



The Ultimate Incoterms Guide

Incoterms

Incoterms are trade terms used to specify cargo ownership, responsibility, and who assumes the risk of cargo loss or damage in an international shipping transaction at each stage of the process. It's common that cargo ownership will be transferred at some point while in transit, and it will be the responsibility of either the buyer or seller to cover specific pieces of the transportation process.



International Chamber of Commerce

The International Chamber of Commerce is the one who creates, manages, and updates incoterms. They were most recently updated in 2020.

International Commercial Terms

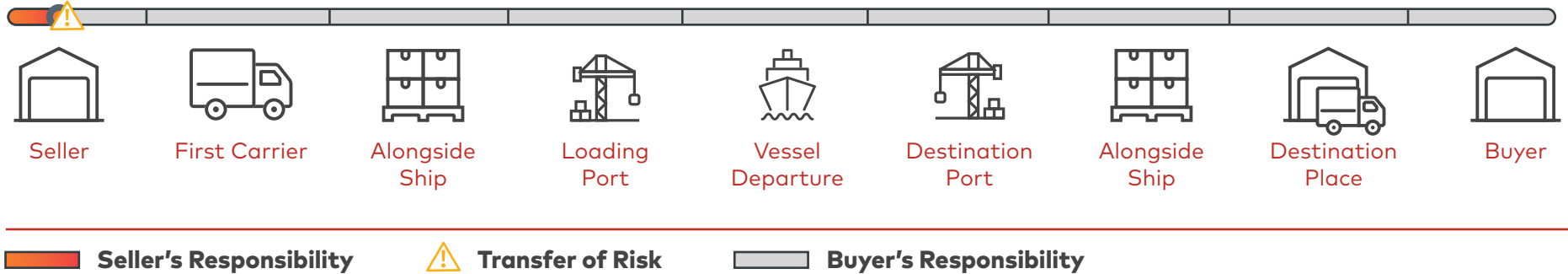
The word "Incoterms" comes from "**International Commercial Terms**" and are a set of rules published by the ICC for international trade.

1936

1936 was the first year that incoterms were instituted in international trade by the ICC. They are modified as seen fit to accommodate current global market trends and logistics practices.

EXW

(Ex-works)



Description

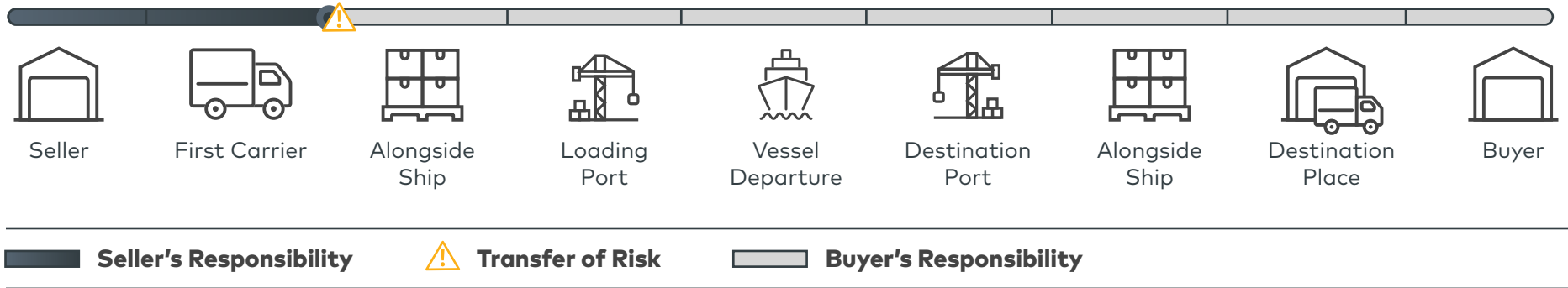
With EXW, transfer of responsibility and risk happens almost immediately. The seller may pay for export packaging, but aside from that, the seller places the goods at the disposal of the buyer at the seller's premise or a named location (such as a warehouse.) The seller isn't responsible for loading the goods onto any vessels, and it is the buyer's responsibility to clear the cargo for export entirely.

