

UNDERSTANDING:

Incoterms® 2020 as a Vegetable Grower-Exporter

VegExportNotes are designed by AUSVEG specifically for levy-paying vegetable growers to enhance industry trade knowledge. The content provided in VegExportNotes is based on the best available information at the time of publishing.



What is Incoterms® 2020?

The Incoterms® rules were created as an industry standard to facilitate international trade. They are used to define the responsibilities of sellers and buyers for the delivery of goods.

Why are Incoterms® important to vegetable grower-exporters?

Incoterms® are a key element of international contracts of sale. The rules describe the tasks, costs and risks involved between two parties in the delivery of goods. They also clarify the sellers and buyers' obligations in international trade. They are not law, but rules.

It is important to select the most efficient rule for your mode of transport as it helps mitigate unnecessary costs and risks associated with sending your product overseas.

What are the commonly used Incoterms® for fresh produce grower-exporters?

- **FCA:** Free Carrier
- **CPT:** Carriage Paid To
- **FOB:** Free on Board
- **CFR:** Cost and Freight

Rules for any mode or modes of transport

- **EXW:** Ex Works
- **FCA:** Free Carrier
- **CPT:** Carriage Paid To
- **CIP:** Carriage and Insurance paid to
- **DAP:** Delivered at Place
- **DPU:** Delivered at Place Unloaded
- **DDP:** Delivered Duty Paid

Rules for maritime and inland waterway transport

- **FOB:** Free on Board
- **CFR:** Cost and Freight
- **FAS:** Free Alongside Ship
- **CIF:** Cost, Insurance and Freight.

Tips:

- Understanding what Incoterms® are and what they do will reduce your risks
- Understanding which Incoterms® suit your business will help you negotiate with your international buyer
- Understanding which Incoterms® are most appropriate for your product depends on whether it is exported by air or sea

Important!

Determining the right Incoterms® is your responsibility. It can be complex and will impact on your pricing and margins. It is advisable to seek professional guidance to ensure you are using the most suitable Incoterms®.

Incoterms® 2020 Reference Guide:

The quick reference guide below shows where cost and risk transfers from seller to buyer, and who is responsible for insurance and freight.

Rules for any mode or modes of transport

												
Sellers responsibility		Packaging	Loading on truck	Delivery to Australian port	Export clearance & taxes	Loading at Australian port	Freight to buyer's port	Unloading at buyer's port	Import clearance & taxes	Carriage to destination	Unloading at buyer's	
Buyers responsibility		COUNTRY, CITY, PLACE OF ORIGIN					TRANSPORT	COUNTRY, CITY, PLACE OF DESTINATION				
EXW	Cost	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	
	Risk	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	
FCA	Cost	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	
	Risk	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	
CPT	Cost	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	
	Risk	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	
CIP	Cost	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	
	Risk	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	
	Insurance				Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Buyer
DAP	Cost	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Buyer	
	Risk	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	
DPU	Cost	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	
	Risk	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	
DDP	Cost	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	
	Risk	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	

Rules for maritime and inland waterway transport

FOB	Cost	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
	Risk	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
CFR	Cost	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer
	Risk	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
FAS	Cost	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
	Risk	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CIF	Cost	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer
	Risk	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
	Insurance				Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer

Incoterms® are reviewed and updated every 10 years. The release of Incoterms® 2020 included the following:

Changes to Incoterms® 2020

- Delivered at Terminal (DAT) has been changed to Delivered at Place Unloaded (DPU) to clarify that the place of destination could be any place and not only a "terminal".
- Change of insurance in CIP/CIF.
- All costs are now listed in the 'Allocation of Costs' sections for each rule.
- Shifts the responsibility of security-related requirements and ancillary costs to the seller.
- Allows for own means of transport by the buyer in the FCA rules and by the seller in the D rules.
- FCA extra provision to state if the parties have so agreed, the buyer must instruct the carrier to issue the onboard bill of lading to the seller at the buyer's cost and risk.

