



## **2022 IGTC SURVEY: ELECTRONIC DOCUMENTATION USE IN INTERNATIONAL GRAIN TRADE, MAY 2022**

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## 1. BACKGROUND

IGTC invited grain trade participants and grain trade associations to complete an online survey on the adoption of electronic trade documentation in import and export transactions for grains, oilseeds, pulses and other agri-bulks.

The survey responses are held confidential by the IGTC Secretariat and no identifying information is released to IGTC members without the expressed written consent of the respondent.

The survey and its findings presented herein are the property of IGTC. Without the express written consent of the IGTC no further reproduction, republication, distribution or other use of the survey is permitted.

IGTC will use the survey and its findings solely to enhance communication and advocacy activities. IGTC is sharing this report with survey respondents

Through the findings of this survey, IGTC aimed to learn from its members and grain trade participants about how the commercial environment is related to the adoption of electronic trading documentation to identify opportunities to engage and support your business interests.

## 2. INTRODUCTION

The IGTC's overarching objective is to achieve a market and regulatory environment supportive of trade that minimizes disruptions in the international trade of grain, oilseeds, pulses, and derived products. IGTC aims to:

- Support accomplishments toward world food security and economic well-being goals as defined by the United Nations.
- Inform and promote the common/shared interests of international actors that include farmers, producers, exporters, importers, governments, and consumers.
- Foster a safe, predictable, sustainable, affordable, nutritious, and secure food supply across the world, that meets all regulatory requirements.
- Share critical research and expertise on the global supply chain.
- Serve the diverse needs arising from international provision of food, feed, transport and processing for grains, oilseeds, pulses, and derived products

In pursuit of this mission, IGTC's working group on electronic trade documentation has rolled out a survey on adoption of e-documentation in grain trade as part of its 2022 work plan. The survey is a follow up (update) on the 2016 survey electronic documentation in the grain trade (<https://bit.ly/3wD73Fp>). Its purpose is to measure progress and developments in adoption of electronic trade documentation and subsequently inform IGTC's advocacy efforts in this area.

The survey was carried out through an anonymous and confidential online poll by the IGTC secretariat. It targeted companies that are members of IGTC's Member Organizations as well as IGTC's Corporate Stakeholders. 18 responses were received from 17 different companies as of May 13<sup>th</sup>, 2022.

Electronic trade documentation refers to a system whereby trade documents are generated and shared electronically between trading parties, regulators and operators in the trade ecosystem within and across multiple jurisdictions using standardized documents and secure electronic systems. It is generally deemed to be a more efficient, accurate and secure system of exchanging trade documents compared to traditional paper-based systems.

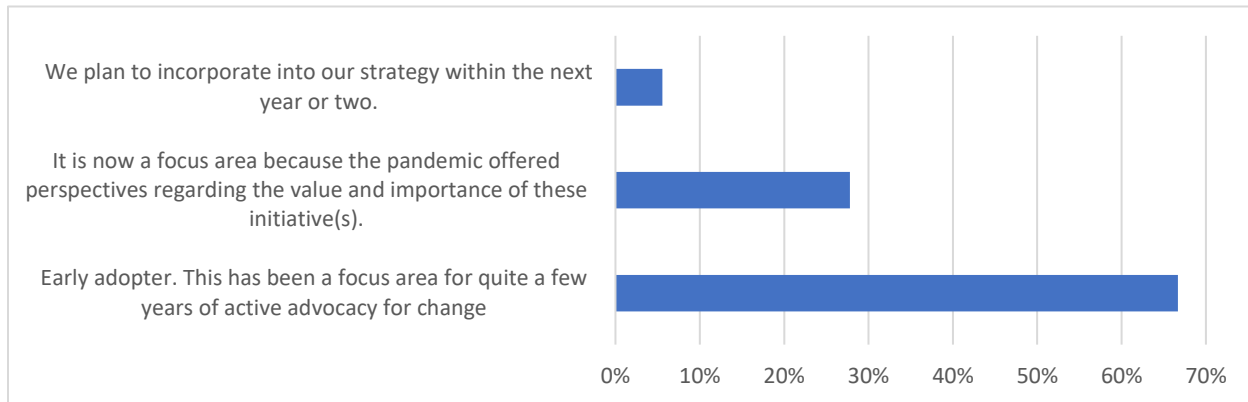
The report herein highlights its key findings.

