKOK	6. Certification: It is certified that the samples of products above were investigated on (date) 16 NOV 2000 and found to be collected from non-cholera area and in satisfactory condition for export

(Signature) S. K. P. S.
Ms. Pichan Phichanpong
(Authenticated Signature)
We hereby certify in accordance with the information supplied and it is not to be taken as a guarantee or a warranty in respect of the fact.

For Director General, Department of Communicable Disease Control
17 NOV 2000
(Date)
Place and date, signature and Stamp of certifying authority

REMARK: This certificate is based upon information supplied by producer or exporter.
Inspector is not responsible to check detail or to make a comparison of the products.

Figure 5.10. The Example of Other Certifications of Food.

5919

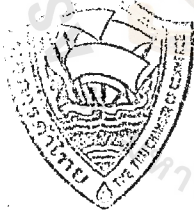

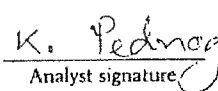

Exporter (name and address) THAI UNION MANUFACTURING CO., LTD 979/13-16, 11 FLOOR, 11 TOWER, PHAHOLYOTHIN ROAD, SAMSERNAI, PHAYATHAI, BANGKOK 10400, THAILAND		Reference No. 5990 PH 0511/ 02909		Date of issue March 28, 2000	
Consignee (name and address including country) EL HASHEMIA IMPORT & EXPORT 3 HAFEZ RAMADAN ST., POLICE TOWERS, TOWER NO.3 FLOOR 13, NASR CITY, CAIRO-EGYPT		ANALYSIS AND HEALTH CERTIFICATE DEPARTMENT OF MEDICAL SCIENCES MINISTRY OF PUBLIC HEALTH NONTHABURI 11000 THAILAND			
Date of shipment March 19, 2000		Mode of Transport <input checked="" type="checkbox"/> Sea <input type="checkbox"/> Road <input type="checkbox"/> Air		Country of destination ALEXANDRIA FREE OUT INTRANSIT, EGYPT	
Vessel BUNGA MAS TUJUH / VILLE DE VELA		Sample (s) submitted by THAI UNION MANUFACTURING CO., LTD.			
Place of departure BANGKOK, THAILAND		Date of submission March 03, 2000			
Shipping marks PRODUCED BY: THAI UNION MANUFACTURING CO., LTD. BANGKOK, THAILAND	Description of goods CANNED TUNA SKIPJACK LIGHT MEAT IN VEGETABLE OIL WITH BRINE 48/200GR SOLID 'TUNA FISH' BRAND (NET WEIGHT 200 GRAMS) CODE: MSE ALOOUI 2MH1F xxxxxxxxxxxx	Quantity 1463 Ctns.	Weight N.W. 14044.800 Kgs.		
Result of analysis 1. Total bacterial plate count per gram = 0 2. MPN of <i>Escherichia coli</i> per gram = nil 3. <i>Vibrio cholerae</i> = not detected 4. Food poisoning bacteria = not detected xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx <div style="text-align: center;">  SEEN  </div> <div style="text-align: right;">  K. Pednag Analyst signature </div>					
It is hereby certified that the sample of the above-mentioned consignment is bacteriologically safe for human consumption. xxxxxxxx We hereby certify that the information supplied and it is to be taken as amounting to a warranty or representation of fact.					
30 MAR 2000 ๑๒/ ๑๑๑๗๗ ๗๗		<div style="text-align: center;">  (Mrs. Pensri Rodma) Medical Scientist </div>			
Signed for Director General, Department of Medical Sciences					

Figure 5.11. The Example of Other Certifications of Food.

BILL OF EXCHANGE		Bangkok, 10th March 1999	Original Duty Stamped
No. 976/99	Amount for USD 55,800.00		
At	Sight of this First of Exchange (Second of the same tenor and date unpaid)		
Pay to the order of	THE RATANAKOSIN BANK LIMITED, BANGKOK		
The sum of	[REDACTED]		
FOR VALUE RECEIVED. DRAWN UNDER COMMERCE BANK LTD, NEW YORK L/C NO. 9141000			
DATED JANUARY 6, 1999			
To	COMMERCE BANK LTD.		
	NEW YORK		
BENEFICIARY'S SIGNATURE AND STAMP			

BILL OF EXCHANGE		Bangkok, 10th March 1999	Original Duty Stamped
No. 978/99	Amount for USD 55,800.00		
At	Sight of this Second of Exchange (First of the same tenor and date unpaid)		
Pay to the order of	THE RATANAKOSIN BANK LIMITED, BANGKOK		
The sum of	[REDACTED]		
FOR VALUE RECEIVED. DRAWN UNDER COMMERCE BANK LTD, NEW YORK L/C NO. 9141000			
DATED JANUARY 6, 1999			
To	COMMERCE BANK LTD.		
	NEW YORK		
BENEFICIARY'S SIGNATURE AND STAMP			

BILL OF EXCHANGE		Bangkok, 10th March 1999	Original Duty Stamped
No. 976/99	Amount for USD 55,800.00		
At	Sight of this First of Exchange (Second of the same tenor and date unpaid)		
Pay to the order of	THE RATANAKOSIN BANK LIMITED, BANGKOK		
The sum of	[REDACTED]		
FOR VALUE RECEIVED. DRAWN UNDER COMMERCE BANK LTD, NEW YORK L/C NO. 9141000			
DATED JANUARY 6, 1999			
To	COMMERCE BANK LTD.		
	NEW YORK		
BENEFICIARY'S SIGNATURE AND STAMP			

Figure 5.12. The Example of Bill of Exchange.

