

MMTC West/Supply Chain Management Council's Commodity Event September 21, 2011



Supply Chain Solutions
Creating Business Value.™

A Global 3PL Buy/Sell Risk Perspective

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Agenda



Incoterms® 2010
by the International Chamber of Commerce (ICC)



- **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”
- Q & A