### 3. FINDINGS

#### 3.1. ADOPTION OF ELECTRONIC TRADE DOCUMENTATION

Approximately two-thirds of respondents claimed to be early adopters and have been engaged in e-docs for several years. This figure has not changed from the 2016 survey. 28% of respondents have recently started prioritizing e-documentation particularly because of changes induced by the Covid-19 pandemic. A quite small proportion (6%) intend to adopt trade documentation in the near future. Results are illustrated by Figure 1 below.

**Figure 1: Assessment of Company's adoption of electronic documentation**



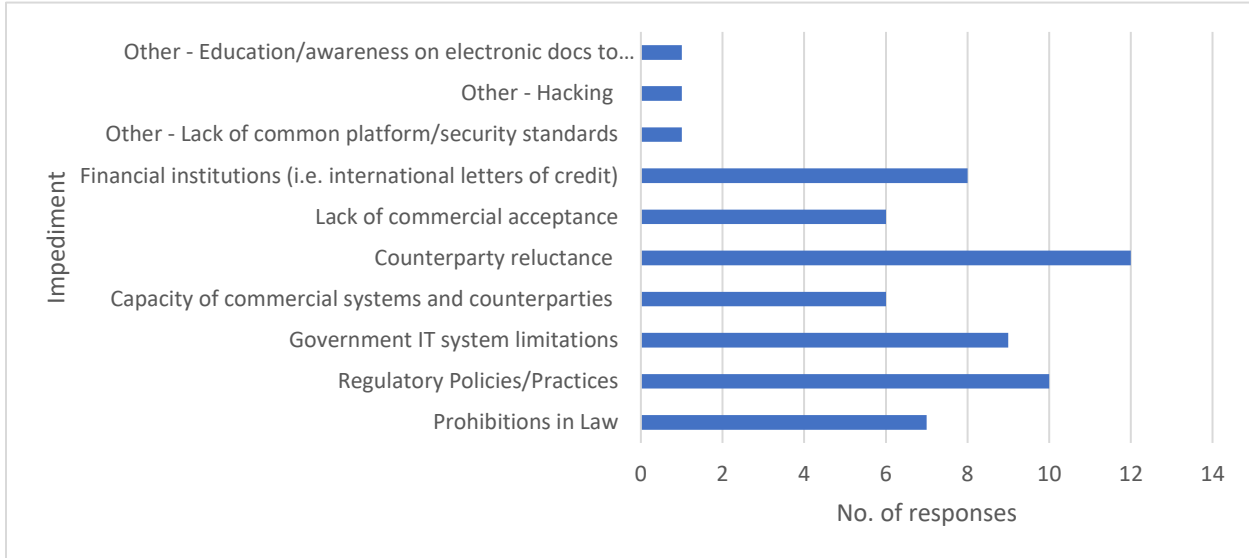
Source: IGTC Survey, 2022

#### 3.2. BARRIERS OR IMPEDIMENTS TO THE USE OF ELECTRONIC TRADE DOCUMENTATION

Respondents raised several impediments as illustrated by Figure 2 below. The top 5 most common issues impediments were:

- i. Counterparty reluctance
- ii. Regulatory policies and practices
- iii. Government IT system limitations
- iv. Financial institutions with respect to issuance/settlement of letters of credit
- v. Prohibitions in law