5.4 Conclusion

The operational plan of SKT shows that SKT operates not all the export process, some processes are handled by the shipping agent especially the transportation and the customs checking. It's feasible because:

- (1) The term of payment is the letter of credit therefore SKT rather ensures that it will receive the money from the advising bank before the due date or at least at the due date.
- (2) SKT has the lead-time for preparing the products by ordering to the supplier when it receives the L/C advising.
- (3) The cycle of the export process is always the same therefore the SKT team will be more professional with the next process.

The SKT must pay attention to the weakness of:

- (1) SKT may not get the payment if it is unable to meet even one condition in the L/C without accepting the discrepancy by the buyer.
- (2) Shipping without the insurance may cause the loss. However, the insurance will be prepared if the buyer requests.
- (3) The products may not meet the buyer expectation or other reasons and the products will be pending at the destination port without the clearance. This will cause high cost and order loss for SKT.

VI. FINANCIAL PLAN

SKT team invests in exportation business by sharing of Bht200,000 each. The cash of Bht1,400,000 is deposited to the Metropolitan Bank of Saving account and Current account for SKT cash flow. SKT has no inventory because the production lead-time will be stated in the letter of credit (L/C). Nevertheless SKT does not need to add the inventory cost therefore the products will be moved from the supplier to be loaded at the port by the shipping agent.

The variable cost of SKT mostly depends on the freight cost thereby it is calculated separately between air transportation method and sea transportation method. The financial analysis of SKT consists of breakeven analysis, sales forecast, income statement, cash flow, and balance sheet.

6.1 Breakeven Analysis

Fixed cost and variable cost calculated in the marketing part are referred to the breakeven analysis of financial part as following:

Air transportation method:

Fixed cost : Bht95,250 / month

Variable cost : Bht484.98 / 1 dozen

Selling price : Bht557.72 / 1 dozen

Profit = Selling price (NO. of dozen) – [Fixed cost + Variable cost (NO. of dozen)]...A

Getting to the breakeven point, the profit must be zero therefore the equation at the profit is zero is:

Selling price (NO. of dozen) = Fixed cost + Variable cost (NO. of dozen).....B

The number of dozen which must be sold to escape from the loss is:

557.72 (NO. of dozen) = 95,250 + 484.98 (NO. of dozen)

$$\begin{aligned}
 72.74 \text{ (NO. of dozen)} &= 95,250 \\
 \text{NO. of dozen} &= 1,309.46 \\
 &= 1,310 \text{ dozens}
 \end{aligned}$$

This means that SKT must sell the products not less than 1,310 dozens per month or about 7 orders per month by air transportation method so that it covers the total cost and gets the profit.

Table 6.1 shows the profit calculated by using the equation A and the Figure 6.1 shows the breakeven point in graph.

