



Exporting Small Commercial Shipments to the U.S.

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Exporting Non-Controlled or Non-Regulated Informal Goods to the United States

Introduction

Trade between countries is made of two actions: importing and exporting. “Exporting” refers to goods exiting a country and “importing” refers to goods entering a country. If you ship merchandise to the United States, you will then be exporting from Canada and importing into the United States. This information package focuses on what small businesses need to know and the options available in order to import small commercial shipments into the United States (U.S.). The formal or technical terminology for this type of import is known as informal **non-controlled** or **non-regulated import**. These terms may seem a bit unfamiliar right now, but as you read further they will become clearer.

Because it can be costly in terms of time and money for most Canadian businesses to gain a foothold in the American market, it is typically advisable that Canadian businesses be firmly established in Canada first. Exporting will require the resources of people and finances during this developmental period. A recommended first step is an export readiness diagnostic to evaluate your business and its current resources. This evaluation is available on the “Exportsource” web site at: <http://www.exportdiagnostic.ca>. The diagnostic will help you evaluate whether your objectives for exploring the U.S. market will be satisfied, whether the risks of the venture are truly worth the returns and the potential issues involved in an import transaction. Rules for export to the U.S. vary depending upon what and how you are shipping to the United States. You will have to do some homework to find out what importing rules and regulations apply to your specific product(s).

Exporting to the U.S. can be a multi-step process. You must research the exporting process and be aware of all its stages before you actually ship your goods. You also need to do some research on the importing process of the United States. Be aware that U.S. Customs does not inspect every item that crosses their border. A random search of goods crossing the border takes place.

Those goods that do not meet the required rules and regulations will not be permitted entry. When filling out your customs declaration, you will have to identify what you want to happen to your package in case of U.S. Customs refusal. Depending on what you have marked on that documentation your package may be detained at the border crossing until proper paperwork is received.

The first step in getting started is determining if the good(s) you are shipping are considered **Formal** or **Informal**. By discovering the difference between these two categories, you will identify the additional steps needed to complete your import transaction. These steps will come in the form of needed documentation, shipping requirements, packaging, custom broker's fees, etc.

What is the difference between *Formal* and *Informal* entry of shipment?

Formal

Shipments to the U.S. are usually required to make a formal entry if the item(s) you are shipping are valued at **\$2,000 US or over *per shipment***. Your shipment is also considered formal if the good(s) you are shipping are **controlled** or **regulated** by the U.S. government. If you are in this category, it means that you will likely have to hire a customs broker to clear your good(s) into the U.S. Be aware that , regardless of value, any merchandise shipped to the U.S. may require a formal entry if the customs inspector requires it.

Informal

Informal entries of merchandise are those items that are valued **over \$200 and under \$2,000 US *per shipment***, and are considered **non-controlled** or **non-regulated in Canada or the U.S.** If your shipment falls under this category, then you are required to secure what is known as a "Customs Assigned Number" or "Importer ID Number." U.S. Customs specialists recommend using a *U.S. Customs Broker* to help you in obtaining this number. This Broker will work with you and send in, on your behalf, the needed form (custom form 5106). You can request this form

at your nearest U.S. Customs office or access it on the Internet at:

<https://forms.customs.gov/customsrf/getformharness.asp?formName=cf-5106-form.xft>

and send it in on your own. To obtain a listing of customs brokers you can:

- ▶ contact the Canadian Society of Customs Brokers at (613) 562-3543 or search their directory of members on-line at: <http://www.cscb.ca>
- ▶ consult your local yellow pages
- ▶ contact *The Business Link* at 1-888-811-1119

How do I know if my shipment is Non-Controlled or Non-Regulated?