**Figure 2: Impediments to adoption of electronic trade documentation**

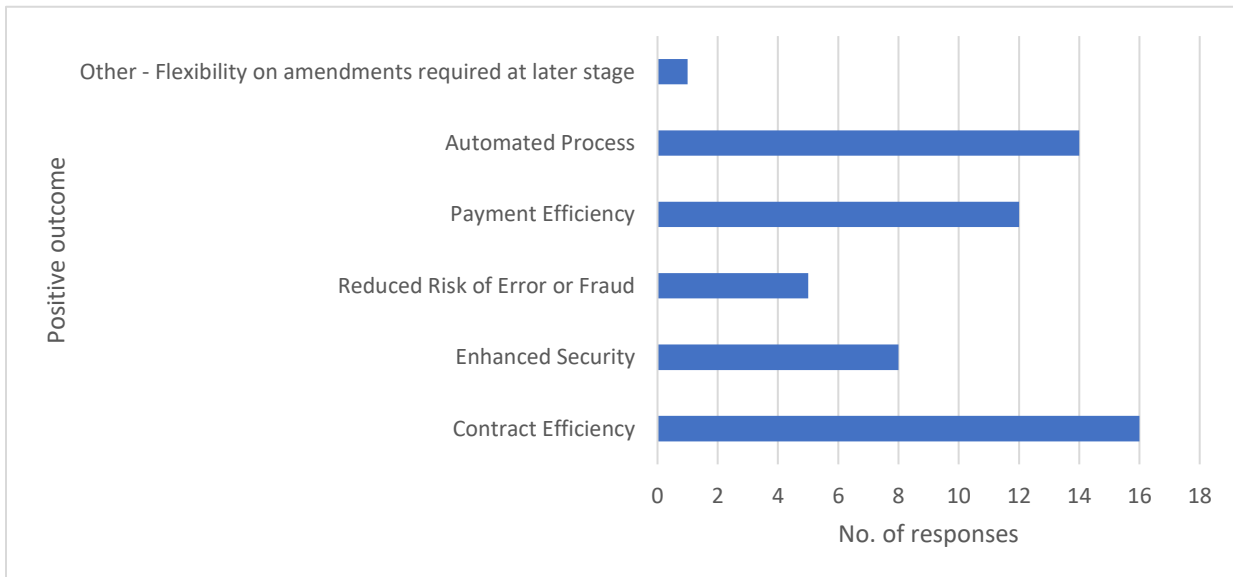


Source: IGTC Survey, 2022

### 3.3. POSITIVE OUTCOMES (BENEFITS) OF USING ELECTRONIC TRADE DOCUMENTATION

Contract efficiency (89% of respondents), process automation (78%) and payment efficiency (67%) seem to be the biggest benefits of electronic trade documentation as illustrated by Figure 3 below. Enhanced security and lower risk of fraud seem to be relatively less important benefits of electronic trade documentation.

**Figure 3: Positive outcomes of using electronic documentation**



Source: IGTC Survey, 2022

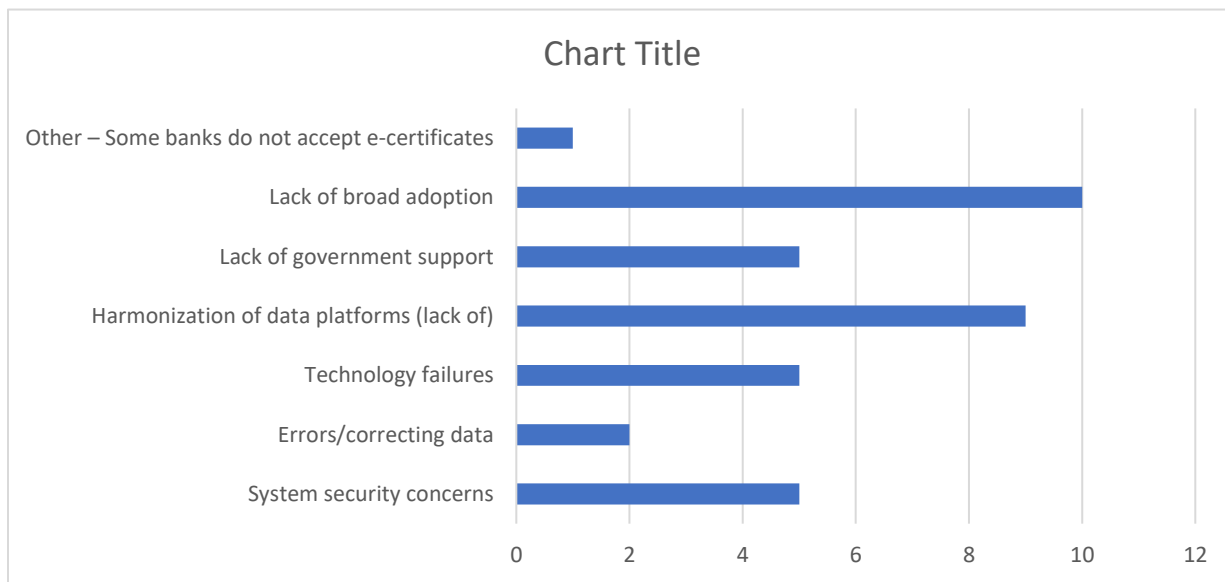
### 3.4. NEGATIVE OUTCOMES/DISADVANTAGES OF ELECTRONIC TRADE DOCUMENTATION

The most commonly cited disadvantages were:

- Lack of broad adoption – 56% of respondents
- Lack of harmonization of data platforms – 50% of respondents

Other disadvantages include lack of government support, system security concerns and technology failures.

