



## IMPORT SHIPPING TERMS EXPLAINED

### WHAT DO "SHIPPING TERMS" MEAN AND WHY YOU SHOULD UNDERSTAND THEM

A shipping term is an internationally recognised means to clearly define the terms on which you are contracting your freight forwarder and buying from your supplier. If understood properly, it helps to avoid misunderstandings on what is and what isn't included in any shipping quote you receive.

### AN EXPLANATION OF THE SHIPPING TERM "FOB"

FOB is a commonly used term to denote that overseas suppliers agree with UK importers. Under this arrangement, the supplier agrees to pay for his own local charges and get the shipment to the Seaport / Airport for export. The UK importer is then responsible for the charges from the overseas Seaport / Airport to his UK Door.

FOB is the best way to avoid hidden and unexpected charges. It gives the UK importer control over the shipment from start to finish and knowledge of exact shipping costs to his UK Door before shipping.

It is recommended to try and agree FOB terms as it eliminates the possibility of a new supplier not having the correct export permits to complete his part of the contract. This happens because under FOB the supplier is responsible for arranging these by default.

Many UK importers use FOB as a way of specifying stage payments to suppliers by agreeing upon a "\$£Y part payment" for goods. The balance of "\$£Y" funds are released only when the goods are delivered to the Port / Airport. FOB is the most popular supply terms from the Far East, Middle East, India, Pakistan and Asia.

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## **AN EXPLANATION OF THE SHIPPING TERM "EX WORKS"**

These terms mean that the UK importer is responsible for all shipping charges from the supplier's factory / warehouse to their address in the UK. For shipments originating from Canada and the USA, Ex Works are the most commonly used terms as they're reasonably safe there. However, Ex Works terms can be risky when dealing with new suppliers from India, China and the Far East. This risk is present because the UK importer has to trust the supplier to have the correct permits for allowing export. This risk is very real, as many UK importers have paid for supplies that are never received because of it.

## **AN EXPLANATION OF THE SHIPPING TERM "C&F" AND "CIF"**

These terms mean that the UK importer trusts the overseas supplier to arrange and pre-pay all charges to the UK (often to a named UK Port). With CIF, it also means that the supplier is arranging insurance as well.

These terms are commonly misunderstood and are an expensive shipping mistake most new UK importers make. It is often wrongly assumed that these terms include the UK Terminals which isn't the case as the supplier only pays up to the arrival in UK Port / Airport.

UK Terminal fees is an "unregulated market" where importers are often held to ransom and have no choice except to pay the amount demanded by the "Port Sharks" for release of their cargo. New overseas suppliers try to tempt UK importers with very low shipping rates, which are included in their quotations. It is so because unknown to the UK importer the supplier gets a hidden commission paid back to him from the local freight agent.

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