

Export Price

Production cost and sales price

The cost of production is calculated by collecting the costs of the processes until a product is ready for sale. The selling price is simply stated as cost + profit, but requires the addition of a lot of costs, depending on which conditions you will sell to the customer.

When calculating the unit price of the product for exporters and importers, many things need to be taken into account according to the form of payment and delivery type, except for the production costs. For example, exworks, ie the unit cost account in an export to be made by factory delivery and prepayment, is the cost + profit, while the DDP delivery type and the extra costs that must be taken into account in the sale of a 30-day term: all shipping costs, insurance cost, all customs costs, all costs to be paid taxes and finally the 30-day maturity difference.

How to Create a Export Price?

Exporters should base their product price on exwork price. The basic price for all price quotations should be exworks and cash price, and the difference for other delivery and forward sales should be calculated to reflect the unit cost. If the importer requests a price including one or more of the transport, insurance and customs stages, the additional price must be calculated and the product price re-determined.

For example, if the importer requests the FOB price, the exworks price, including the transportation of the goods to the nearest port, including the internal transportation cost and the costs of the port should be added.

Exporters often prepare cost tables for their products, including exwork, FOB, CIF, CIP prices, and give customers a price according to the type of delivery requested upon request.

Structure of Export Price

- a. Factory cost of product
- b. Manufacturer's profit
- (a + b) Delivery at Factory Door Product Price (**exworks price**)
- c. Packaging and Marking
- d. Factory Installation
- e. Transportation to ports, railways or the airport
- f. Costs and costs for port / railway / airport use
- g. Document costs (CMR, konişmento v.s.)
- h. Certificate of origin
- i. If any export duty
- (a + b + c + d + e + f + g + h + i) Local Port Costs Included Export Price (**FOB**)
- j. Insurance premium and policy costs
- k. Sea or air transportation costs
- l. Port / railway / airport use costs
- (a + b + c + d + e + f + g + h + i + j + k + l) Export Price Including Costs Up to Arrival Port (**CIF**)
- m. Discharge costs at the destination
- n. Customs duties and other taxes
- she is. Clearing costs

(a + b + c + d + e + f + g + h + i + j + k + l + m + n + o) All costs Included Export Price **(DDP)**

p. Transportation to the importer's warehouse

q. Importer's profit share

r. Wholesaler's profit share

s. Profit share of the retailer

(a + b + c + d + e + f + g + h + i + j + k + l + m + n + o + p + q + r + s) Importer's sale price

What are the factors increasing the cost during export?

- Sales commissions if you have agents
- Additional costs incurred during transportation (demurrage, detention)
- costs of additional documents required for customs procedures (health certificates, permits from legal institutions)
- Financing costs (forward sales, factoring costs, bank cuts)
- Letter of credit expenses (letter of credit opening costs, reserve cuts)
- Packaging costs (importer demands non-standard packaging)
- Cost of labeling and marking (certification costs for markings such as CE)
- Transportation costs within the country (Carriage of containers between factory and port)
- Costs of unloading at the destination of the product.
- Insurance costs
- Transactions such as translation of required documents (Customs certified offices or officially approved officially requested translation)
- Credit maturities
- Costs for storage (warehouse and warehouse costs)

Exporters should consider all cost items listed in this paper when calculating their export sales prices. Another important issue is that exporters should calculate the costs of each export as a separate file. Most of the additional costs listed in this list may occur in an export, but no additional costs may be incurred in another export. Therefore, the unit cost of each export file will be different. For example, a letter of sale with a letter of credit is a more reliable and guaranteed sale compared to the goods, but it has to be included in the costs. On the other hand, in a maritime export, due to unexpected control and paperwork processes, the container carrying your load may be kept in the harbor for days and there may be additional costs such as reimbursement and demurrage.

What are the necessary information when determining the export price?

The same product, by the same exporter, can be exported to different countries, different prices. When you encounter this type of situation, do not assume that you are making arbitrary pricing at this supplier, supplier or competitor. There can be many reasons for this.

Note that these items may vary from country to country, including items such as CIP, DAP, DDP, ie, exporters' price, port costs in the country of destination, domestic transportation, customs costs, local taxes. Another issue is that even in the same country, taxes may be the same, port costs, internal transportation costs may vary greatly from region to region.

For example, when the door delivery price is given, the transporters offer a more favorable price for northern France than for southern France, even if the vehicles will be shorter. Because northern France is the industrial zone and the load is guaranteed for every truck that will carry cargo there, the truck going south will have to wait for the return load and may not even find the return load, so the shipping cost is higher.

Another issue is the competitive factor. If you are competing with rival companies that already export to the country you want to export, or with local producers in that country, this may lower your profit margin. This information is about costs and targeted foreign markets. The determination of costs will enable the exporter to generate comparative export prices for each market and to see the degree of competitiveness of the exporter in each of the selected markets.

On the other hand, it is also important that the exporter company is informed about the target market. It is important for the exporter to know the size of the target market, competitive conditions, prices of competitors and the expectations of consumers. Sales in this country will be carried out by the importer, but if the exporter knows the market conditions well, he / she acts accordingly when determining the price or negotiating the sales stage.

Providing information on competitive activities in both domestic and foreign markets is vital for accurate pricing. If the Firm is aware of the prices of its competitors or has been able to foresee and determine the additional costs that may occur, it will be able to provide competitive and realistic prices.

Price List in Exports - Checklist

a) Target Market Information

Which countries can be exported?

Who are the major competitors in different countries?

Market size and capacity?

Market growth capacity?

b) Information on Competition

Do competitive products have quality and pricing options?

What are the demands of importers?

What is the market share of competitors?

Financial conditions of competitors in the market?

