

Global Trade Risks & Rewards



Supply Chain Solutions
Creating Business Value.™

8th Annual Midwest
Supply Chain Management Conference

A Global 3PL Perspective

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Incoterms and Global Risk Management



- Incoterms = International Commercial Terms
- To facilitate global and domestic trade terms and logistics
- Rules vs. Laws
- Revised about every 10 years by the International Chamber of Commerce
- Using Incoterms to your advantage
- Incoterms and Risk Management
- Global Strategy and Incoterms

Incoterms®2010

Ex Works



Origin Terms

**CFR
CIF
CPT
CIP**



**International Transport
PAID By Seller**

**FCA
FAS
FOB**



**International Transport
Not Paid By Seller**

**DAT
DAP
DDP**



**Delivered at Named Port
or Named Place at Destination**

EXW EX WORKS (Named Place)



Origin Terms

Mode of Transportation:

Determined by the buyer (all modes) Also suitable for domestic use.

Seller's Responsibility:

Goods

Export Packing

Make goods available to Buyer at Seller's Premises or other named Place

Buyer's Responsibilities:

Pre-Carriage

Export Clearance

Main Carriage

Import Clearance

On-Carriage

Nominates Carrier

Passage of Risk:

When the goods are made available by the seller premises or other named location

FCA FREE CARRIER (Named Place)



International Transport
Not Paid By Seller

Mode of Transportation:

All Modes

Seller's Responsibility:

Goods

Export Packing

Loading on Vehicle

Pre-Carriage

Export Clearance

Delivery to Named Place

Buyer's Responsibility:

Main Carriage

Import Clearance

On-Carriage

Nominates Carrier

Passage of Risk:

When the goods are delivered to the carrier at named place.

CPT CARRIAGE PAID TO (Destination)



International Transport
PAID By Seller

Mode of Transportation:

All Modes

Seller's Responsibility:

Goods

Export Packing

Export Clearance

Delivery to First Carrier

Main Carriage Payment

Nominates Carrier

Buyer's Responsibility:

Goods in Carrier Custody

Goods in Main Carriage Transit

Import Clearance

On-Carriage

Passage of Risk:

When the goods are delivered to the carrier at named place.

**CIP –
CARRIAGE AND
INSURANCE PAID TO
(Named place of Destination)**



**International Transport
PAID By Seller**

Mode of Transportation:

All Modes

Seller's Responsibility:

Goods

Export Packing

Export Clearance

Delivery to First Carrier

Main Carriage Payment

Contracts for Insurance Against buyer's Loss

Nominates Carrier

Buyer's Responsibility:

Goods in Carrier Custody

Goods in Main Carriage Transit

Import Clearance

On-Carriage

Passage of Risk:

When the goods are delivered by the seller to the first carrier – If loss or damage sustained, the buyer files the claim.

**DAT –
DELIVERED AT TERMINAL
(Named Terminal
at Port or Place
of Destination)**



**Delivered at Named Port
or Named Place at Destination**

Mode of Transportation:

Can be used for all modes and also used when multiple modes of transport are employed.

Seller's Responsibility:

- Goods
- Export Packing
- Pre-Carriage to Border
- Export Clearance
- Nominates Carrier
- Delivery to Named Terminal at Port or Place of Destination

Buyer's Responsibility:

- Import Clearance
- On-Carriage From Border

Passage of Risk:

When the goods are delivered to the buyer at named terminal at port or place of destination.

DAP – DELIVERED AT PLACE (Named Place of Destination)



**Delivered at Named Port
or Named Place at Destination**

Mode of Transportation:

Can be used for all modes and also used when multiple modes of transport are employed.

Seller's Responsibility:

- Goods
- Export Packing
- Pre-Carriage to Border
- Export Clearance
- Vessel Loading
- Main Carriage to Named Port
- Nominates Carrier
- Delivery to Named Place of Destination

Buyer's Responsibility:

- On-Carriage
- Import Clearance

Passage of Risk:

When the goods are delivered to the buyer at named place of destination.

DDP – DELIVERED DUTY PAID (Named Place of Destination)



**Delivered at Named Port
or Named Place at Destination**

Mode of Transportation:

All Modes

Seller's Responsibility:

Goods

Export Packing

Pre-Carriage

Export Clearance

Vessel Loading

Main Carriage to Named Port

On-Carriage

Import Clearance

Nominates Carrier

Delivery to Buyer Premises or Named Place of Destination

Buyer's Responsibility:

Take delivery of the goods at the buyer's premises or named place of destination

Passage of Risk:

When the goods are delivered to the buyer at the specified location – Seller insures the goods

FAS FREE ALONGSIDE SHIP (Named Port of Shipment)



International Transport
Not Paid By Seller

Mode of Transportation:

Ocean Only

Seller's Responsibility:

Goods

Export Packing

Pre-Carriage

Export Clearance

Delivery Alongside Vessel at Named Port of Shipment

Buyer's Responsibilities:

Vessel Loading

Main Carriage

Import Clearance

On-Carriage

Nominates Carrier

Passage of Risk:

When the goods are delivered alongside the ship specified by the buyer

FOB – FREE ON BOARD (Named Port of Shipment)



International Transport
Not Paid By Seller

Mode of Transportation:

Ocean Only

Seller's Responsibility:

Goods

Export Packing

Pre-Carriage

Export Clearance

Delivery Alongside Vessel at Named Port of Shipment

Vessel Loading

Buyer's Responsibilities:

Main Carriage

Import Clearance

On-Carriage

Nominates Carrier

Passage of Risk:

When the goods cross the ship's rail at the port of shipment.

CFR – COST AND FREIGHT (Named Port of Destination)



International Transport
PAID By Seller

Mode of Transportation:

Ocean Only

Seller's Responsibility:

Goods

Export Packing

Pre-Carriage

Export Clearance

Delivery to Main Carrier

Vessel Loading

Main Carriage Payment

Nominates Carrier

Buyer's Responsibilities:

Goods in Main Carriage Transit

Import Clearance

On-Carriage

Passage of Risk:

When the goods cross the ship's rail at the port of shipment – Buyer secures own insurance.

CIF – COST INSURANCE AND FREIGHT (Named Port of Destination)



International Transport
PAID By Seller

Mode of Transportation:

Ocean Only

Seller's Responsibility:

Goods

Export Packing

Pre-Carriage

Export Clearance

Delivery to Main Carrier

Vessel Loading

Main Carriage Payment

Contracts for Insurance against Buyer's Loss

Nominates Carrier

Buyer's Responsibilities:

Goods in Main Carriage Transit

Import Clearance

On-Carriage

Passage of Risk:

When the goods cross the ship's rail at the port of shipment – If loss or damage is sustained, the buyer files the claim.

Closing Remarks

- Review your use of Incoterms for importing and exporting transactions
- Use the correct Incoterms – Ask the question – Is this the best one?
- Put Incoterms into your sales or purchasing contracts
“Incoterms ® 2010”

Resources

- **US Foreign & Commercial Service – International Trade Administration – DOC**
- **Michigan District Export Council – West**
- **Supply Chain Solutions Inc.**
- **Q & A**