Non-controlled or non-regulated goods are those items that **do not require** U.S. or Canadian **permits, certificates or licenses** to be exported. To find out if the good(s) you want to ship to the U.S. are non-controlled or non-regulated, you may contact:

- ▶ U.S. Customs Broker - listing per port of entry available on-line at: <http://www.customs.gov/xp/cgov/toolbox/ports>
- ▶ U.S. Customs & Border Protection — in Sweetgrass, Montana (border crossing) at (406) 335-9610 they may be able to advise depending on the product you are exporting.
- ▶ U.S. Import Specialist — located at one of the many border crossings, such as Great Falls, Montana (406) 453-7631. You can obtain a detailed list of U.S. Ports of Entry on the Internet at: <http://www.customs.gov/xp/cgov/toolbox/ports>
- ▶ Canada Customs and Revenue Agency's ACIS (Automated Customs Information Service) — ACIS is a phone service that you may access 24 hours a day to obtain general customs information. Additionally, you may use ACIS during business hours to speak to a Customs Officer to obtain specific customs information.

North Central Alberta District	1-800-461-9999
Southern Alberta District	(403) 344-2010
- ▶ Department of International Trade:
Export Control Division: <http://www.dfait-maeci.gc.ca/eicb/menu-en.asp>
Tariffs and Market Access Division (EAT): Telephone: (613) 944-5070 or (613) 944-1569
Fax: (613) 944-4840 or (613) 992-6002 - E-mail: eat@dfait-maeci.gc.ca

Some Examples of *Controlled* or *Regulated* goods are:

- ▶ **Firearms** (rifles, pistols, shotguns, ammunition, explosives and their parts)
- ▶ **Radios and Related Equipment** (computers, radio and TV receivers, fax machines)
- ▶ **Chemical and Toxic Substances** (pesticides, fertilizer, fungicides)
- ▶ **Softwood Lumber** (wood siding, flooring, softwood lumber)
- ▶ **Food Products** (sugar, syrups, molasses)
- ▶ **Textiles & Clothing Products** (coats, sweaters, handbags)

A complete list of controlled or regulated goods is available in the following ***Business Link's*** publications: "Export Procedures and Documentation - How to Start Exporting in 7 Easy Steps" (Canadian controls) and "US Regulations for Canadian Exporters" (US Controls).

When I export goods to the U.S., do I have to report this to the Canadian Government?

No, according to Canada Customs and Revenue Agency's "Exporting Goods from Canada: A Handy Customs Guide for Exporters" (available on-line at: <http://www.ccr-aadrc.gc.ca/E/pub/cp/rc4116/rc4116-e.html>), the U.S. has agreed to supply the Government of Canada with export information on goods intended for consumption and resale in the U.S. market. The Canadian Government has agreed to do the same. "Therefore, you **do not** have to report goods to the Canadian government that you are exporting to the U.S., Puerto Rico, or the U.S. Virgin Islands, regardless of their value, **unless**, the good(s) are controlled, prohibited, or regulated." You do however, have to fill out the necessary shipping documentation provided to you by your chosen transportation company.

Do I have to fill out a Certificate of Origin?

When dealing with **informal** shipments, you are not required to complete a certificate of origin, but U.S. Customs recommends you do. By completing this certificate, your shipment through Customs will be quicker and the ability to claim North American Free Trade Agreement (NAFTA) will be more successful. To obtain a copy of a B232, NAFTA Certificate of Origin, you can visit your local CCRA office, or visit their web site at:

Labeling and Marking Goods

When importing **for resale** in the U.S., you must be very careful when labeling and marking goods. Be sure to follow all guidelines set out for your particular good(s). You can obtain information on guidelines through *The Business Link*, or possibly from your local library. A good publication is the U.S. Custom House Guide, Commonwealth Business Media Inc available on-line at: <http://www.customhouseguide.com>. An example would be shipping items produced from textile fibres. Textiles must meet the requirements of the U.S. Textile Fiber Product Identification Act. Woolen fibres (except rugs, mats, carpet, and upholstery) must be labeled similar to other textiles to show the following:

1. Percentage of wool fibre
2. If fiber is virgin wool, reproduced or reused
3. Other fibres if over 5% by weight
4. Aggregate percentage of all other fibres
5. Name of manufacturer, importer or importers registered identification number
6. Country of origin
7. Washing instructions

All goods, being shipped to the U.S. **for resale**, which are capable of markings, must be marked with the English name of the country of origin (with **no abbreviations**). Some examples of these markings are, “Made in Canada” and “Product of Canada”. Another example of a labeling or marking issue is that of size and positioning of labels. If an item, packaged in a box, is sent to the U.S. for resale or to a distributor, and you are putting both labels on the box, yours and the distributors, you need to follow these two steps: 1) both labels need to appear on the same side of the box; 2) the U.S. label must be displayed as large or larger than that of the Canadian label.