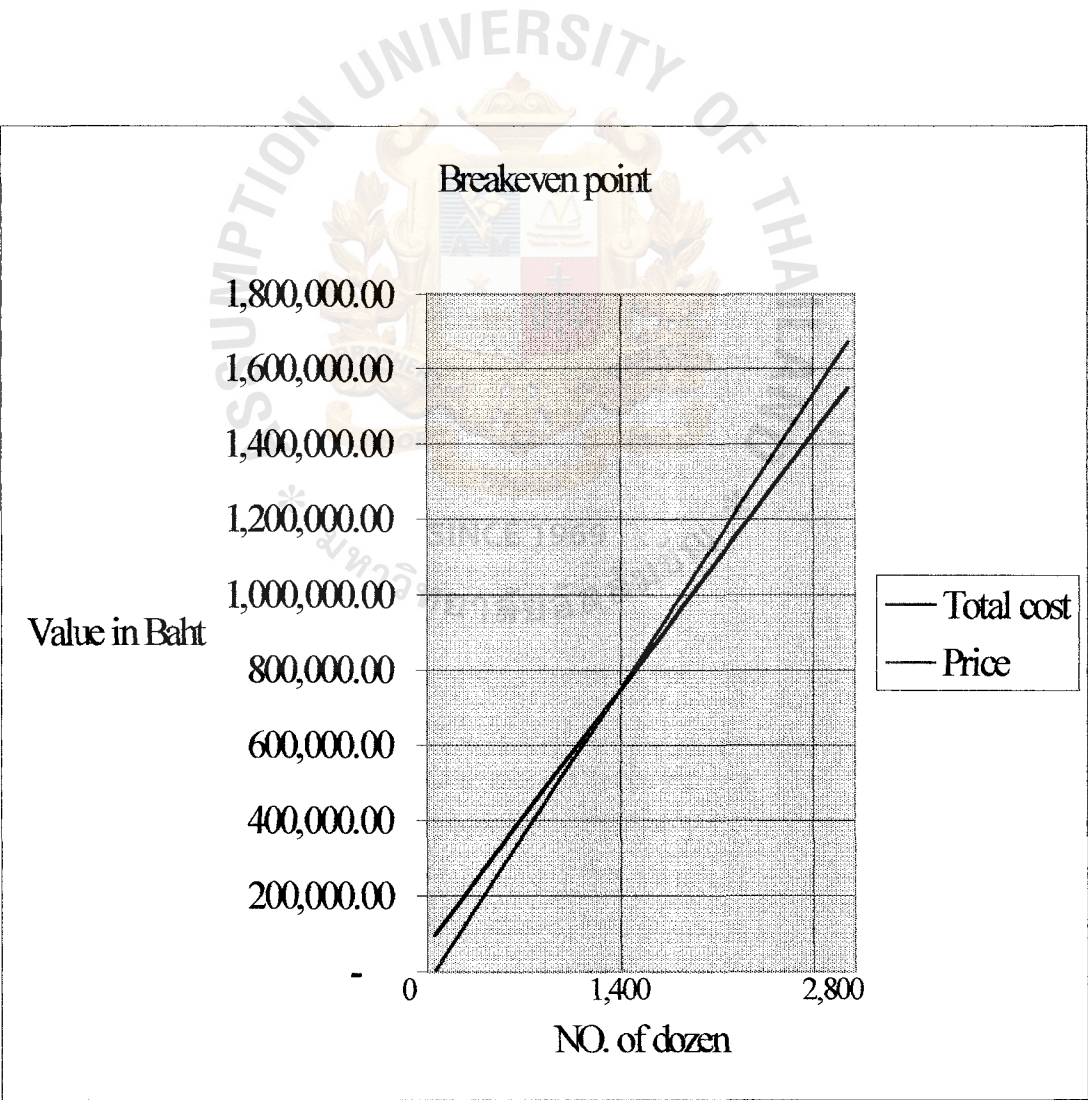


Figure 6.1. Breakeven Point Graph.

Table 6.1. Profit and Loss Table.

NO.of dozen	Fixed cost (Baht)	Variable cost (Baht)	Total cost (Baht)	Selling price (Baht)	Profit (Baht)
0	95,250.00	-	95,250.00	-	95,250.00
100	95,250.00	48,498.00	143,748.00	55,772.00	87,976.00
200	95,250.00	96,996.00	192,246.00	111,544.00	80,702.00
300	95,250.00	145,494.00	240,744.00	167,316.00	73,428.00
400	95,250.00	193,992.00	289,242.00	223,088.00	66,154.00
500	95,250.00	242,490.00	337,740.00	278,860.00	58,880.00
600	95,250.00	290,988.00	386,238.00	334,632.00	51,606.00
700	95,250.00	339,486.00	434,736.00	390,404.00	44,332.00
800	95,250.00	387,984.00	483,234.00	446,176.00	37,058.00
900	95,250.00	436,482.00	531,732.00	501,948.00	29,784.00
1,000	95,250.00	484,980.00	580,230.00	557,720.00	22,510.00
1,100	95,250.00	533,478.00	628,728.00	613,492.00	15,236.00
1,200	95,250.00	581,976.00	677,226.00	669,264.00	7,962.00
1,300	95,250.00	630,474.00	725,724.00	725,036.00	688.00
1,400	95,250.00	678,972.00	774,222.00	780,808.00	6,586.00
1,500	95,250.00	727,470.00	822,720.00	836,580.00	13,860.00
1,600	95,250.00	775,968.00	871,218.00	892,352.00	21,134.00
1,700	95,250.00	824,466.00	919,716.00	948,124.00	28,408.00
1,800	95,250.00	872,964.00	968,214.00	1,003,896.00	35,682.00
1,900	95,250.00	921,462.00	1,016,712.00	1,059,668.00	42,956.00
2,000	95,250.00	969,960.00	1,065,210.00	1,115,440.00	50,230.00
2,100	95,250.00	1,018,458.00	1,113,708.00	1,171,212.00	57,504.00
2,200	95,250.00	1,066,956.00	1,162,206.00	1,226,984.00	64,778.00
2,300	95,250.00	1,115,454.00	1,210,704.00	1,282,756.00	72,052.00
2,400	95,250.00	1,163,952.00	1,259,202.00	1,338,528.00	79,326.00
2,500	95,250.00	1,212,450.00	1,307,700.00	1,394,300.00	86,600.00
2,600	95,250.00	1,260,948.00	1,356,198.00	1,450,072.00	93,874.00
2,700	95,250.00	1,309,446.00	1,404,696.00	1,505,844.00	101,148.00
2,800	95,250.00	1,357,944.00	1,453,194.00	1,561,616.00	108,422.00

Water transportation method:

