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EXPORT SUPPLIES OF TIMBER AND RISKS WHEN PASSING THROUGH CUSTOMS FORMALITIES

ABSTRACT. This article considers several types of risks accompanying participants in foreign trade activities in Russia when passing through Customs clearance procedures. The format of an export transaction is provided. It consists of various procedures connected with compliance with an external contract. Russian companies practising foreign deliveries are given organizational and economic advice that allows to minimize total expenses for enterprises connected with passing goods through Russian customs. Recommendations for timber retention quality are made. Situations are considered leading to the deterioration of timber, such as increased time going through Customs formalities and prolongation of goods transport. Different means of cargo delivery and carriers are compared and analyzed, and the means of their choice is described. Varying procedure on the basis of weight coefficients is scientifically proved. A conclusion on the interrelation of logistic streams (material, financial, informational) is drawn.

KEY WORDS. Export supplies, risk, timber, Customs.

Risk is always a chance of losing capital, so the problem of reducing risk is always paid a lot of attention to. For the purpose of risk management in timber exports, specific risks that the participants of foreign economic activity in Russia face are analyzed [1].

Let us define certain situations associated with increased risk, namely, customs clearance of foreign supplies, significantly affecting delivery time.

Export deliveries as an element of foreign economic activity demand, first of all, good knowledge of documents regulating foreign economic activity. It helps to reduce unproductive expenditure connected with obtaining various documents, references, inquires, etc. necessary for customs registration. Nowadays generic documents have been developed. In this regard, «the schematic of export transactions» must be prepared prior to signing the foreign trade contract. The schematic consists of various procedures connected with the execution of the transaction (Fig. 1). The main stages of interaction with bodies of currency control are listed in Tab. 1.