**Figure 4: Negative outcomes of electronic trade documentation**



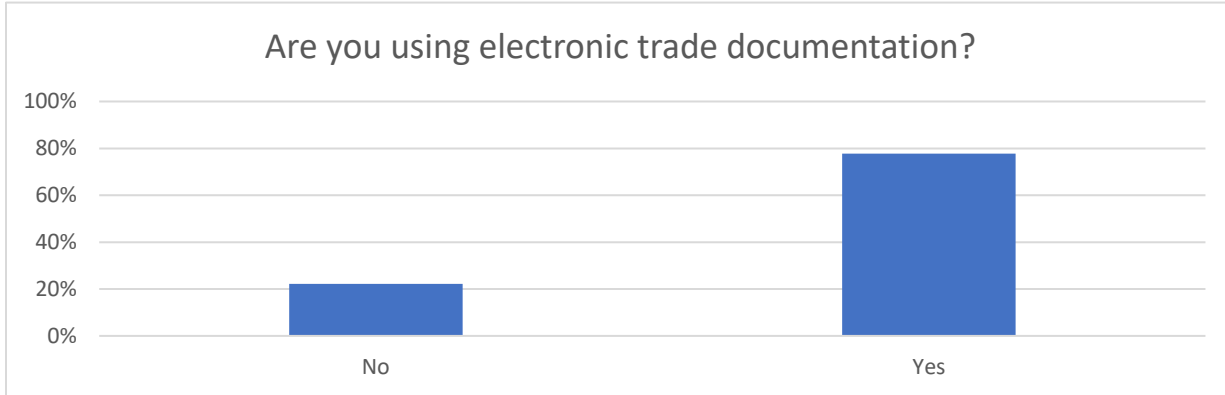
Source:

IGTC Survey, 2022

### 3.5. USE OF ELECTRONIC TRADE DOCUMENTATION

78% of respondents claim to use electronic trade documentation, compared to 67% in the 2016 survey. This represents some significant growth in adoption of electronic trade documentation.

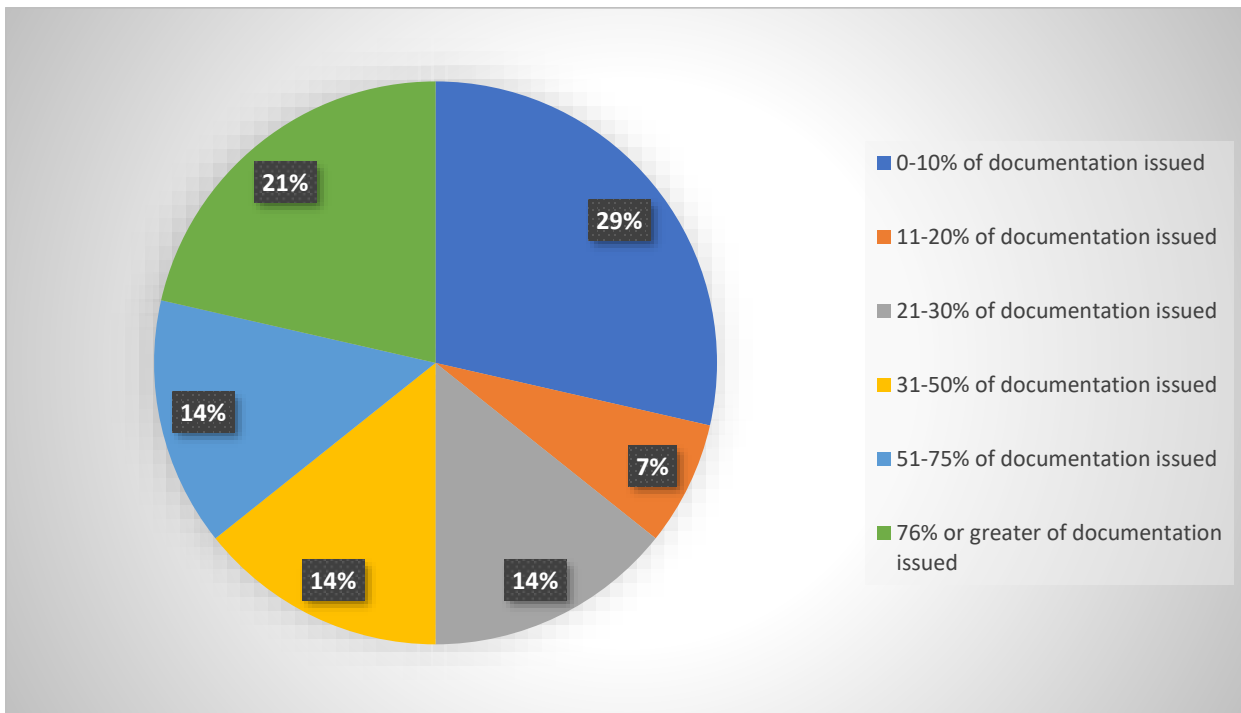
**Figure 5: Use of electronic trade documentation among respondents**



