



# CROSS-BORDER TRADE SECRETS

**When moving shipments into and out of Canada, what you don't know can hurt you. Specialized logistics providers can help you capitalize on opportunities, ensure compliance, and keep you safe from harm.**

**O**bserve the number of trucks moving cargo north at any U.S./Canada border crossing and it's easy to guess the U.S. dollar/Canadian dollar exchange rate without checking online or in the newspaper. The more trucks moving cargo north, the stronger the U.S. dollar becomes. When volume flip-flops so more goods are moving south, the Canadian dollar gains ground.

Recently, the U.S. dollar has been on the rise, with cargo volume relatively balanced. That's just one reason U.S.-based companies are increasing trade with Canada,



whose economy came through the past five years relatively unscathed—especially compared to the U.S. economy. The downsizing of Sears Canada, and the closing of discount chain Zellers, has also freed up some real estate for U.S. retail chains.

Canada is currently the United States' largest trading partner, with \$616 billion in total goods moving between the two countries during 2012, according to the Office of the U.S. Trade Representative. Canada was the United States' largest goods export market in 2012, led by vehicles, machinery, mineral fuel/oil, and plastic; the same commodities move from Canada to the United States, though in different volumes. The U.S.-Canada border also sees a high volume of fresh produce; snack foods; red meat; fresh, chilled, and frozen foods; and processed fruit and vegetables moving in both directions.

Retailers including J. Crew, Tory Burch, Nordstrom, and Target are making forays into Canada for the first time, and many more retailers and manufacturers are stepping up e-commerce activity to the north. The oil and gas industries in both countries also continue to expand, triggering increased cross-border traffic.

But crossing even a peaceful border such as the one between

the United States and Canada is growing more complex as regulations mount—some call it the “thickening” of the border. That complexity has many U.S. shippers turning to third-party logistics (3PL) providers, carriers, and customs brokers with the experience and infrastructure to make moving goods into, out of, and within Canada as seamless as possible.

### STRATEGIC INVENTORY PLACEMENT

The most certain thing about the balance of U.S.-Canada trade is that it will change. For that reason, some companies set up warehouse facilities on both sides of the border.

NFI Industries, a logistics provider headquartered in Cherry Hill, N.J., is seeing this trend up close. “A big box retailer might operate a warehouse in Buffalo, N.Y., and another across the border in Fort Erie. They are only a short distance apart, but they create shipping efficiencies, reduce costs, and cut down on border-crossing time,” says Joanna McFatridge, operations manager, fleets, for NFI Industries, whose seven divisions integrate to deliver complete supply chain solutions.

This is part of a larger trend in which businesses locate smaller



**The U.S.-Canada border sees plenty of traffic. More than \$616 billion in total goods were traded between Canada and the United States in 2012.**



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warehouses close to demand. Because much of Canada's population is concentrated near the U.S.-Canada border, companies can take advantage of swings in exchange rates and fuel prices by stocking inventory in these small facilities on one side of the border or the other. NFI's real estate legacy helps companies establish such locations.

But managing this type of arrangement requires considerable border expertise to ensure compliance issues don't eat up inventory savings. Because it operates as an international transportation, logistics, warehousing, and distribution services provider, and maintains a deep, long-term relationship with one of North America's most experienced licensed customs brokers, NFI can create customized supply chain solutions for shippers that accommodate exacting shipment needs, as well as manage compliant border crossings.

The produce industry is a case in point. Produce travels considerable distances and often requires a variety of services, including air or ocean transport, warehousing, and ground or intermodal service, including refrigerated container-on-flatcar intermodal.

While typical cargo can endure temperature variances while en route, produce has extremely narrow tolerances that mean it

must be constantly monitored. Often it must move across one or more borders while complying with each country's food-specific import requirements.

"The produce supply chain requires extreme dedication and sensitivity," says McFatridge. "NFI has developed a very streamlined process. We get a lot done before the cargo even ships, and five to 10 people are watching it at various points along the way until it reaches its final destination."

NFI has pioneered many improvements in cold chain capabilities—from technology to new processes to equipment—as part of the company's commitment to advancing its level of cold chain service.

The company strongly supports drivers, whose training and competence are critical in ensuring proper shipment handling, including across the border. NFI's customer service function regards drivers and customers as equally important; the company provides each with a 24/7 single point of contact so they can get the help they need at the moment they need it.