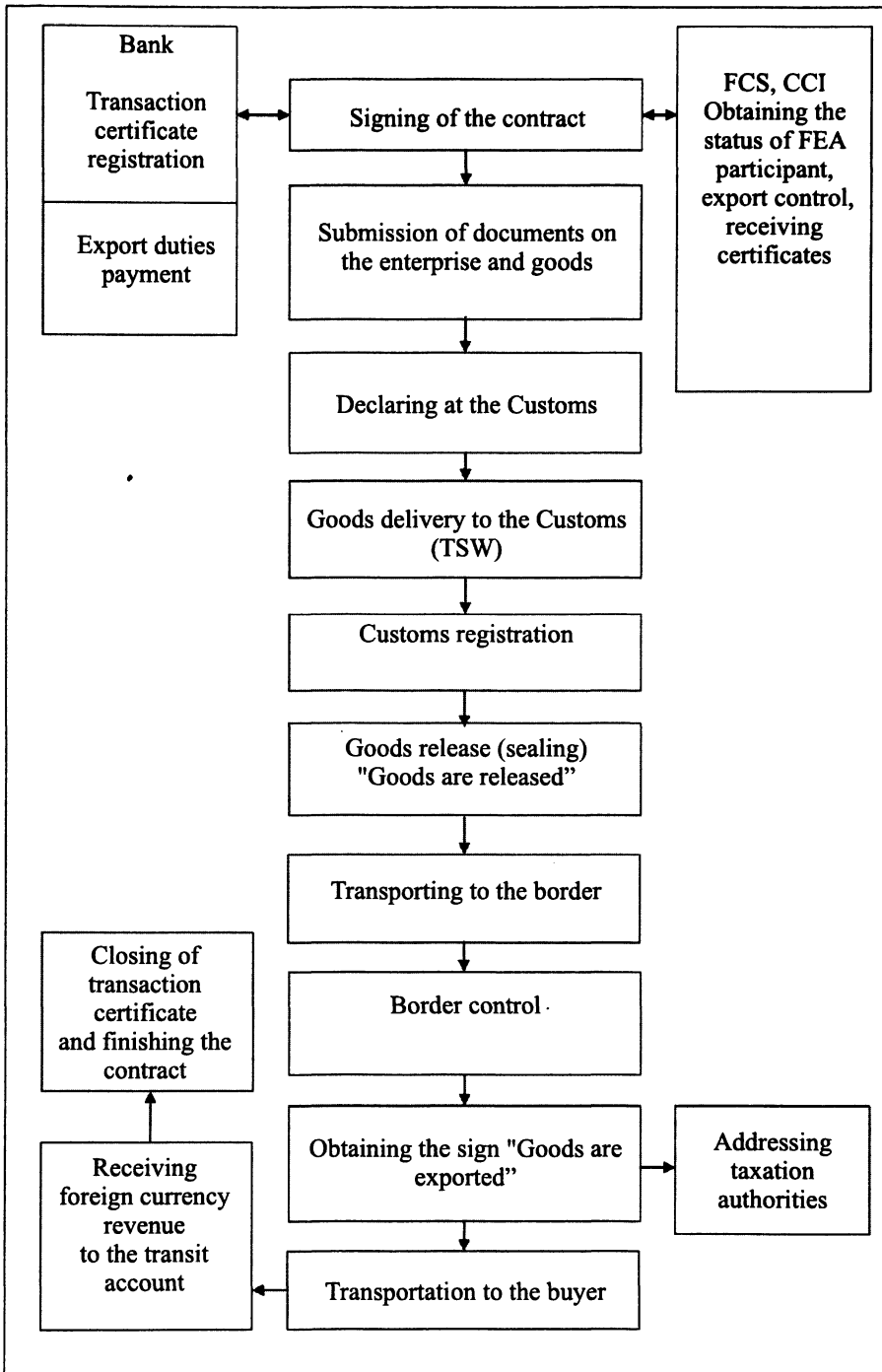


Fig. 1 Schematic of export transactions

Table 1

The main stages of interaction with bodies of currency control

Bodies of Customs control		
Bank	Customs	Collection agencies
Transaction certificate registration	Obtaining status of foreign trade participant, export licence, certificates	Provision of documents for approval of export transaction
Currency control	Declaring of goods	In-office audit
Customs duties and taxes payment	Delivery of goods to the Customs (Temporary Storage Warehouse)	VAT refund (General taxation regime, GTR)
Currency incoming on a transit account	Customs registration	
Conversion	Goods release (sealing) «Goods are released»	
Full or partial receipts entry to a bank account	Border control	
Completion of the contract	Obtaining the sign «Goods are exported»	

Russian companies are recommended measures to reduce total expenses to the companies dealing with export deliveries through Russian customs. One should clearly realize the maximum possible time necessary for the implementation of the procedures required under Russian legislation:

- receiving import quotas and licenses;
- compliance of goods with state registration regarding authority to use and sell on the territory of Russia;
- obligatory certification of goods;
- compliance with the requirements of currency regulation and currency control;
- export control of goods' quantity and quality

The author has come to the conclusion that it is necessary to consider the total expenses of the logistic chain. This principle is clearly illustrated by the number of elementary expenses in production distribution (Fig. 2). In fact, at least three components are included in expenses on the distribution of goods: expenses on transportation, on storage, and on document circulation. It is also necessary to consider the total result of operations performed either by the seller of production independently, or by way of intermediaries [2].

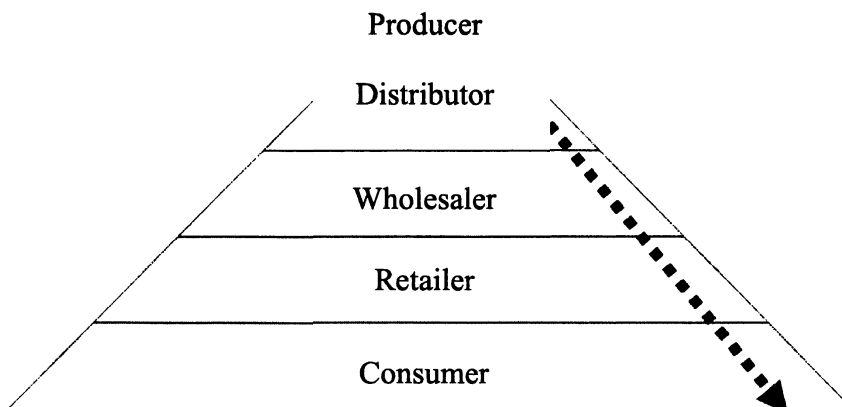


Fig.2 Distribution channels

In addition, it should be noted that there exist legally established terms for the customs clearance of goods. Any delay in executing formalities requires written explanation, which can be the reason for prosecuting those responsible for the delay, with the purpose of financial loss compensation.

Another important factor in reducing the cycle of customs clearance is broader application of so-called «pre-Customs operations». They include procedures on receiving Customs «preliminary decisions» on coding imported goods according to the codes of Foreign Trade Commodity Nomenclature and on the country of commodity origin. By carrying out the specified procedures in advance, even before the expected shipment, an importer significantly reduces customs clearance time.

The correct and timely meeting of the specified requirements leads to time reduction in carrying out customs formalities. It is connected with many factors, beginning with the personnel involved in these operations' streamlining (i.e. reduction of direct labour cost) up to goods deterioration (in our case timber).

Timber and products made of wood have a huge number of qualitative features [3]. This distinguishes timber export from other raw material resources. For example, during a warm season the so-called «blue layer» defect arises when timber is stored indoors in non-aired rooms. Certainly, the onset and depth of this defect differ for wood species (fir-tree, pine, fir, cedar and larch). But this is a widespread problem for coniferous trees, especially for pine trees.

