

CIF, CFR, CPT, CIP TERMS IN STRUCTURE OF RULES INCOTERMS

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Companies that still use the contract terms prevalent decades ago are missing the opportunity to improve supply chain performance by using International Commercial Terms (Incoterms).

The Incoterms, also known as terms of delivery, are standard trade definitions most commonly used in international sales contracts. Incoterms help avoid the confusion created by varied interpretations of the rules in different countries. They specify the exporting seller's and importing buyer's obligations regarding carriage, risk, and costs, and establish basic transport and delivery terms. Contrary to conventional perception, Incoterms only define contractual rights for risk and responsibility.

The 11 rules presented in the 2010 revision of Incoterms comprise four groups: E, F, C and D. In practice, the great interest represent four terms of group "C": CFR ("Cost and Freight"), CIF ("Cost Insurance and Freight"), CIP ("Cost Insurance and Freight"), CIP (Carriage and Insurance Paid to) and CPT ("Carriage paid up").

The term CPT means the seller pays the freight for the carriage of the goods to the named destination. The term CIP is similar to CPT, except that it also requires the seller to pay for insurance covering loss or damage to the goods during the transport process. The term CFR requires the seller to pay the costs and freight necessary to bring the goods to the named destination, but the risk of loss or damage to the goods, as well as any cost increases, are transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. The term CIF is similar to CFR, except that the seller is also responsible for buying insurance. Note that CFR and CIF except only applies to marine transportation, while CPT and CIP may be used for deliver by all types of vehicles.

Choosing a suitable incoterm allows the buyer and seller to negotiate a price best suited to their needs and to be confident that there will be no confusion over who pays the costs.