FCA Free Carrier (named place)

The seller delivers goods to an agreed place and is responsible for the costs and risks up to the delivery of goods at the agreed place. The seller must clear goods for export (pay any export taxes or fees) and is responsible for inland transport and export customs clearance unless the designated place is the seller's premises (FCA warehouse), in which case the goods are delivered there and loaded onto the means of transport arranged by the buyer at the buyer's expense. The buyer is responsible for the goods (cost and risk) once goods are received by the first independent carrier, including transport, insurance, and clearing for import.

Seller	Buyer
<ul style="list-style-type: none"> Deliver goods to the first independent carrier named by the buyer at the named place or point Clear goods for export and pay fees and taxes 	<ul style="list-style-type: none"> Nominate the carrier Contract for the carriage and pay the freight Cover freight insurance Clear goods for import and pay for fees and taxes

Risk transfers: Delivery of goods to the first independent carrier

Cost transfers: Delivery of goods to the first independent carrier

EXW Ex Works (named place)

Not recommended for vegetable exports.

This term represents the least responsibility for the seller. The seller makes the goods available to the buyer in their own warehouse and is only responsible for packing the goods. The buyer is responsible for all costs and risk from the moment the goods cross the seller's warehouse prior to loading.

Seller	Buyer
<ul style="list-style-type: none"> Make goods available for pick up from warehouse 	<ul style="list-style-type: none"> Pick up and load goods from seller's warehouse Arrange and pay for all freight Clear goods for export and pay fees and taxes Clear goods for import and pay fees and taxes

Risk transfers: When goods are made available at warehouse

Cost transfers: When goods are made available at warehouse

CPT Carriage paid to (named place of destination)

The seller must clear the goods for export and pay any associated taxes or fees. The seller's risk responsibility ends once the goods are delivered to the first independent carrier, however they must pay for the goods to be delivered to the named place of destination. The buyer accepts risk of the goods once they are delivered to the first independent carrier, and are responsible for insurance, any transport or handling beyond the named place of destination, and clearing the goods for import.

Seller	Buyer
<ul style="list-style-type: none"> Contract the carriage and pay for freight of the goods to the named destination Deliver goods to the first carrier Clear goods for export and pay fees and taxes 	<ul style="list-style-type: none"> Arrange and pay for any additional loading and/or freight beyond the name place of destination Accept delivery of the goods when delivered to the first carrier Clear goods for import and pay fees and taxes

Risk transfers: Delivery of goods to the first independent carrier

Cost transfers: Delivery of goods to the named place of destination

CIP

Carriage and Insurance paid to (named place of destination)

The seller bears the costs up to delivery at an agreed place at destination (i.e. the costs at origin, export clearance, freight and also insurance which is mandatory). The importer is responsible for import clearance and delivery at destination and takes on the risk when the goods are loaded onto the first means of transport. There is a change in insurance cover clause in CIP in Incoterms® 2020.

Seller	Buyer
<ul style="list-style-type: none">Contract the carriage and pay for freight of the goods to the named destinationDeliver goods to the first carrierObtain and pay for cargo insuranceClear goods for export and pay fees and taxes	<ul style="list-style-type: none">Arrange and pay for any additional loading and/or freight beyond the named place of destinationAccept delivery of the goods when delivered to the first carrierClear goods for import and pay fees and taxes

Risk transfers: Delivery of goods to the first independent carrier

Cost transfers: Delivery of goods to the first independent carrier

DAP

Delivered at place (named place of destination)

The seller bears all the costs and risks of the operation apart from import clearance and ready for unloading at destination (i.e. all costs at origin, freight and inland transport). The buyer is only responsible for import clearance and unloading.

Seller	Buyer
<ul style="list-style-type: none">Contract the carriage and pay for freight of the goods to the named destinationObtain and pay for cargo insuranceClear goods for export and pay fees and taxes	<ul style="list-style-type: none">Clear goods for import and pay fees and taxesUnloading from arriving means of transportationOnward carriage and delivery to buyer (depending on named place)

Risk transfers: Destination place once goods are unloaded

Cost transfers: Destination place once goods are unloaded

DPU

Delivered at place Unloaded (any place, whether covered or not)

The seller bears the costs and risks arising at origin, packing, loading, export clearance, freight, unloading at destination and delivery at the agreed point. The buyer is responsible for import clearance procedures. This Incoterm is new and replaces DAT. In effect, it increases delivery options since DAT stated that delivery must take place at the terminal, whereas with the new DPU delivery can take place at an agreed place other than the terminal.