Responsibility



FCA

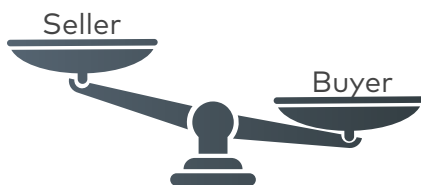
(Free Carrier)



Description

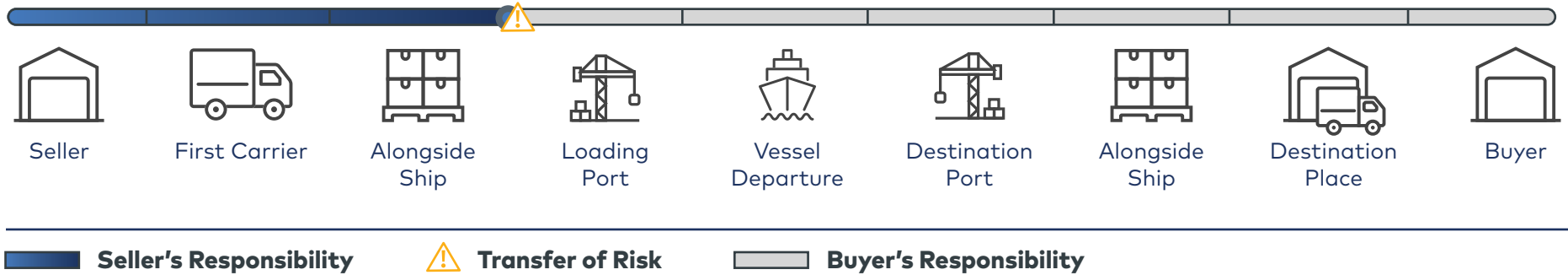
With FCA, the seller is responsible for delivering the goods to the carrier or a place chosen by the buyer. This could be at the seller's location or another chosen location. With FCA, there can be some ambiguity regarding when transfer of ownership/risk occurs, so it is strongly encouraged that the buyer and seller are 100% clear on the nominated location at which the transfer of risk and ownership will happen so as to avoid unnecessary disputes due to miscommunication.

Responsibility



FAS

(Free Alongside Ship)



Description

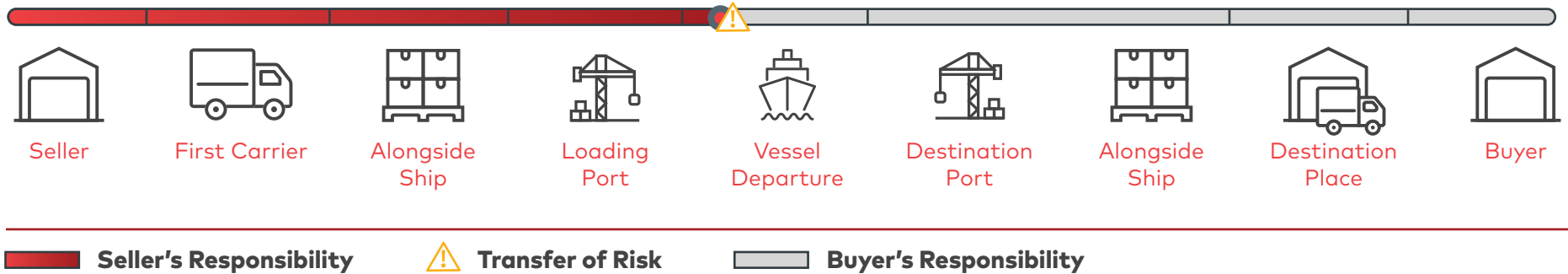
As the name indicates, under the FAS incoterm, the seller is responsible for paying for and assuming risk of loss or damage of cargo until it is alongside the ship for departure (usually on a barge or quay.) From that point forward, the cargo is the responsibility of the buyer's.