Fixed cost : Bht95,250 / month

Variable cost : Bht287.41 / 1 dozen

Selling price : Bht431.12 / 1 dozen

Profit = Selling price (NO. of dozen) – [Fixed cost + Variable cost (NO. of dozen)]...A

Getting to the breakeven point, the profit must be zero therefore the equation at the profit is zero is:

Selling price (NO. of dozen) = Fixed cost + Variable cost (NO. of dozen).....B

The number of dozen which must be sold to escape from the loss is:

$$431.12 \text{ (NO. of dozen)} = 95,250 + 287.41 \text{ (NO. of dozen)}$$

$$143.71 \text{ (NO. of dozen)} = 95,250$$

$$\text{NO. of dozen} = 662.79$$

$$= 663 \text{ dozens}$$

This means that SKT must sell the products not less than 663 dozens per month or about 4 orders per month by water transportation method so that it covers the total cost and gets the profit.

Table 6.2 shows the profit calculated by using the equation A and the Figure 6.2 shows the breakeven point in graph.

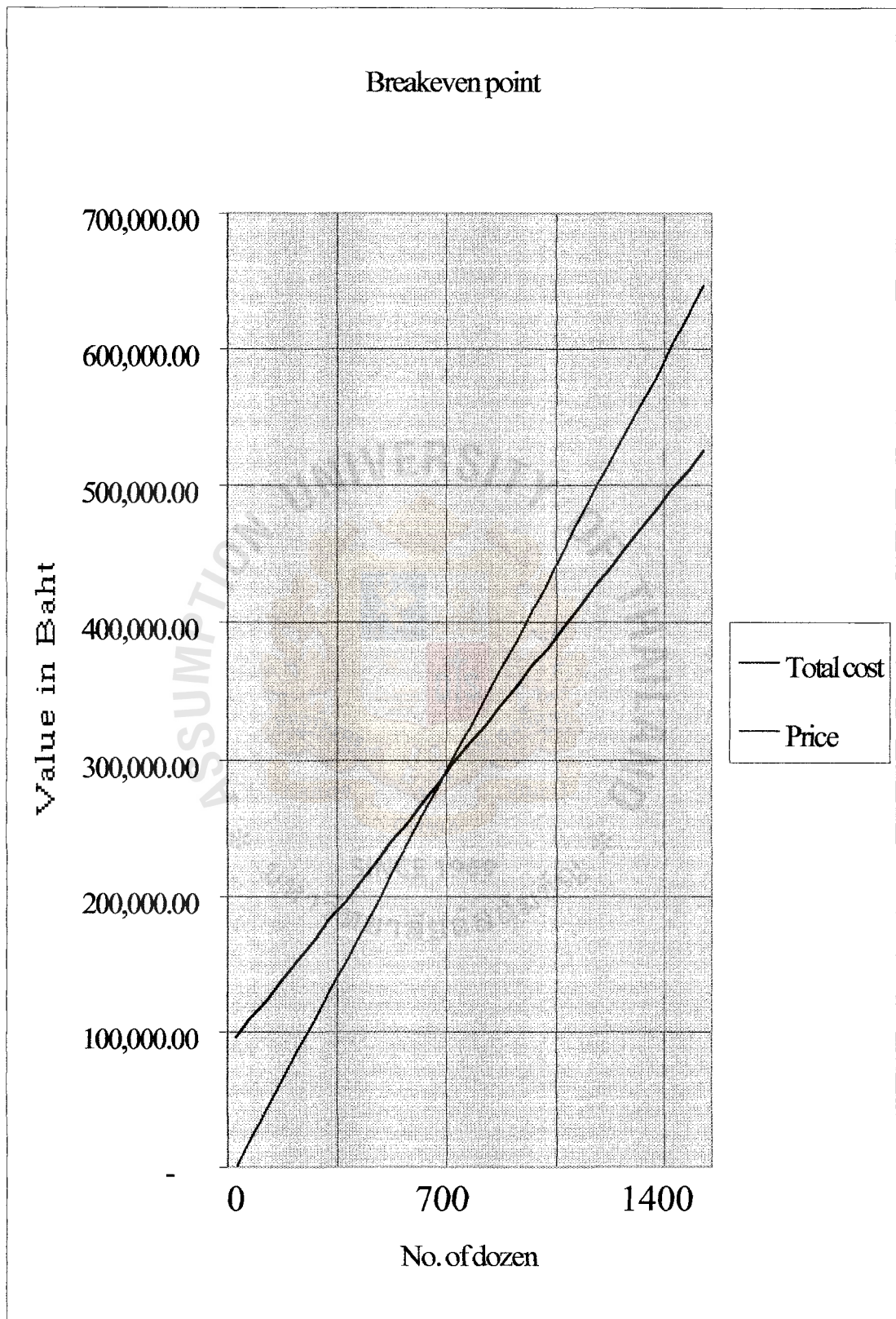


Figure 6.2. Breakeven Point Graph.

Table 6.2. Profit and Loss Table.