Seller	Buyer
<ul style="list-style-type: none">Contract the carriage and pay for freight of the goods to the named placeUnload the goods in order to complete deliveryDelivery of goods at the agreed point	<ul style="list-style-type: none">Import clearance and any applicable local taxes or import dutiesAccept delivery of the goods when delivered to an agreed point

Risk transfers: Destination place once goods are unloaded

Cost transfers: Destination place once goods are unloaded

DDP

Delivered duty paid (named place of destination)

This represents the highest level of cost and responsibility for the seller. The seller must arrange and pay for both export and import clearance, all freight and handling until the goods are at the disposal of the buyer at the named place of destination. The buyer is only responsible for receiving the goods at the named place of destination.

Seller	Buyer
<ul style="list-style-type: none">Contract the carriage and pay for freight of the goods to the named place of destinationClear goods for export and pay fees and taxesClear goods for import and pay fees and taxes	<ul style="list-style-type: none">Accept delivery of the goods when delivered to named place of destination

Risk transfers: Delivery of goods to named place of destination

Cost transfers: Delivery of goods to named place of destination

Rules for maritime and inland waterway transport:

FOB

Free on Board

The seller clears the goods for export and ensures they are delivered to and loaded onto the vessel for transport at the named port of departure. The buyer takes over risk and costs, including import clearance and duties, as soon as the goods are loaded onto the transport vessel at the port of departure. This term is commonly used for bulk cargo (such as oil or grain).

Seller	Buyer
<ul style="list-style-type: none"> Deliver goods to the first independent carrier named by the buyer at the named place or point Clear goods for export and pay fees and taxes Load goods onto the vessel for transport 	<ul style="list-style-type: none"> Import clearance and any applicable local taxes or import duties Accept delivery of the goods when delivered to an agreed point

Risk transfers: Goods are loaded onto the transport vessel

Cost transfers: Goods are loaded onto the transport vessel

CFR

Cost and Freight

The seller is required to clear the goods for export, deliver them onboard the ship at the port of departure, and pay for transport of the goods to the named port of destination. The risk passes from seller to buyer when the seller delivers the goods onboard the ship. The buyer is responsible for paying all additional transport costs from the port of destination, including import clearance and duties.

Seller	Buyer
<ul style="list-style-type: none"> Contract the carriage and pay for freight of the goods to the named destination Clear goods for export and pay fees and taxes Delivery at named port of destination 	<ul style="list-style-type: none"> Obtain and pay for cargo insurance Clear goods for import and pay fees and taxes Discharge and onward carriage

Risk transfers: Goods are on board of the vessel

Cost transfers: Destination place once goods arrived

FAS

Free Alongside Ship

The seller clears goods for export and places them alongside the vessel at the named port of departure. The named port of departure location can be a loading dock or a barge, but not a container terminal. The buyer is responsible for loading the freight onto the vessel, as well as handling local carriage, discharge, import formalities and duties and onward carriage to the final destination.

Seller	Buyer
<ul style="list-style-type: none"> Contract the carriage and pay for freight of the goods to the named place of destination Clear goods for export and pay fees and taxes Delivery alongside vessel at port of shipment 	<ul style="list-style-type: none"> Loading on board Import clearance and any applicable local taxes or import duties Accept delivery of the goods when delivered to named place of destination

Risk transfers: Delivery of goods at loading dock

Cost transfers: Delivery of goods at loading dock

CIF

Cost, Insurance and Freight

The seller bears all the costs up to arrival at the destination port, including export clearance, costs at origin, freight and usually unloading. The seller must also arrange insurance even though the risks transfer to the buyer once the goods are loaded on board. The buyer bears the import and transport to destination costs.

Seller	Buyer
<ul style="list-style-type: none"> Contract the carriage and pay for freight of the goods to the named place of destination Clear goods for export and pay fees and taxes Obtain and pay for cargo insurance 	<ul style="list-style-type: none"> Import clearance and any applicable local taxes or import duties Clear goods for import and pay fees and taxes Discharge and onward carriage

Risk transfers: Goods are loaded onboard

Cost transfers: Arrival of goods at named place of destination