Responsibility



FOB

(Freight On Board)



Description

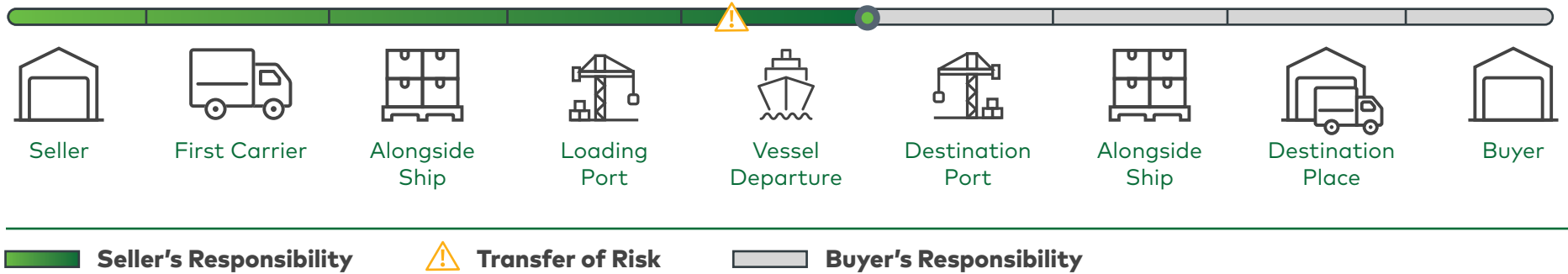
FOB is one of the most frequently used incoterms since it is often considered to be one of the most equal distributions of responsibility. The transfer of ownership and risk of loss or damage to the cargo occurs after the goods have been loaded onto the ocean vessel nominated by the buyer for departure. From that point forward, ownership and risk lands on the buyer.

Responsibility



CFR

(Cost and Freight)



Description

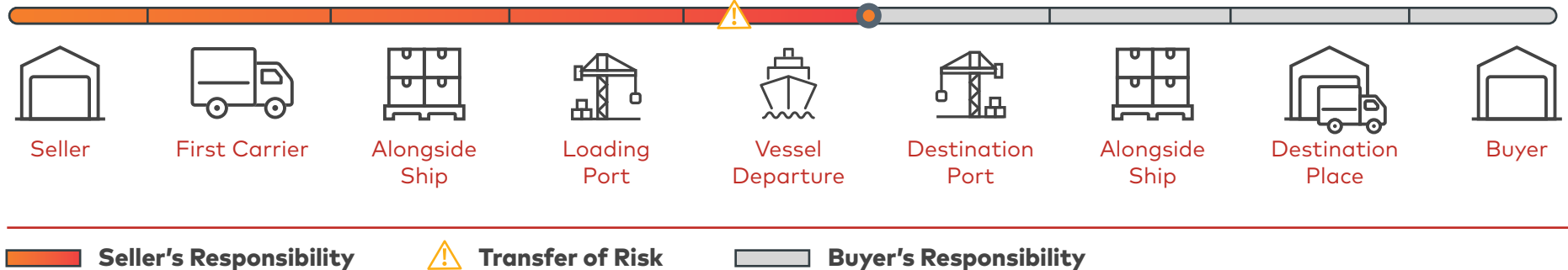
CFR is a relatively balanced incoterm similar to FOB. The seller is responsible for loading the goods onto the vessel, and transfer of ownership and risk goes to the buyer after the goods have been loaded on the vessel for departure. However, in contrast to FOB, with CFR the seller is still responsible for paying the costs and freight necessary to get the cargo to the destination port nominated by the buyer.

Responsibility



CIF

(Cost Insurance & Freight)



Description

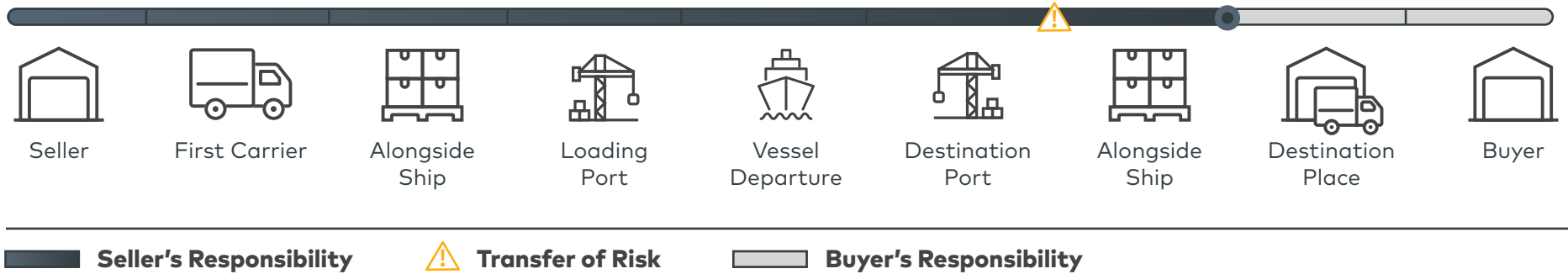
CIF is very similar to CFR in that the seller is responsible for paying for the cargo to be loaded onto the vessel, and for paying for cost and freight for delivery to the buyer's nominated destination port. However, the seller also pays for insurance against the buyer's loss or damage while on the ship. We left the "Transfer of Risk" icon in the same place as CFR because the seller is only required to pay for the legally required minimum insurance, so any additional insurance needs are the responsibility of the buyer.

