Marine 101: Rejection insurance

Did you know that wheat, rice, grains or other contaminants found by DAFF in a $20 million shipment of fertiliser can lead to the entire load being rejected? Or that E.coli found in a carton of meat or seafood can result in the entire shipment being rejected by the US import authorities? Find out more about marine rejection risks.

By Graham Nicholson, Technical Manager Marine

Companies that import or export seafood, meat and certain agricultural produce, such as fertiliser, to highly regulated markets like the US, UK, EU, Australia and Japan can purchase Marine Rejection insurance to offset the risk of goods being rejected due to a breach of importing protocols.

Rejection insurance is typically sold as an add-on cover to Cargo insurance and is only available for countries with defined importing protocols. The cover is for rejection by government, port, health and veterinary authorities and isn't intended to cover contractual risks (e.g. a buyer refusing a shipment on other grounds).

Goods need to be produced, prepared and packaged according to the regulatory guidelines of the country of import. They are usually inspected prior to the risk commencement to ensure they are fit for export to that destination. And cover generally ceases when the goods have been cleared by the appropriate authorities at the destination.

Given a single container of meat can cost between $80,000 and $120,000 depending on the grade, this is an essential cover for anyone involved in this type of highly regulated trade.

The goods can be rejected for reasons that range from compromised packaging to contamination. For example, a number of shipments of Australian beef and mutton were rejected last year by the United States Department of Agriculture (USDA) due to E.coli contamination. And rejection for small-scale damaged meat packaging is relatively commonplace.

Our strict quarantine protocols have led to numerous large rejections of fertiliser cargo over the years by the Department of Agriculture, Fisheries and Forestry (DAFF) most often due to grain contamination, including the $4.4 million Alkimos shipment in 2002.

Australia imports several million tonnes of chemical fertilisers each year, including urea, phosphates and sulphur. According to DAFF, the type of ship favoured for fertiliser imports is a single deck, handy-sized, dry bulk carrier, which is also favoured for the carriage of bulk grains and international logging. And unless ship crews take great care to remove grain residues from the upper reaches of the cargo hold, traces can remain.

DAFF states: "The inclusion of a single grain of foreign seed in a cargo fertiliser could be sufficient cause for AQIS to condemn the entire shipment and require it to be re-exported."

The authority names a long list of 'actionable cargo' that is of quarantine concern including grains (depending on origin) and cereal crops (e.g. wheat), leguminous crops (e.g. beans, Lucerne etc.), rice (raw, unpolished, with husks on), sugar cane, sand, soil, plant materials, animal matter and other natural substances.

The authority carries out different inspection criteria according to the perceived risk based on an assessment of the shipment's supply chain, vessel and measures that have been taken to reduce contamination risk.

For instance where bulk fertiliser is imported, DAFF requires that vessels report the last six cargoes carried to see if any actionable cargo has been transported on board in the past two years. If yes, close inspections are carried out of everything from the ship's hold to ladders, deck fittings, upper deck store rooms, the forecastle and poop decks.

If a business imports or exports meat, seafood or other agricultural produce to highly regulated markets with established protocols or imports unprocessed fertilisers to Australia then the inclusion of Rejection insurance in the Marine program is well worth the cost as the exposure can be considerable. In a worse-case scenario, the rejection of this cargo can adversely impact the importer's/exporter's balance sheet.

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