

SHIPPING

# INCOTERMS® 2010

A practical guide to Incoterms® 2010

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When negotiating an international sales contract, you need to pay as much attention to the terms of sale as to the sale price. Minimize confusion by using Incoterms® 2010, the generally accepted series of international trade terms.

Incoterms clarify the responsibilities for delivery of goods between the seller and buyer. This includes the carriage of product, customs clearance and which party carries the risk for the condition of goods at specific times during the transport process. Incoterms are not implied, you must specifically include them in your contract. Further, your contract should clearly refer to the latest revision of Incoterms: Incoterms 2010.

### Incoterms are grouped into two classes:

1. Rules for any mode of transport – Includes the terms EXW (Ex Works), FCA (Free Carrier), CPT (Carriage Paid To), CIP (Carriage and Insurance Paid To), DAT (Delivered at Terminal), DAP (Delivered at Place), and DDP (Delivered Duty Paid)
2. Rules for sea and inland waterways only – Includes the terms FAS (Free Alongside Ship), FOB (Free on Board), CFR (Cost and Freight), and CIF (Cost Insurance and Freight)

This guide is designed to provide a convenient reference for buyers and sellers risks and costs as detailed under each Incoterm.

### EXW – Ex Works (...named place)

Seller makes the goods available to the buyer at their door or the end of their dock. Risk and payment of all costs pass from the seller to the buyer at that point. Term is suitable for any mode or combined modes of transport.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – provide at the buyers request, risk and cost, assistance in securing licenses, documentation and authorizations required to export and import the goods</li><li>● <b>Carriage</b> – the seller has no obligation to provide carriage of goods</li><li>● <b>Costs</b> – pay all costs until the goods have been made available to the buyer, often at the seller's door or end of their dock. Costs could include export packaging or inspection certificates (if required)</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – obtain at own risk and costs all export and import licenses, duties, taxes, authorization and documentation</li><li>● <b>Risk Transfer</b> – assumes all risks (loss or damage) from the time the goods have been made available at seller's door</li><li>● <b>Costs</b> – pay all costs from the time the goods have been made available at the seller's door or end of their dock, including any costs resulting from failure to take delivery</li></ul>

The Ex Works term is often used when making an initial quotation for the sale of goods. It represents the cost of the goods without any other costs included.

## FCA – Free Carrier (...named place)

Seller is obligated to clear the goods for export, then “deliver” the goods to the named carrier as specified by the buyer. Term is suitable for any mode or combined modes of transport.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li><li>● <b>Carriage</b> – seller has no obligation to provide carriage once goods are handed over to the buyer-appointed carrier</li><li>● <b>Delivery</b> – delivery is considered complete once the seller either loads the goods onto the carrier provided by the buyer, or delivers the goods to the buyer-appointed carrier or freight forwarder</li><li>● <b>Costs</b> – pay all costs until goods have been delivered to the buyer-appointed carrier</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li><li>● <b>Carriage</b> – buyer provides for contract of carriage once goods are handed over to carrier</li><li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods are handed over to the carrier</li><li>● <b>Costs</b> – pay any costs for carriage and insurance from the time goods have been delivered to the carrier</li></ul>

“Carrier” has a specific and somewhat expanded meaning. A carrier can be a shipping line, an airline, a trucking firm, or a railway. A carrier can also be an individual or firm who contracts the means of transport, such as a freight forwarder.

## FAS – Free Alongside Shipping (...named port of export)

Seller is obligated to clear the goods for export and then arrange for the goods to be delivered alongside the named vessel at the named port of export. Term should be used for ocean and inland waterway shipments only.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li><li>● <b>Carriage</b> – seller provides pre-carriage to quay</li><li>● <b>Delivery</b> – delivery is considered complete when seller places goods alongside vessel at the named place and at the stipulated time</li><li>● <b>Costs</b> – seller pays all costs until goods are delivered alongside named vessel</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li><li>● <b>Carriage</b> – buyer provides for contract of carriage from the named port of shipment</li><li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods have been delivered alongside ship</li><li>● <b>Costs</b> – buyer pays all costs for carriage and insurance from the time the goods have been delivered alongside ship</li></ul>