Responsibility



CPT

(Carriage Paid To)



Description

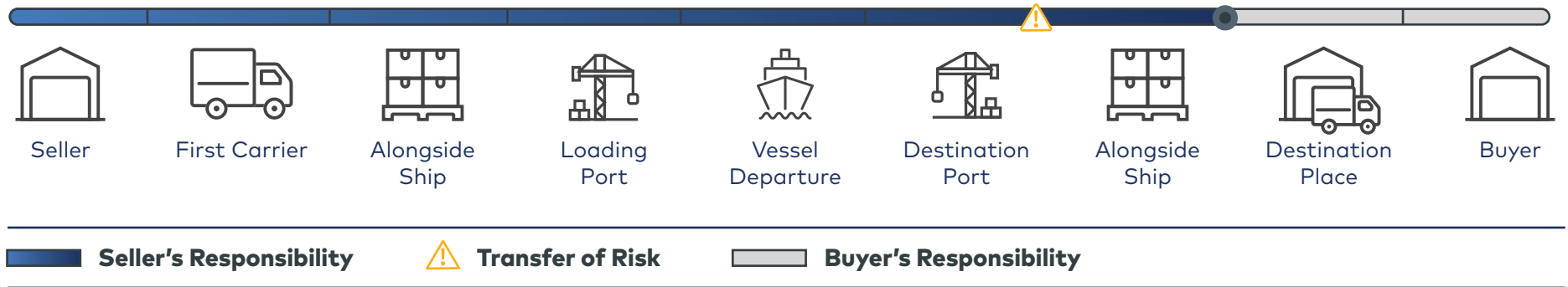
In CPT, the seller is responsible for arranging for carriage of cargo to the named place of destination. The official transfer of cargo ownership from the seller to the buyer happens once the cargo is handed to a carrier. However, keep in mind that the seller is not responsible for contracting insurance for the trip from the port to the next carrier, so the risk transfers once the cargo arrives at the destination ocean port.

Responsibility



CIP

(Carriage & Insurance Paid To)



Description

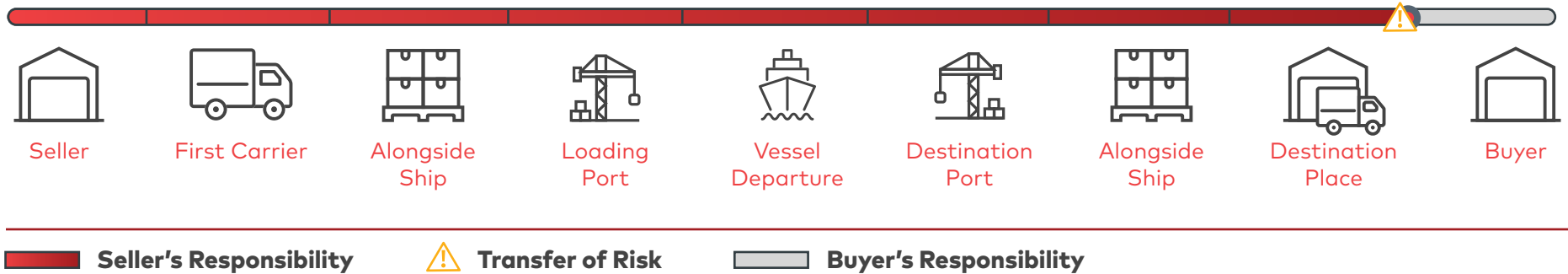
Under CIP, the seller has the same responsibilities as CPT, but they are also responsible for contracting insurance during carriage to the buyer's named destination. We have left the "Transfer of Risk" indicator in the same spot though as a warning that the seller is only required to insure the goods for their legal minimum, so if the buyer would like additional insurance, they must pay for it themselves.