NO.of dozen	Fixed cost (Baht)	Variable cost (Baht)	Total cost (Baht)	Selling price (Baht)	Profit (Baht)
0	95,250.00	-	95,250.00	-	- 95,250.00
50	95,250.00	14,370.50	109,620.50	21,556.00	- 88,064.50
100	95,250.00	28,741.00	123,991.00	43,112.00	- 80,879.00
150	95,250.00	43,111.50	138,361.50	64,668.00	- 73,693.50
200	95,250.00	57,482.00	152,732.00	86,224.00	- 66,508.00
250	95,250.00	71,852.50	167,102.50	107,780.00	- 59,322.50
300	95,250.00	86,223.00	181,473.00	129,336.00	- 52,137.00
350	95,250.00	100,593.50	195,843.50	150,892.00	- 44,951.50
400	95,250.00	114,964.00	210,214.00	172,448.00	- 37,766.00
450	95,250.00	129,334.50	224,584.50	194,004.00	- 30,580.50
500	95,250.00	143,705.00	238,955.00	215,560.00	- 23,395.00
550	95,250.00	158,075.50	253,325.50	237,116.00	- 16,209.50
600	95,250.00	172,446.00	267,696.00	258,672.00	- 9,024.00
650	95,250.00	186,816.50	282,066.50	280,228.00	- 1,838.50
700	95,250.00	201,187.00	296,437.00	301,784.00	5,347.00
750	95,250.00	215,557.50	310,807.50	323,340.00	12,532.50
800	95,250.00	229,928.00	325,178.00	344,896.00	19,718.00
850	95,250.00	244,298.50	339,548.50	366,452.00	26,903.50
900	95,250.00	258,669.00	353,919.00	388,008.00	34,089.00
950	95,250.00	273,039.50	368,289.50	409,564.00	41,274.50
1,000	95,250.00	287,410.00	382,660.00	431,120.00	48,460.00
1,050	95,250.00	301,780.50	397,030.50	452,676.00	55,645.50
1,100	95,250.00	316,151.00	411,401.00	474,232.00	62,831.00
1,150	95,250.00	330,521.50	425,771.50	495,788.00	70,016.50
1,200	95,250.00	344,892.00	440,142.00	517,344.00	77,202.00
1,250	95,250.00	359,262.50	454,512.50	538,900.00	84,387.50
1,300	95,250.00	373,633.00	468,883.00	560,456.00	91,573.00
1,350	95,250.00	388,003.50	483,253.50	582,012.00	98,758.50
1,400	95,250.00	402,374.00	497,624.00	603,568.00	105,944.00

6.2 Sales Forecast

According to www.packagingdigest.com, the herbal market in USA will increase by nearly 15% per year therefore SKT applies the herbal market growth rate of 1.25% per month to its sales forecasting.

Because of advertising of SKT products in reputable directories and Web Site, the first month of SKT sales forecasting is probably 1,200 dozens.

Sales forecast is calculated as following:

$$\text{Next month sales} = \text{this month sales} \times 1.0125$$

If the sales in January is 1,200 dozens, the sales in February will be:

$$\text{February sales} = \text{January sales} \times 1.0125$$

$$\text{February sales} = 1,200 \times 1.0125$$

$$\text{February sales} = 1,215 \text{ dozens}$$

Sales forecast calculated is shown in Table 6.3.

Table 6.3. Sales Forecast for January 2002 – December 2004.

Year 2002		Year 2003		Year 2004	
Month	Sales forecast (dozen)	Month	Sales forecast (dozen)	Month	Sales forecast (dozen)
January	1,200	January	1,399	January	1,630
February	1,215	February	1,417	February	1,651
March	1,231	March	1,435	March	1,672
April	1,247	April	1,453	April	1,693
May	1,263	May	1,472	May	1,715
June	1,279	June	1,491	June	1,737
July	1,295	July	1,510	July	1,759
August	1,312	August	1,529	August	1,781
September	1,329	September	1,549	September	1,804
October	1,346	October	1,569	October	1,827
November	1,363	November	1,589	November	1,850
December	1,381	December	1,609	December	1,874
Total	15,461		18,022		20,993

Remark: The number of dozen are ordered equally between air transportation method and sea transportation method.

6.3 Income Statement

SKT applies the sales forecast into SKT revenue of SKT pro-forma income statement for 3 years; year 2002, year 2003, and year 2004. The pro-forma income statement for three years is shown in Table 6.4.

Table 6.4. Pro-forma Income Statement for SKT CO., LTD.