## FOB – Free On Board (...named port of export)

Seller is obligated to clear the goods for export and then pay to deliver them “on board” the named vessel at the named port of export. Term should be used for ocean and inland waterway shipments only.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li><li>● <b>Carriage</b> – seller provides pre-carriage and vessel loading</li><li>● <b>Delivery</b> – delivery considered complete once seller places goods on board the named vessel at the named port and at stipulated time</li><li>● <b>Costs</b> – seller pays all costs until goods are delivered on board named vessel</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li><li>● <b>Carriage</b> – buyer provides for contract of carriage from the named port of shipment</li><li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods have been loaded onto named vessel</li><li>● <b>Costs</b> – buyer pays any costs for carriage and insurance from the time the goods have been delivered on board the named vessel</li></ul>

FOB is one of the most misused Incoterms. It should be used for sea or inland waterway transport only and not for truck or air shipments. If FOB is currently being used for containerized shipments you should consider the term FCA instead.

## CFR – Cost and Freight (...named port of destination)

Seller is responsible for export customs and transport costs to named port of destination. Used only for ocean and inland waterway travel.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li><li>● <b>Carriage</b> – seller has obligation to provide carriage of goods to port of destination; however, once goods pass ship's rail at port of shipment, buyer assumes responsibility for loss and damage</li><li>● <b>Delivery</b> – delivery considered complete once product has been loaded at port of shipment</li><li>● <b>Costs</b> – seller pays all transport costs to the port of destination</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li><li>● <b>Carriage</b> – buyer provides for contract of on-carriage from the named port of destination to final destination</li><li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods have passed over ship's rail at port of shipment</li><li>● <b>Costs</b> – pay any additional costs for goods, from the time the goods arrive at the destination port</li></ul>

While the seller may not be legally responsible for the goods once they pass the ship's rail in the port of shipment, he may have an “insurable interest” during the voyage. Prudence may dictate purchase of additional insurance coverage.

## CIF – Cost, Insurance and Freight (...named port of destination)

Seller is responsible for export customs, insurance and main carriage costs to named port of destination. Used only for ocean and inland waterway travel.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li><li>● <b>Carriage and Insurance</b> – seller has obligation to provide main carriage and insurance to port of destination; insurance policy must allow the buyer to make claim directly from the insurer; however, once goods pass ship's rail at port of shipment, buyer assumes responsibility for loss and damage</li><li>● <b>Delivery</b> – delivery considered complete once product has been loaded at port of shipment</li><li>● <b>Costs</b> – seller pays all transport costs to the port of destination and insurance</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li><li>● <b>Carriage</b> – buyer provides for contract of on-carriage from the named port of destination to final destination</li><li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods have passed over ship's rail at port of shipment</li><li>● <b>Costs</b> – pay any supplemental costs for goods, from the time the goods arrive at the destination port</li></ul>

While the seller may be responsible for sourcing and paying for insurance during the voyage, the buyer may have an “insurable interest” once the goods arrive at the port of destination to their door. Prudence may dictate purchase of additional insurance coverage.

## CPT – Carriage Paid To (...named terminal or port at destination)

Seller is responsible for export customs and transportation to destination. Buyer is responsible for all risks of loss or damage once delivered to main carrier. Used for any mode of transportation.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li><li>● <b>Carriage</b> – seller has obligation to provide carriage to the named terminal or port at destination</li><li>● <b>Delivery</b> – delivery considered complete once product has been handed over to the main carrier</li><li>● <b>Costs</b> – seller pays all carriage costs until goods arrive and are unloaded at point of destination</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li><li>● <b>Carriage</b> – buyer has no obligation to provide carriage</li><li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods have been delivered to first carrier</li><li>● <b>Costs</b> – pay any additional costs once goods arrive at the agreed destination</li></ul>

While neither the buyer nor the seller have obligation to purchase insurance during the main voyage, both may have an insurable interest. Prudence may dictate the purchase of additional coverage. If multiple carriers are used, risk passes from the seller to the buyer when the goods have been delivered to the first carrier.