Source: IGTC Survey, 2022

Of the respondents that confirm use of electronic trade documentation, 29% issued 0-10% of their trade documents electronically while 21% issued over 75% of their documents electronically (Figure 6 below). This represents a positive shift towards electronic trade documentation; in the 2016 survey, 42% of respondents issued 0-5% of their trade documentation through electronic means with 75% of the respondents issuing less than half of their trade documentation electronically (compared to only 50% in this survey).

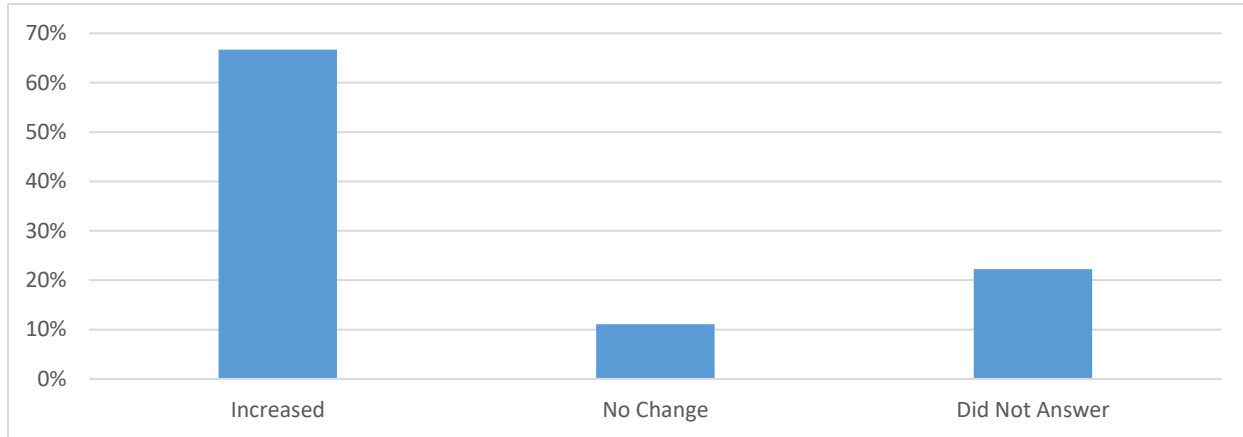
**Figure 6: Proportion of documentation issued electronically by respondents**



Source: IGTC Survey, 2022

Consistent with the above findings, 67% of respondents reported an increase in electronic trade documentation in the past 3 years as illustrated by Figure 7 below.