As Canada Border Services Agency requirements catch up to the increasingly high standards set by U.S. Customs and Border Protection, NFI's emphasis on service will help ensure shipments move quickly and accurately from both sides of the border.

**A Canada Border Services Agency representative inspects the contents of a shipping container. Logistics providers enrolled in security programs can often bypass lengthy inspections.**



## INVESTMENT IN CHANGE

Efficient border crossing is all about working in advance. Teaming with an expert staff goes a long way in ensuring importers and exporters follow the correct regulations, file the right paperwork, meet deadlines, and entrust cargo to a compliant carrier. Shippers must complete all this preparation at least two hours before a truck arrives at port or face costly delays and risk extra steps that promise to stall shipments even longer.

To help ensure smooth crossings, Werner Enterprises, an international transportation and logistics company based in Omaha, Neb., recently opened a new 10-acre terminal in the Detroit region, near the Windsor, Ontario, port where 60 percent of the company's volume bound for Canada crosses the border. Werner invested \$1 million in the terminal, which houses customer service and sales staff, offers driver amenities, and services equipment. A dedicated staff of border-crossing coordinators helps ensure paperwork is filed correctly in order to avoid delays and fines at the border.

The Werner facility is the first company-owned terminal along the U.S.-Canada border, and represents the 3PL's commitment to cross-border business into Canada, says Lance Dixon, vice president, Mexico and Canada, at Werner. The company offers over-the-road and intermodal transport, as well as brokerage services, and contracts with Canadian carriers for transport within the country.

A TSA-approved participant in security programs such as the Customs-Trade Partnership Against Terrorism; Partners



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in Protection; Automated Commercial Environment (ACE); and the Free and Secure Trade initiative, Werner executes about 20,000 U.S.-Canada border crossings each year for many customers in the retail, consumer goods, and oil industries.

Werner employs about 60 experienced drivers who handle 80 percent of the company's U.S.-Canada border crossings. That's key, because driver shortages throughout the industry make it particularly difficult to recruit drivers for jobs that entail crossing the border. In addition to the tight regulations and possibility for delays that border crossing introduces, Canada maintains stricter background check requirements than the United States.

"As a large carrier, Werner has the resources to keep systems updated with driver data to ensure compliance," says Dixon. "For small carriers, that can be a real challenge." Werner also employs a relay structure on its routes so drivers can get home more often.

For Werner, technology investments are critical to contain costs and manage growing freight demand, as well as satisfy customs regulations and requirements for specific industries such as food products. Its proprietary Easy Cross system enables shippers to submit paperwork electronically, so border-crossing coordinators can stay on top of compliance.

Werner coordinators send essential paperwork such as bonds and commercial invoices—complete with the correct harmonized product codes—to either the U.S. Customs ACE Secure Data Portal for goods moving into the United States, or the Canada Border Services Agency's Advance Commercial Information portal for products bound for Canada.

"This process allows us to be proactive in resolving paperwork issues, decrease costly delays for customers, and avoid driver frustration," says Dixon.

## WHAT SHIPPERS MAY NOT KNOW

In addition to paperwork requirements, shippers must stay current on an ever-lengthening list of regulations to ensure cross-border compliance. Keeping up with changing rules often takes teams of experts—one reason shippers rely on their logistics partners' customs brokerage services.

"Over the years, government agencies have introduced more and increasingly complex regulations," says Amy Magnus, director of customs affairs and compliance at A.N. Deringer Inc., a St. Albans, Vt.-based logistics provider offering customs brokerage,



**Trade experts at A.N. Deringer stay current on regulatory issues to ensure shipper compliance.**

international transportation, warehousing, and distribution.

"Advanced data improves Customs' capability for targeting shipments for inspection," she notes. "Customs demands more information upfront, and uses more sophisticated targeting systems."

Partnering with a logistics provider such as A.N. Deringer ensures compliance with requirements shippers might not be aware of, such as:

■ **Anti-dumping and countervailing duties.** "If your business makes widgets, you know all the rules surrounding widgets. But what if the shipment contains nails from China that are subject to anti-dumping rules?" says Magnus. "Or someone throws a few baseball caps into a shipment to give away at an event, not realizing that textiles fall under different shipping provisions?"

■ **Free trade agreements (FTAs).** Almost 300 preferential trade agreements

were in force in 2010, with more on the way, according to the World Trade Organization. FTAs enable covered items to be imported duty-free—but mistakes can incur significant penalties.