## CIP – Carriage and Insurance Paid To (...named terminal or port at destination)

Seller is responsible for export customs, insurance and transportation to destination. Buyer is responsible for all risk of loss or damage once delivered to main carrier. Used for any mode of transport.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li><li>● <b>Carriage and Insurance</b> – seller has obligation to provide main carriage and insurance to point of destination; insurance policy must allow buyer to make claim directly from the insurer</li><li>● <b>Delivery</b> – delivery considered complete once product has been handed over to the main carrier</li><li>● <b>Costs</b> – seller pays carriage and insurance costs up to named port or terminal at destination</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li><li>● <b>Carriage</b> – buyer has no obligation to provide carriage up to terminal or port at destination</li><li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage once the goods have been delivered to the main carrier in the country of origin</li><li>● <b>Costs</b> – buyer will assume any additional costs once the goods arrive at the named terminal or port at destination</li></ul>

## DAT – Delivered at Terminal (...named terminal at destination)

Seller is responsible for all costs associated with getting the goods to the terminal at the named destination and unloaded from the arriving means of transport. Can be used for any mode or combined modes of transport.

Seller's responsibilities (summary)	Buyer's responsibilities (summary)
<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li><li>● <b>Carriage</b> – seller has the obligation to provide carriage and make the goods available to the buyer at the destination terminal, unloaded from the arriving means of transport</li><li>● <b>Delivery</b> – delivery considered complete once product has been unloaded from the arriving means of transport</li><li>● <b>Costs</b> – seller pays all costs up to destination terminal, including any terminals, handling or other ancillary costs</li></ul>	<ul style="list-style-type: none"><li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li><li>● <b>Carriage</b> – buyer has no obligation to seller to provide carriage</li><li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods have been made available at the terminal</li><li>● <b>Costs</b> – buyer is responsible for any costs once the goods have been made available at the terminal at the named destination</li></ul>

## DAP – Delivered at Place (...named place of destination)

Seller is responsible for delivering the goods to the named place at destination (often the buyer’s door), ready to unload from the arriving means of transport. Buyer is responsible for import customs clearance. DAP is a suitable substitute for Delivery Duty Unpaid (DDU), a previous Incoterm that has been eliminated in the Incoterms 2010 version.

Seller’s responsibilities (summary)	Buyer’s responsibilities (summary)
<ul style="list-style-type: none"> <li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export duties, taxes and export formalities</li> <li>● <b>Carriage</b> – seller has obligation to provide carriage to named destination</li> <li>● <b>Delivery</b> – delivery considered complete once product has arrived at named place of destination, not unloaded</li> <li>● <b>Costs</b> – pay all costs until goods have been delivered to the named destination</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Licenses and Customs Paperwork</b> – buyer required to perform and pay all costs related to import formalities including duties and taxes</li> <li>● <b>Carriage</b> – buyer has no obligation to seller to provide carriage</li> <li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods have been made available at named place of destination</li> <li>● <b>Costs</b> – pay any costs for goods once they have been made available at the named place of destination</li> </ul>

## DDP – Delivered Duty Paid (...named port at destination)

Seller is responsible for all costs associated with making goods available to buyer at named place of destination, cleared for import but not unloaded from vehicle. Used for any mode of transport.

Seller’s responsibilities (summary)	Buyer’s responsibilities (summary)
<ul style="list-style-type: none"> <li>● <b>Licenses and Customs Paperwork</b> – seller obtains at own risk and cost all export and import duties, taxes and customs formalities</li> <li>● <b>Carriage</b> – seller has obligation to provide carriage to named destination</li> <li>● <b>Delivery</b> – delivery considered complete once product has arrived at named destination, not unloaded from the arriving means of transport</li> <li>● <b>Costs</b> – pay all costs until the goods have been delivered to the named destination, often the buyer’s door</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Licenses and Customs Paperwork</b> – buyer required to provide, at seller’s request, risk and assistance in securing licenses, documentation and authorizations required to export and import goods</li> <li>● <b>Carriage</b> – buyer has no obligation to seller to provide carriage</li> <li>● <b>Risk Transfer</b> – buyer assumes all risk of loss or damage from the time the goods have been made available at named place of destination</li> <li>● <b>Costs</b> – pay any costs for the goods once they have been made available at the named place of destination</li> </ul>

## Contact Livingston

**Have questions or need help with your shipments?** Contact your account executive, write to us at: [simplify@livingstonintl.com](mailto:simplify@livingstonintl.com) or give us a call at **1-800-837-1063**