Responsibility



DAP

(Delivered At Place)



Description

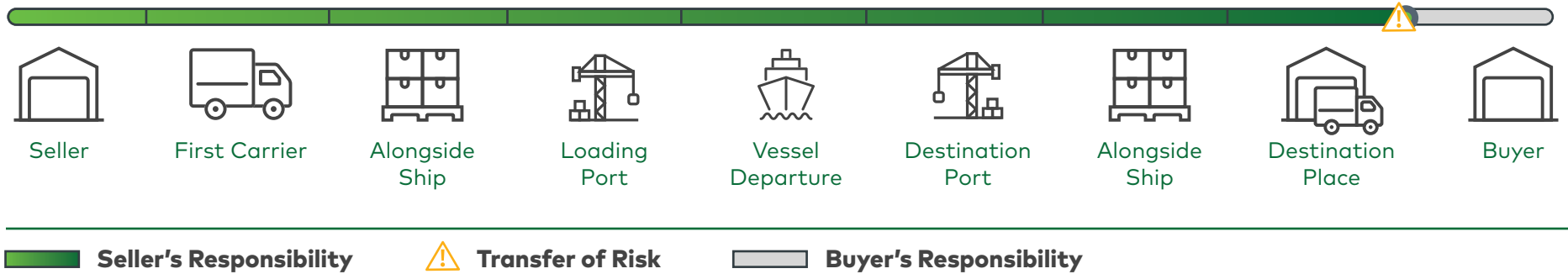
With DAP, the seller is responsible for paying for all associated freight costs to get the cargo to its destination, including any carriage to the place of destination. This would include intermodal or road carriers. The seller bears all risk and responsibility in getting the cargo to its named destination, but they do not bear responsibility for unloading the cargo. Ownership and risk is transferred once goods are ready for unloading, meaning the buyer bears responsibility and assumes risk for unloading.

Responsibility



DPU

(Delivered at Place Unloaded)



Description

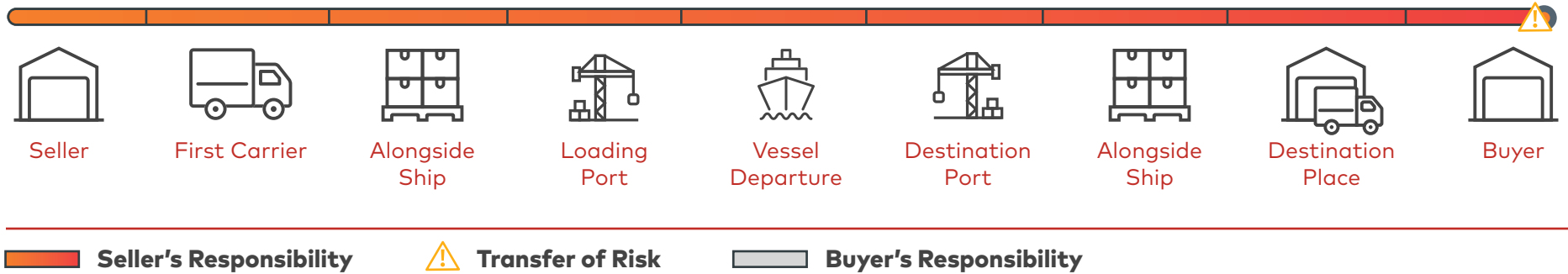
Under DPU terms, the seller is responsible for delivering the cargo to the named place of destination, including all carriage such as intermodal and road, as well as responsible for paying and assuming risk for the unloading of the cargo at the named place of destination.

Responsibility



DDP

(Delivery Duty Paid)



Description

DDP is the same as DPU, except the seller is also responsible for paying all necessary export and import duties, clearing the goods for both import and export, covering customs formalities, and paying necessary taxes. Essentially, under the DDP incoterm, the seller is responsible for everything.

Responsibility