Those exporters that are shipping their good(s) *to an end-user* (ultimate purchaser), **not for resale**, will not be as restricted when it comes to labeling. Check with a U.S. Customs inspector to see if you can obtain a markings exemption under A.C.F.R. 134.32f. The exemption must be shown on the invoice prior to presenting to U.S. Customs. It is still the exporter’s responsibility to make sure all necessary steps have been taken to ensure Customs approval.

The Most Common Shipping Methods

When shipping informal shipments to the U.S., the most common form of transportation is through the post, such as Canada Post, or by using the services of international couriers. A list of international couriers are in your local yellow pages under the heading “Courier”. If needed, check with your courier to see what custom broker services they can offer.

Customs broker fees can make your product cost prohibitive when sending parcels one-by-one to the United States. UPS and other shippers recommend that you send your products as a “Consolidated Entry”. This means that the shipper/manufacturer would send a quantity of packages at one time to the United States, and they would be entered as a single entry for customs purposes. You would then be charged for only one broker fee. Once they have cleared U.S. Customs, the packages would then continue to each address.

When shipping samples, always indicate a value. U.S. Customs can delay or refuse a package which is simply marked as “Sample, no commercial value”. Everything has a value, and if you do not indicate one, U.S. Customs may impose the value themselves or simply refuse entry. Before you send merchandise samples, always call U.S. Customs & Border Protection or your broker: bona fide samples have strict rules of entry.

Another word about U.S. Customs, always type your customs documentation. Hand-written information, while accepted, can cause delays and is considered less credible. It is suggested that when no form is available you type the needed information on company letterhead.

Packaging¹

What does a package do?

It must:

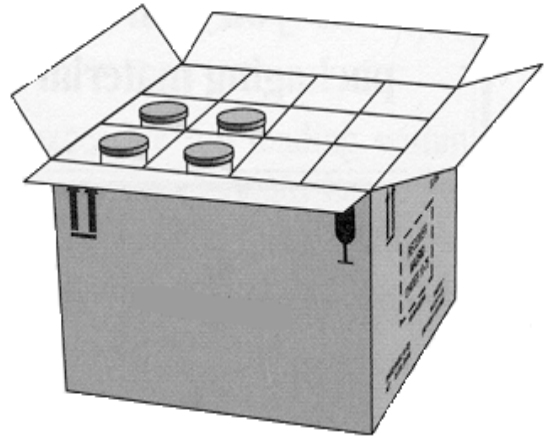
- contain
- protect
- preserve
- aid distribution

It should:

- communicate and create a positive image

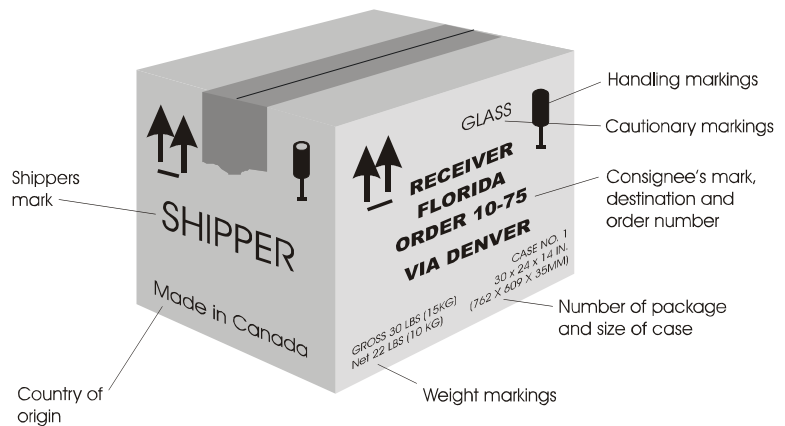
It may:

- measure or dispense products



Before shipping your package for resale make sure you have:

- the appropriate handling marks
- the proper language usage
- the following markings (as may be required by Customs):
 - port of destination
 - transit instructions
 - name, address, and phone number of consignee (the person to whom the good(s) are being sent)
 - country of origin
 - name, address and phone number of sender
 - package dimensions/weight
 - package serial number
 - invoice and/or order number



For additional information on packaging, contact your shipper (see section *The Most Common Shipping Methods*).