**Figure 7: Change in electronic trade documentation use in the past 3 years**



Source: IGTC Survey, 2022

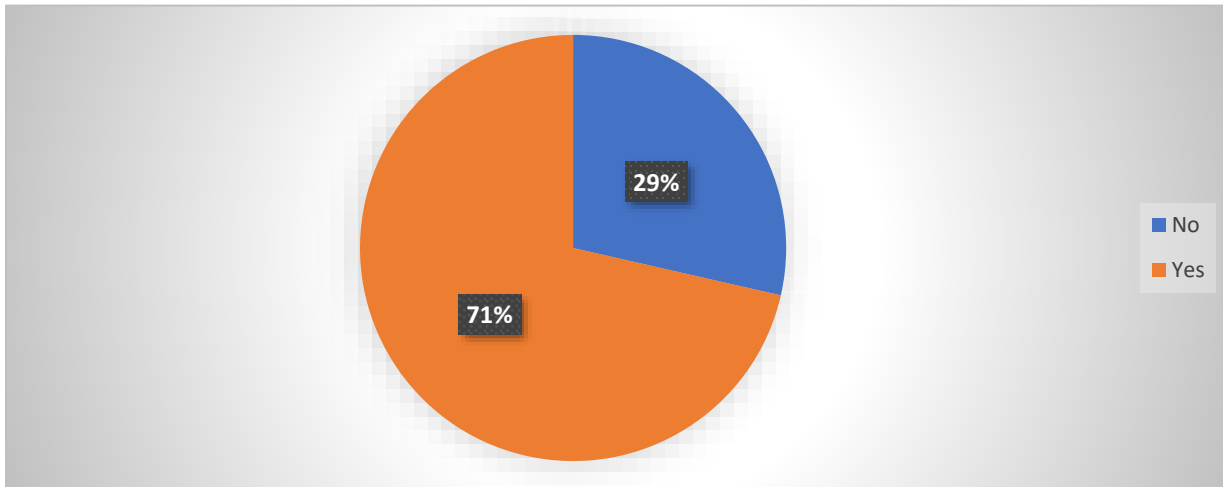
The perceived increase in use of electronic trade documentation was quite diverse, ranging from 10 to 90%. The average perceived increase was 31%.

### 3.5.1. ELECTRONIC TRADE DOCUMENTATION VIS-A-VIS MODE OF TRANSPORTATION

71% of respondents who use electronic documentation confirmed that their use of such documentation is tied to a specific mode of transportation (Figure 8 below). Most of this documentation is tied to bulk ocean vessel (also 71% of respondents) followed by containers (21%) and barges (7%). 7% of respondents claimed to use electronic trade documentation on all modes of transport as illustrated by Figure 9.

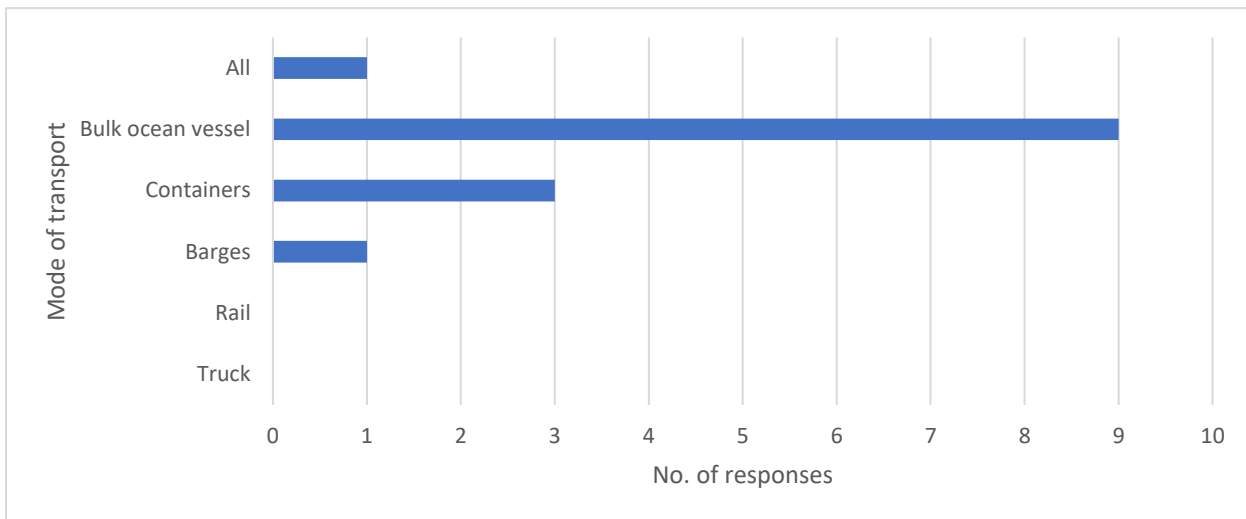


**Figure 8: Use of trade documentation for specific modes of transportation**



Source: IGTC Survey, 2022

**Figure 9: Modes of transport used with electronic trade documentation**



Source: IGTC Survey, 2022

### 3.5.2. DEPLOYMENT OF ELECTRONIC TRADE DOCUMENTATION

Of the respondents that use electronic trade documentation, there was an equal split between respondents that use such documentation globally and those that have differentiated approaches by country or region.