Jan. 1, 2002 - Dec. 31, 2002	Baht	Jan. 1, 2003 - Dec. 31, 2003	Baht	Jan. 1, 2004 - Dec. 31, 2004	Baht
Revenue:	7,644,227.62	Revenue:	8,910,437.24	Revenue:	10,379,359.06
Cost of Goods Sold:	5,970,960.90	Cost of Goods Sold:	6,960,006.29	Cost of Goods Sold:	8,107,391.64
Gross Margin:	1,673,266.72	Gross Margin:	1,950,430.95	Gross Margin:	2,271,967.42
Operating Expenses:		Operating Expenses:		Operating Expenses:	
#Selling Expenses:	777,000.00	#Selling Expenses:	777,000.00	#Selling Expenses:	777,000.00
#Administrative Expenses:	366,000.00	#Administrative Expenses:	366,000.00	#Administrative Expenses:	366,000.00
#Equipment Depreciation:	7,000.00	#Equipment Depreciation:	7,000.00	#Equipment Depreciation:	7,000.00
#Interest Expense (OD) 8%	24,000.00	#Interest Expense (OD) 8%	-	#Interest Expense (OD) 8%	-
#Personal Interest	23,040.00	#Personal Interest	23,040.00	#Personal Interest	23,040.00
#Other Expenses:	8,400.00	#Other Expenses:	8,400.00	#Other Expenses:	8,400.00
Total	1,205,440.00	Total	1,181,440.00	Total	1,181,440.00
Earnings before Taxes:	467,826.72	Earnings before Taxes:	768,990.95	Earnings before Taxes:	1,090,527.42
Taxes 30%:	140,348.02	Taxes 30%:	230,697.29	Taxes 30%:	327,158.23
Earnings after Taxes:	327,478.70	Earnings after Taxes:	538,293.67	Earnings after Taxes:	763,369.19

6.4 Cash Flow

SKT prepares for pro-forma cash flow for 3 years; year 2002, year 2003, and year 2004 as shown in Table 6.5, Table 6.6, and Table 6.7 respectively.

Basically, SKT sells the products through the letter of credit (L/C) payment and this normally receives each payment as an account receivable. After 2 months, SKT can negotiate for the payment at the bank after shipment date immediately or later.

The initial balance of SKT cash flow at the beginning of the year 2002 is Bht1,388,000 because the initial cash of Bht1,400,000 is deducted for the Bht12,000 of corporate registration.

In February 2002, SKT asks for OD (Over Draft) from the bank for buying raw materials for Bht100,000. This is because the cash decreased more than 50% from January to February which payment is unpaid till March. This incurs the interest for 8% per month.

Table 6.5. Pro-forma Cash Flow for Year 2002 for SKT CO., LTD.

in Baht	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
#Beginning balance	1,388,000.00	821,066.00	349,339.07	364,737.02	381,372.15	307,738.88	331,637.21	361,467.14	392,642.48	425,163.22	459,523.79	495,724.18
#Sales	593,304.00	600,720.30	608,631.02	616,541.74	624,452.46	632,363.18	640,273.90	648,679.04	657,084.18	665,489.32	673,894.46	682,794.02
#Cash collection	-	-	593,304.00	600,720.30	608,631.02	616,541.74	624,452.46	632,363.18	640,273.90	648,679.04	657,084.18	665,489.32
#Cost & expenses												
Fixed cost	103,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00
Cost of goods sold	463,434.00	469,226.93	475,406.05	481,585.17	487,764.29	493,943.41	500,122.53	506,687.84	513,253.16	519,818.47	526,383.79	533,335.30
OD interest	-	8,000.00	8,000.00	8,000.00	-	-	-	-	-	-	-	-
Personal interest	-	-	-	-	-	-	-	-	-	-	-	23,040.00
Tax	-	-	-	-	-	-	-	-	-	-	-	140,348.02
Other expenses	-	-	-	-	-	4,200.00	-	-	-	-	-	4,200.00
Total	566,934.00	571,726.93	577,906.05	584,085.17	582,264.29	592,643.41	594,622.53	601,187.84	607,753.16	614,318.47	620,883.79	795,423.32
#OD	-	100,000.00	-	-	-	-	-	-	-	-	-	-
#OD reimbursement	-	-	-	-	100,000.00	-	-	-	-	-	-	-
#Ending balance	821,066.00	349,339.07	364,737.02	381,372.15	307,738.88	331,637.21	361,467.14	392,642.48	425,163.22	459,523.79	495,724.18	365,790.18

Table 6.6. Pro-forma Cash Flow for Year 2003 for SKT CO., LTD.

in Baht	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
#Beginning balance	365,790.18	395,897.83	436,953.53	479,957.28	524,909.08	571,422.74	615,298.25	665,430.04	717,618.10	771,476.24	827,004.46	884,697.18
#Sales	691,693.58	700,593.14	709,492.70	718,392.26	727,786.24	737,180.22	746,574.20	755,968.18	765,856.58	775,744.98	785,633.38	795,521.78
#Cash collection	673,894.46	682,794.02	691,693.58	700,593.14	709,492.70	718,392.26	727,786.24	737,180.22	746,574.20	755,968.18	765,856.58	775,744.98
#Cost & expenses												
Fixed cost	103,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00
Cost of goods sold	540,286.81	547,238.32	554,189.83	561,141.34	568,479.04	575,816.75	583,154.45	590,492.16	598,216.06	605,939.96	613,663.86	621,387.76
OD interest	-	-	-	-	-	-	-	-	-	-	-	-
Personal interest	-	-	-	-	-	-	-	-	-	-	-	23,040.00
Tax	-	-	-	-	-	-	-	-	-	-	-	230,697.29
Other expenses	-	-	-	-	-	4,200.00	-	-	-	-	-	4,200.00
Total	643,786.81	641,738.32	648,689.83	655,641.34	662,979.04	674,516.75	677,654.45	684,992.16	692,716.06	700,439.96	708,163.86	973,825.05
#OD	-	-	-	-	-	-	-	-	-	-	-	-
#OD reimbursement	-	-	-	-	-	-	-	-	-	-	-	-
#Ending balance	395,897.83	436,953.53	479,957.28	524,909.08	571,422.74	615,298.25	665,430.04	717,618.10	771,476.24	827,004.46	884,697.18	686,617.11