¹Source Department of Foreign Affairs and International Trade (DFAIT); Export Packaging. Ottawa; 1994. pp. 14-32. Available at *The Business Link* Library.

Getting Paid

It is important that you get paid. Most courier companies do not do *Collect On Delivery* (COD) to the United States. To insure that you receive payment for your sale, it is advisable that you investigate the various payment options. Prepayment by credit card, cheque or money have the least risk. Payments on “open account” are common but are high risk. As a seller you should always verify the credit-worthiness of your buyer. You can do so by using Export Development Canada’s EXPORTCheck service available on-line at: <http://www.edc.ca>. For more information on other payment options and related information, you can access a ***Business Link*** publication called Payment Options.

Tips on how to successfully ship a quantity of goods, that qualifies for informal entry, into the U.S.:

- Check these government web sites for great information on exporting / importing: <http://www.customs.gov> (USA) and <http://www.ccra-adrc.gc.ca> (Canada).
- Seek guidance from customs and exporting authorities (U.S. and Canadian Customs Officers, U.S. Import Specialists, and Customs Brokers). Communicate your export objectives; give them specifics about the product(s) you want to import into the U.S. and to whom.
- Familiarize yourself with U.S. business regulations and practices. Comply with U.S. environmental product performance, consumer protection, labeling and packaging rules. To find out what regulations pertain to your export products, contact a U.S. Customs Broker.
- Make it as easy as possible for U.S. buyers to deal with you. Some suggestions are:
 - Quote your product prices in U.S. dollars.
 - Develop a complete U.S. wholesale and/or retail price list:
 - Checking your prices with those of your U.S. competitors for competitiveness
 - Convert Canadian weights and measures to American standards
 - Consider in your per unit prices any commissions you may have to pay for a U.S. sales representative. (Commissions to sales representatives are calculated as a percentage of the wholesale value of your products.)
 - Consider additional fees such as brokerage, shipping, insurance, foreign exchange, etc., in your pricing

- Become knowledgeable about exporting by reading export publications. The following references will help you obtain some of the knowledge you need for exporting.

Other Sources of Information

- ▶ Exporting Goods from Canada: A Handy Customs Guide for Exporters, Canada Customs and Revenue Canada (Ottawa, Ontario, Canada Customs and Revenue Agency, 2002). Order it by phone at: 1-800-959-2221.
- ▶ U.S. Regulations for Canadian Exporters, *The Business Link*. Call 1-888-811-1119 for a complimentary copy or access it on-line at: www.cbsc.org/alberta/tbl.cfm?fn=export.
- ▶ Export Procedures and Documentation: How to Start Exporting in 7 Easy Steps, *The Business Link*. Call 1-888-811-1119 for complimentary copy or access it on-line at: www.cbsc.org/alberta/tbl.cfm?fn=export.

Internet Web Sites

- ▶ U.S. Customs and Border Protection - Department of Homeland Security: <http://www.customs.gov/xp/cgov/import>
- ▶ “Exporting Goods from Canada: A Handy Customs Guide for Exporters”: <http://www.ccra-adrc.gc.ca/E/pub/cp/rc4116/rc4116-e.html>
- ▶ *The Business Link*: <http://www.cbsc.org/alberta>
- ▶ ExportSource: <http://exportsource.ca/>
- ▶ InfoExport: <http://www.infoexport.gc.ca/>

Disclaimer

Information contained in this document is intended as a guide only and should not be relied upon as the only source of information. Please note that all information is current only at the time of printing and is subject to change.

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