5 main reasons were given for those utilizing electronic trade documentation globally. These include:

- i. Collaborator using the Covantis trade platform
- ii. Electronic trade documentation is part of a global strategy adopted by the company being applied across all trade flows and all modes of transportation

- iii. Use of electronic phytosanitary certificates (e-Phytos) via a global platform that hasn't been adopted by all countries
- iv. Use of an SGS platform
- v. Generation of electronic documentation for their clients who then transmit them to their own customers.

3 main reasons were given for those with a regional or country-specific approach:

1. Use of electronic documentation depends on broker, customer, supplier and country requirements. Different countries tend to have different requirements for documentation.
2. Different levels of acceptance of electronic trade documents. While most countries that they trade with accept their electronic documents, some insist on manually signed physical documents. For example, one respondent noted that only Brazil has been issuing electronic phytosanitary certificates.
3. Further to (2) above, there are delays in recognition of electronic trade documents. Destination countries for some markets in South East Asia (customs/banks/authorities/buyers) are slow to adopt or accept these documents. Agreements with each country may be required with respect to these documents.

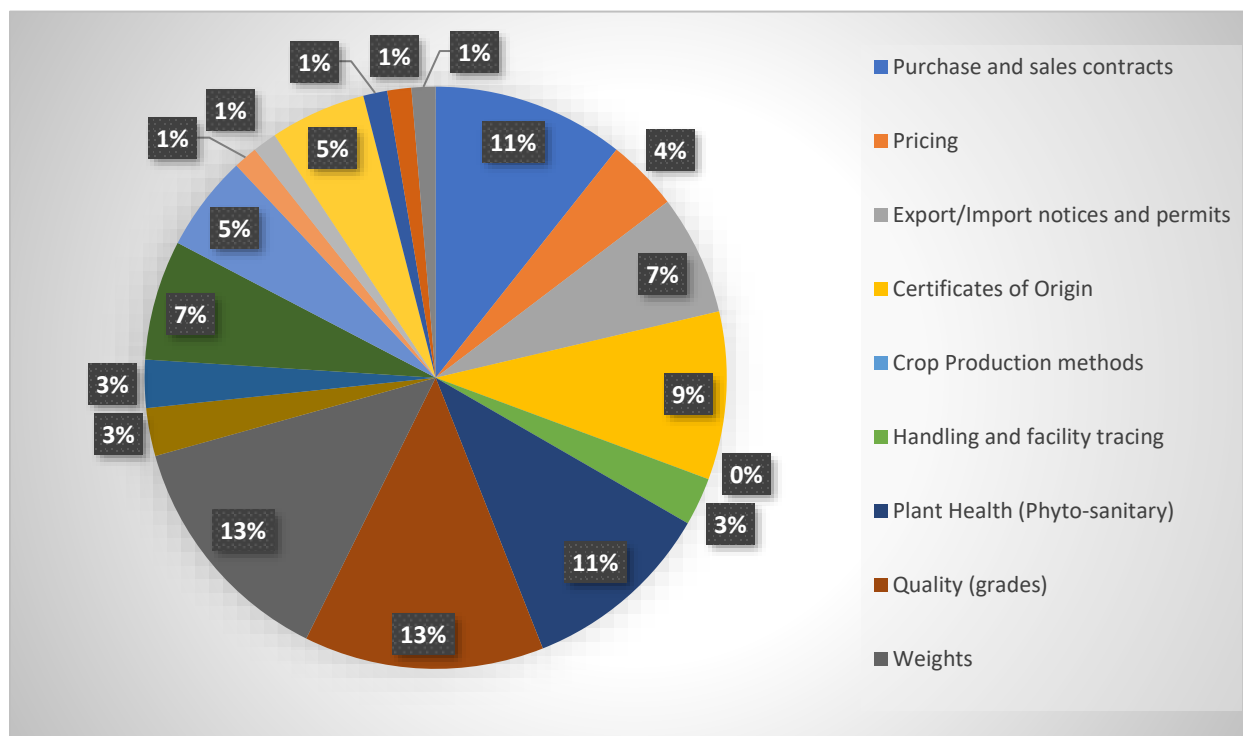
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### 3.5.3. MOST COMMON ELECTRONIC TRADE DOCUMENTS

Respondents indicated a wide range of electronic trade documents (Figure 10 below). Nonetheless, the most common ones were documents relating to quality certificates and weight certificates (each representing 13% of electronic documents), phytosanitary certificates and purchase and sales contracts (11% each).