Are the competition conditions in the market variable?

c) Information About Prices

Prices of competing products?

Are there any leading companies in the market?

What is the relationship between price and sales quantity?

Are there expectations in the market such as discounts, promotions and technical support?

d) Information on State Policies

What are the state policies for exporters and importers?

Do public agencies or government do direct imports?

Do you have any importer companies selling to public institutions?

Seller and Buyer obligations for CIF Incoterms

THE SELLER'S OBLIGATIONS

THE BUYER'S OBLIGATIONS

1. Provision of goods The seller must deliver the goods, provide commercial invoice or an equivalent electronic document, provide evidence of conformity or proof of delivery

1. Payment The buyer must pay the price of goods as agreed in the contract of sale

2. Licences, authorisations and formalities The seller must provide export licenses or local authorizations for exporting goods

2. Licences, authorisations and formalities The buyer must get any export license for the export of goods

3. Contracts of carriage and insurance The seller must contract on usual terms at his own expense for the carriage of the goods to the named port of destination by the usual route in a seagoing vessel (or inland waterway vessel as the case may be) of the type normally used for the transport of goods of the contract description. Contract of insurance: no obligation

3. Contracts of carriage and insurance Contract of carriage: no obligation Contract of insurance: no obligation

4. Delivery The seller must deliver the goods on board the ship

4. Taking delivery Take delivery of the goods at the agreed port of destination

5. Transfer of risks The seller is responsible until goods passed the rail's ship

5. Transfer of risks The buyer must bear all risks of loss of or damage from the time the goods have been delivered on board

6. Costs The seller must pay all cost until delivery on board, loading cost and carriage until port of destination, insurance from origin and main carriage and all export duties and taxes and customs formalities

6. Costs The buyer pays for all cost relating since goods are on board, unloading cost unless they are included in the contract of carriage, customs and taxes at destination as well as formalities

7. Notice to the buyer The seller must notify the buyer that goods have been delivered

7. Notice to the seller The buyer must provide time of shipment and port of destination

8. Proof of delivery, transport document or equivalent electronic message At his own expense, transport documentation with on board date in full set when originals are printed.

8. Proof of delivery, transport document or equivalent electronic message Accept sellers transportation document in conformity

9. Checking The seller must bear the cost of checking, quality control, measuring, weighing, counting, packing of goods and marking. If special package is required, the buyer must inform and the seller and agreed on extra expenses

9. Inspection Unless it's a mandatory at origin, pay any pre-shipment inspection

10. Other Assist obtaining additional information required by the seller

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How do I prepare a CIF quote? Cost Insurance Freight is one of the 13 Incoterms published by the International Chamber of Commerce (www.iccwbo.org/index_incot3erms.asp). The current publication is known as number 560, updated in the year 2000.

These universal terms specify the buyer's and seller's rights, costs and obligations when they use those terms in an international sales contract.

With CIF, the seller delivers the goods past the ship's rail in the port of shipment.

Therefore, the name of the port of destination is always required. The seller pays cost and freight for bringing the goods to the foreign port, obtains insurance against the buyer's risk of loss or damage and clears the goods for export.

This term is mainly used for ocean freight. The challenge of preparing a quotation is ensuring all the required cost items are included. Many of the cost items are readily available to the seller. Other cost items will have to come from export service providers, such as a freight forwarder or a banker.

Let's look at an example of exporting beer from the U.S. to Japan quoting the price at CIF.

An accurate description of the goods, with specifications:

500 boxes of Bottled Beer Made from Malt. Unit price \$10 = \$5,000 Make sure that measures are also in metric system Total Dimensions: 1,500 Cubic Ft (42.5 Cubic Mts.)

Total Net Weight: 16,800 lbs (7,620 kgs.) Error!

Total Gross Weight: 17,500 lbs. (7,938 kg) Total Ex-Works, Chicago, Illinois = \$5,150 This will give us our Ex-works (FOB Factory) taking in consideration an export packing costs of 3% of the value.

1 beer bottle weights 1.4 lbs

1 box contains 24 bottles

12,000 bottles x 1.4 lbs = 16,800 Weight of boxes: 1.4 lbs 1.4 x 500 = 700 lbs = net weight = 17,500 lbs

Size 1 box is 24"Lx18"Wx12"H = 5,184 Cubic Inch = 3 Cubic Ft/box 3 Cubic Ft. x 500 boxes = 1,500 Cubic Ft = 42.47 Cubic Mts.

In order to get to a CIF quote to the port of Yokohama, Japan you need first to calculate a Cost and Freight (CFR) and then add the insurance.

To do this we have to consider several cost-factors and your freight forwarder should be able to assist. To make some of these calculations your freight forwarder will request the chargeable weight. In this case we took in consideration the actual weight instead of the dimensional weight (the greater weight is the one used as the chargeable weight).

The cost-factors to consider are the following: drayage, (local pick up and delivery of the container), pier delivery, and terminal handling charge, documentation & forwarding fees, and ocean freight.

Our CFR, Yokohama, Japan \$11,125 Insurance – The insurance is necessary in case of risk of loss and/or damage to the goods during transit. The insurance is calculated on a shipment-by-shipment basis. You can obtain cargo insurance from your freight forwarder, who will base the cargo insurance on the value of the entire shipment including freight, insurance and unforeseen increases in cost during transit. . CIF, Yokohama, Japan US \$11,186.18

About ARDA

The Agribusiness Regional Development Association (ARDA) is a not-for-profit organisation helping Australian food and beverage producers build sustainable businesses. With decades of experience across the agriculture supply chain, we connect our members with the right people, at the right time, to achieve business growth. ARDA is funded by the Department of Agriculture, Water and the Environment to deliver the Market Diversification Program.