■ **The Lacey Act.** This long-standing law was amended in 2008 to bar importing wood that is illegally exported under another country's laws. The paperwork for wood products must identify the genus, species, and quantities of covered items, such as musical instruments.

Other potential pitfalls for shippers trying to go it alone include exporting dual-use products that might require licenses, or importing materials that violate Consumer Product Safety requirements.

"No one can know all the rules and regulations," says Magnus. "A.N. Deringer operates different departments that specialize in specific areas, such as NAFTA, textiles, and foodstuffs. We're a big company, and employ staff with deep expertise."

Some regulations bring opportunity. When shipment records are retained long-term in a retrievable format, for example, it opens the door for importers to claim drawback on inventory they have previously imported to sell elsewhere, and qualify for a refund of the duties paid—if all requirements are followed exactly.

"Many shippers leave that money on the table," Magnus says. "They don't know they qualify, or they have no system to take advantage of it. We discuss that opportunity in advance, even if shippers are not sure they will ever take advantage of it."

With more than 60,000 shipments each year, Quebec-based recycled paper manufacturer Cascades needs a customs broker and freight forwarder that can orchestrate moving critical machinery





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to meet exacting project plans at mills spread across the continent. Delays are extremely costly.

"A.N. Deringer constantly supervises our projects, and updates us daily on our cargo's location," says Christine Lemieux, director of international operations at Cascades. Deringer provides this attention through a team dedicated to Cascades' account.

### CANADA'S GROWING E-COMMERCE SECTOR

Hiring experts who can make moving goods across the border as seamless as possible has been particularly attractive to U.S. companies seeking to expand their e-commerce footprints into Canada, or to make their existing model more efficient.

That's why many companies have turned to Lynden International and its Lynden Transport division, which offers transportation, customs clearance, and warehouse and distribu-

says Clarke. Lynden works with shippers to create a customized set of standard operating procedures, then provides an EZ Commerce portal where customers can create and track shipments.

Southern California-based Trinity International Industries, for example, was shipping Canadian e-commerce orders individually from the United States, incurring per-shipment customs duties. In late 2012, the company began outsourcing e-commerce fulfillment to Lynden Transport.

Now, containers of the company's consumer-grade shelving products, sold through major e-tailers, move directly from China to Lynden's Canadian facilities, or from Trinity's California warehouse to Canada. Lynden integrates with the e-commerce provider servicing those retailers to fulfill orders, and also handles returns and parts fulfillment.

"Outsourcing to Lynden was the fastest solution, and was already in place—Lynden has the infrastructure, established rates, space, and labor," says Cze-Chao Tam, partner at Trinity. "Lynden has advanced knowledge of shipping e-commerce in Canada, and they're flexible. They are cognizant of cost, and strive to be efficient."

### BUSY WEST CANADA

E-commerce isn't the only booming cross-border industry. "Western Canada is a busy place now," says Walter Rakiewich, president of Canadian Lynden Transport. "The manufacturing and oil sectors are outpacing the transportation resources. A lot of companies with large projects are turning to third-party providers to handle the volume, regardless of where it's coming from."

While some companies are growing to meet this demand through mergers and acquisitions, Lynden is taking a partnership approach, working with 150 carriers outside its lane structure and creating comprehensive logistics solutions to meet customer

needs. Investment in fuel-efficient trucks over the past few years has boosted average gas mileage from 4.5 to 6.5 miles per gallon.

"We are a multifaceted trucking company with a wide variety of equipment, which we upgrade annually," Rakiewich says.

Many forces are converging at the U.S.-Canada border, including increasing cargo volumes, mounting regulations, and sophisticated technology used by both governments enforcing rules and shippers complying with them. Logistics companies specializing in cross-border moves can help shippers tame the complexity, avoid costly errors, and make the most of market opportunities on both sides of the border. ■



**Lynden Transport maintains specialized equipment to serve the needs of shippers moving products in and out of Canada.**

tion services across Canada. The company serves e-commerce customers by consolidating shipments into Canada, then handling warehousing, pick/pack/ship, returns, and even parts service to Canadian customers.

"Non-resident importers don't have to pay for leases, forklifts, warehousing, and worker's comp insurance," says Robert Clarke, international business development director for Canada at Lynden. "Shipping domestically in Canada is cheaper than sending single shipments across the border."

While Lynden Transport and its sister companies are large, "we still offer the personal touch, and an individual point of contact,"





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