Other types of electronic documents used by respondents include those pertaining to food Safety, sampling and sample sealing, GMO, draft survey and hatch sealing, which are issued by superintendence companies.

**Figure 10: Most common electronic trade documents**



Source: IGTC Survey, 2022

#### 3.5.4. CONTINGENCY PLANS FOR ELECTRONIC TRADE DOCUMENTATION

Of the respondents that use electronic trade documentation, 93% of them reported to have contingency plans in place with 7% not having such plans.

In addition, half of these respondents reported that the Covid-19 pandemic led to temporary use of electronic trade documentation. Some respondents noted that with government agencies not available, electronic trade documentation was quickly adopted to allow as least disruption as possible to international trade. Some respondents also report to have switched to digital signatures on invoices and Bills of exchange on their L/C flows.

The most common documents issued/exchanged electronically due to the pandemic include:

- i. Phyto-sanitary certificates: THAILAND, CHINA, TAIWAN
- ii. commercial invoices all over UK and EU. Sustainable declarations UK. Store labeling UK/Ireland. Contract supplier and customer UK.
- iii. Bills of Lading
- iv. Superintendent certificates



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### 3.5.5. BEST PRACTICES FOR ELECTRONIC TRADE DOCUMENTATION ADOPTION

Respondents pointed out various practices to support adoption of e-documentation. These include:

1. Agility in processes, keep documents archived and easily accessible, reduction in document printing
2. Governments need to adopt and implement e-dox for all Government documents they issues. ie. phytos and quality dox, they need to be aware of the commercial trade requirements, to ensure the e-dox they produce are acceptable in the commercial trade, ie. UCP 600 standards, etc.
3. Banking and Financial institutions need to be apart of the evolution as the commercial and government entities work to move into the future with e-dox.
4. Ensure you have internal systems and processes that can adapt to the process and system changes that come with e-dox
5. Educate all stakeholders throughout the entire value chain and stress the key take-a-ways, specifically why it is imperative,
6. Global standardization & harmonization of processes for document presentation, far more expeditious,
7. Leverage use of web-based global platforms,
8. Modernize and alignment of industry to adopt methods of trade execution that are far more user-friendly and offer expedited methods of payment, and
9. Less opportunity for errors, erroneous data and improves business continuity with audit tollgates in place.
10. Uniform reports, rapid answer
11. Decide which documents best fit your business for e-doc, Agree low or high fraud risk. Communicate which e-docs are pre-approved to create throughout your business. Save centrally. Check content each quarter.
12. Standard for security
13. Standard for format
14. Automated method to verify authenticity
15. Strange question. No best practices. We just issue eDocs same as we have been doing for over 10 years
16. Using verified e-signature services
17. Encrypted documents
18. Cost reduction, trade facilitation mainly
19. Vision to improve/make trade documentation more efficient for all in the industry. WTO members /Trade Associations/governments working together with Agri industry players /trading houses supporting driving adoption of electronic documentation and suitable platforms basis lowest costs.
20. Governments promoting /forcing their customs authorities /banks /regulators to adopt /support /implement e-documentation within an aggressive time frame.
21. Importers must also be convinced to support and help driving adoption. Agri industry players can help with promoting the goals to their buyers/importers ,but ultimately it would be governments that need to drive and push all market participants .
22. Issuance of Certificates - Training - Customers Satisfaction Surveys - Quality Management - Admission to Ports
23. Inclusion of electronic docs acceptance in contractual terms from counterparties.

24. Understand impact of edocs implementation on WCR for your business.
25. Adoption of system built on blockchain to maintain data integrity and security concern.
26. Staying abreast with technological changes and government regulations in market.
27. Chose a vendor with industry experience and focus on collaborative features.