Table 6.7. Pro-forma Cash Flow for Year 2004 for SKT CO., LTD.

in Baht	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
#Beginning balance	686,617.11	739,252.64	802,666.47	868,353.03	936,312.31	1,006,158.12	1,073,690.46	1,147,803.75	1,224,297.99	1,302,786.99	1,383,270.74	1,466,243.67
#Sales	805,904.60	816,287.42	826,670.24	837,053.06	847,930.30	858,807.54	869,684.78	880,562.02	891,933.68	903,305.34	914,677.00	926,543.08
#Cash collection	785,633.38	795,521.78	805,904.60	816,287.42	826,670.24	837,053.06	847,930.30	858,807.54	869,684.78	880,562.02	891,933.68	903,305.34
#Cost & expenses												
Fixed cost	103,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00	94,500.00
Cost of goods sold	629,497.85	637,607.95	645,718.04	653,828.14	662,324.43	670,820.72	679,317.01	687,813.30	696,695.78	705,578.27	714,460.75	723,729.43
OD interest	-	-	-	-	-	-	-	-	-	-	-	-
Personal interest	-	-	-	-	-	-	-	-	-	-	-	23,040.00
Tax	-	-	-	-	-	-	-	-	-	-	-	327,158.23
Other expenses	-	-	-	-	-	4,200.00	-	-	-	-	-	4,200.00
Total	732,997.85	732,107.95	740,218.04	748,328.14	756,824.43	769,520.72	773,817.01	782,313.30	791,195.78	800,078.27	808,960.75	1,172,627.66
#OD	-	-	-	-	-	-	-	-	-	-	-	-
#OD reimbursement	-	-	-	-	-	-	-	-	-	-	-	-
#Ending balance	739,252.64	802,666.47	868,353.03	936,312.31	1,006,158.12	1,073,690.46	1,147,803.75	1,224,297.99	1,302,786.99	1,383,270.74	1,466,243.67	1,196,921.35

6.5 Balance Sheet

SKT prepares for pro-forma balance sheet for 3 years; at the end of December 31, 2002, at the end of December 31, 2003, and at the end of December 31, 2004 as shown in Figure 6.3, Figure 6.4, and Figure 6.5 respectively.

Pro-forma Balance Sheet

SKT CO., LTD.

December 31, 2002

Assets		Liability&Stockholders' Equity	
Current Assets:		Current Liabilities:	
Cash	365,790.18		-
A/R	1,356,688.48		
Total	1,722,478.66		
Fixed Assets:		Stock Holders' equity:	
Office equipment	70,000.00	7 holders' equity	1,799,478.66
Less:	7,000.00		
Accru.depre.			
Total	77,000.00		
Total Assets	1,799,478.66	Total Liabilities&Equity	1,799,478.66

Figure 6.3. Balance Sheet for SKT CO., LTD. for Year 2002.

Pro-forma Balance Sheet

SKT CO., LTD.

December 31, 2003

Assets		Liabilities&Stockholders' Equity	
Current Assets:		Current Liabilities:	
Cash	686,671.11		-
A/R	1,581,155.16		
Total	2,267,826.27		
Fixed Assets:		Stock Holders' equity:	
Office equipment	70,000.00	7 holders' equity	2,351,826.27
Less: Accru.depre.	14,000.00		
Total	84,000.00		
Total Assets	2,351,826.27	Total Liabilities&Equity	2,351,826.27

Figure 6.4. Balance Sheet for SKT CO., LTD. for Year 2003.

Pro-forma Balance Sheet

SKT CO., LTD.

December 31, 2004

Assets		Liabilities&Stockholders' Equity	
Current Assets:		Current Liabilities:	
Cash	1,196,921.35		-
A/R	1,841,220.08		
Total	3,038,141.43		
Fixed Assets:		Stock Holders' equity:	
Office equipment	70,000.00	7 holders' equity	
Less: Accru.depre.	21,000.00		3,129,141.43
Total	91,000.00		
Total Assets	3,129,141.43	Total Liabilities&Equity	3,129,141.43

Figure 6.5. Balance Sheet for SKT CO., LTD. for Year 2004.