Sometimes it is necessary to apply additional measures, such as airing or removing covers from the freight, when the time of transportation and passing through Customs is prolonged.

One more aspect characterized by a high degree of risk is the choice of transport means for timber. The comparative criteria of freight delivery by different means of transport are given in Tab. 2 [4].

Table 2

Criteria of freight delivery by different means of transport

Criterion	Means of transport		
	By road	By rail	By sea
Time of delivery	High	Average	Low
Cost of delivery	Average	Low	Average
Cargo safekeeping	High	Low	Average
Dependence on shipment	High	Low	Average
Possibility to unite shipments	Average	Low	Average
Dependence on weather	Average	Low	High
Transport availability	High	Average	Low

After choosing the means of transport, it is necessary to define several alternative carriers using the following criteria:

- reliability in time of delivery;
- transportation tariffs;
- stability of the carrier;
- additional services in packaging arrangement and freight delivery;
- freight safety;
- forwarding and the personnel’s general qualification;
- flexibility of delivery schemes.

An important point is the choice of carrier. The algorithm of this choice is given in Fig. 3.

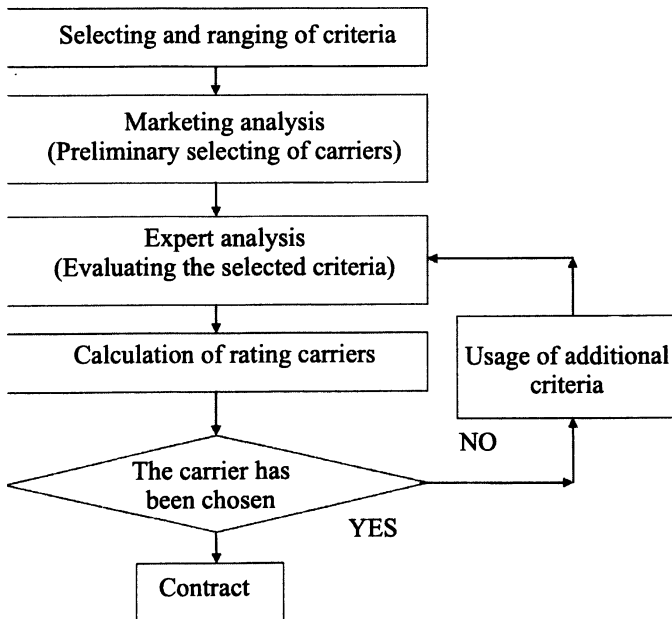


Fig. 3 The algorithm of carrier choice

Motor transport, perhaps, is the most flexible and suited to the transportation of various types of freight [5]. The only restrictions are the length, width and height of the vehicle. For example, eighteen-wheelers most often used for long-distance transportations, have the dimensions 13x2,4x2,4 m. Experience shows that motor transport is also the safest: cargo damage, loss and theft are less frequent when transporting by road than by rail. The main restriction for road transport is the geography of the delivery. Road delivery of cargo is impossible in some places due to a lack of roads. Besides, costs of delivery by road to distances more than 3000 km usually exceed costs of delivery by rail. To remote cities, cargo is usually delivered by rail. However, the railroad is not appropriate for transporting all categories of freight. Delivery of fragile goods and goods that can lose consumer properties as a result of jolting by rail are not recommended. Restrictions on weight and dimensions of the packages transported by the railroad are more rigid in comparison with road transport.

Having chosen the means of transport, we consider price, terms of delivery, delivery period, methods of payment. An approach on the basis of weight coefficients has been applied. The procedure of ranging is given in tab. 3.

Table 3

Ranging procedure

Choosing a delivery variant	Variant 1		Variant 2		
	Weight	Assessment 1	Rating 1	Assessment 2	Rating 2
Price FCA	0,4	8	3,2	5	2
Payment conditions	0,1	8	0,8	5	0,5
Goods quality	0,3	6	1,8	9	2,7
Transport	0,1	2	0,2	8	0,8
Time of delivery	0,1	2	0,2	8	0,8
Total	1		6,2		6,8

In conclusion, we will note that the main danger is the instability of logistic streams (material, financial, informational) in time. Insufficient attention to these is sometimes justified by hope for natural elimination of risks at various stages. But as experience shows, growth in the number of operations N leads to risk increases in proportion to \sqrt{N} .

Nowadays an active search is underway for ways of modern analysis methodology improvement and risk management in modern market economy conditions. On the one hand it will give businessmen all the information necessary for decision-making, and on the other hand increase the number of successfully realized projects.

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