



The 11 Rules from Incoterms (also known as Freight Glossary).

Freight Terms That You Should Know

Freight Glossary.

Freight industry language can be confusing, but with the knowledge of the Incoterms – Freight Glossary you win.

Hello & welcome to you the importers or exporters:

Whether you export or import or simply are contemplating a shipment, you gain to win when knowing the freight industry jargon, which can be confusing. The knowledge of the Incoterms – Freight Glossary set you up from the get go.

International policies with a universal schedule B numbers defining your product name & description, along with the incoterms (freight glossary) prevent the confusion of having each country on the planet second guessing & applying a wrong duty rate of not knowing if the freight is to be delivered to its destination.

Incoterms & schedule B numbers are used across borders by every customs in a uniform way.

Incoterms background:

“Incoterms” is trademarked by the International Chamber of Commerce (ICC), and was first published 80 years ago after multiple studies on international trade. Since then, we have seen several alterations, with the most recent being published in 2010. ICC last updated the Incoterms rules in 2019. While Incoterms 2020 is the most current version of the trade terms, Incoterms 2010 is still in effect today.

Each of the 11 rules (down from 13 in 2000) are three-letter acronyms to make them easy to identify and immediately understand how a shipment is being handled. They’re used everywhere when shipping is involved.

Incoterms that apply to everything:

EXW – Ex Works

It means the seller is not responsible for transportation beyond having it available for pick up at the factory or the seller’s depot. This places virtually all shipping responsibilities and costs on the buyer, and that the seller won’t even load your shipment.

FCA – Free Carrier

It places more of the responsibility and cost on the seller than EXW. In this instance, the seller will arrange for pre-transport to the place of the buyer’s choice, prior to export, which could include a warehouse, transportation hub, like an ocean port or airport. The buyer is responsible for actually unloading it off of the pre-transport vehicle.

CPT – Carriage Paid To

It is very similar to FCA. The seller is responsible for getting the shipment through pre-transport, and they are the one actually contractually and financially responsible for its shipment to the destination port. The buyer takes on the burden of risk once it arrives to the shipping port, but don’t contract with the carriers, so they’re the ones to buy cargo insurance.

CIP – Carriage and Insurance Paid To

It is exactly like CPT, except that the seller will pay for the insurance up until the destination hub.

DAT – Delivered at Terminal

It means that the seller is responsible for all shipping arrangements, financial obligations, and insurance coverage up until it arrives at the terminal. This can be anything from a transportation depot to a warehouse. The seller is responsible for unloading, and risk transfers to the buyer as soon as that is done. The buyer is responsible for all costs associated with import clearance, taxes, inspection, etc.

DAP – Delivered at Place

It is nearly identical to DAT, except that the buyer is responsible for unloading, so the risk is transferred to them right before that happens.

DDP – Delivered Duty Paid

It means that the seller will get the goods to the arrival port, and the buyer doesn't take responsibility until they've gone through customs, all duties have been paid, and the shipment is cleared to unload. This one isn't my favorite, because that puts too much responsibility on the seller, in my opinion. It's better to have somebody local to deal with customs, because they'll be able to better navigate through any challenges that may arise with their own customs.

Incoterms that only apply to inland waterway & sea transport:

FAS – Free Alongside Ship

As soon as the shipment arrives to the departure port and is sitting alongside the vessel, it is considered delivered, and the buyer assumes logistic and financial responsibility and risk from that point forward. This is

helpful when moving things like heavy machinery or equipment like oversized tractors – things that don't end up in containers.

FOB – Free on Board

It is treated just like FAS, except that it moves the line of responsibility from the shipper to the buyer just before it is loaded onto the shipping vessel.

CFR – Cost & Freight

“Cost & Freight” is similar to FOB in the sense that the seller is responsible for the costs and risks of getting the shipment to and aboard your vessel, even clearing it for export (at origin). Also, risk and insurance costs transfer at this point to the buyer. The difference is that the seller pays for the main transport costs even though the buyer assumes responsibility for the shipment before setting sail.

CIF – Cost Insurance & Freight

As you might expect, “Cost Insurance & Freight” is just like CFR, except that the seller is responsible for paying the insurance coverage up to the destination port.

These terms for air or ocean freight are only meant to serve as a quick reference guide. Visit The International Chamber of Commerce website for the official breakdown and full reports on these terms.

We also have a [full glossary of terms](#) that you can visit on our website. In addition to the Incoterms / Freight Glossary, shippers need to know their schedule B number also called Harmonized System. When needing a freight quote, you will have the opportunity to receive a link to peruse what best schedule B number describes your product.

For a thorough air or ocean freight quote, contact us at www.baumshipping.com or email us at sales@etcinternational.com. Happy shipping starts with Baum Shipping (aka ETC International Freight System) since 1984!