6.6 Conclusion

According to the financial plan of SKT, it is feasible because:

- (1) The Income Statement shows the profit at the beginning of the year and no loss in year 2003 and year 2004.
- (2) SKT can ask for OD (Over Draft) for insufficient cash flow to buy raw materials.
- (3) SKT has no inventory so this reduces the inventory cost.
- (4) SKT has no long-term liabilities.
- (5) There is available of cash flow.



VII. CONCLUSIONS

This project is prepared for studying a venture set-up plan for an export trading business of Thai natural herb products to United States of America. In literature review part of this project presents the finance institute, delivery, customs, and document preparation. All exporters must know about the payment instrument in international trade because the customers are in another country and the business transactions must be operated via the banks mainly which the letter of credit (L/C) is significant payment instrument.

Since the customers are very far from the suppliers, the delivery is also very important. Water transportation method and air transportation method are mainly used in products delivery depending on the type of product.

In exportation business, all products exported must pass the Customs Department for customs clearance procedure and export entries which is quite complicated in the past. Presently, the Customs Department improves the Electronic Data Interchange (EDI) system for formality checking which is quicker and easier.

No business has to prepare the documentation as much as the importation and exportation business especially concerning to letter of credit payment instrument. Moreover, other documents such as certificate of origin, health certification, etc. are required besides invoice, packing list, and bill of lading or air waybill depending on the customer and the letter of credit.

SUK-KHO THAIINTEREXIM CO., LTD. (SKT) plays the exportation business of Thai natural herb products role in this project. It is a start-up business with Baht 5,000,000 corporate registration of seven stockholders who have different field of working experiences; exporting, marketing, sales promoting, customer servicing,

computer programming, and shipping. SKT sells the products through the agencies and / or retailers to the ultimate customers and receives the payment with the letter of credit term.

The marketing part of this project shows the feasibility of launching the SKT Thai natural herb products in United States of America. This is because the natural herb product market's value in United States of America is as high as 5.5% of natural herb product market's value in the world. Moreover, the demand of Thai natural herb products in United States of America is increasing every year. The SKT advertises its company and products through the reputable directories to gain the customers in American Market.

The cycle of SKT exportation business mostly the same of SKT offering for the products, agents ordering for the products, supplies management, shipping contracting, products delivery, other organizations concerning, documentation preparations, and negotiation for the payment with the letter of credit term. The perishable products must be shipped by air transportation method and the unperishable products should be shipped by sea transportation method because of low freight cost.

The financial plan of SKT shows the profit in the income statement at the first year and shows the available of cash flow every year. The increasing sales forecast of SKT calculated from the herbal product's demand growth rate of 15% per year. And the cost of the products depends on the freight cost. Some advantages of SKT are that it has no inventory and no long-term liability thereby it has no inventory cost and less interest expense.

VIII. RECOMMENDATIONS

Presently, the products do not only compete in the local market but also compete in the world market. Moreover, international businesses are increasing every year to supply the growing demands. However, Thai exporters have not yet the enough exportation information. Thereby, I have gathered the necessary exportation information and has performed the feasibility analysis of venture set-up plan for an export trading business of Thai natural herb products to United States of America so that some exporters or new comers can take advantages from this project.

Even though the letter of credit term of payment is the best payment instrument, the exporters may get lost of that money payment if their documentation discrepancies are unacceptable by the buyers or the applicants. The exporters should read the L/Cs or letters of credit clearly at the earlier of receiving the L/Cs so that the letters of credit can be amended if they are not identified to the agreements between the exporters and the buyers.

If the exporters can not handle the shipping and customs management by themselves, they should leave these functions with the agents however, they should have some shipping and customs information so that the cost can be reduced possibly. According to the documentation preparations, the exporters should handle them by themselves if it is possible because it will help them reduce the cost.

I set the scope of the project only for the set-up export business of Thai natural herb products to United States of America therefore if the exporters need to export to other countries but United States of America, they should study those countries' profiles and their regulations as well.

The exportation process cycle is mostly the same and the exporters will get more and more experiences when the orders are repeated thereby, the exporters may see another opportunity to try other Thai products differently.

Some organizations such as The Department of Export Promotion organize the trade exhibitions of Thai products in other countries. This is the one of Thai product promotion that the exporters may advertise their products to their target markets.

The export trading business can become the export manufacturing business in the future because of more funds, more product experiences, and more exportation experiences however, it depends on the company's goal. Some companies do not want to invest in machines, land, and labours. Some companies need to have their distributors in the countries that import their products because it is easy to control the marketing management and financial management.

One thing that the exporters are over looked at is the non-tariff barriers of the import countries. This can incur the cost to the exporters easily. For example; the products exported do not pass the customs clearance at the import country because of product prohibited. Therefore, the exporters should find the non-tariff trade barriers information before exportation. The information can be found at some shipping agents, some public organizations, or the Web Site of those countries.

This project is not only appropriated for the exporters but also for anyone who wants to find some international business information. However, this project does not yet covered all international trade information. The readers should find other information from other sources or other reputable organizations such as The Department of Export Promotion, The Thai Chamber of Commerce, The Board of Trade, The Department of Foreign Trade, The EXIM Bank, etc.

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