

About Cost and Freight

If most of the costs in EX Works are for the buyer, then in **cost and freight**, it is the complete opposite. This means the seller is considered handing over the goods after the goods have passed the shipping gate and received export clearances. However, even after that happens and until it arrives at the destination point, the seller still has to bear all the costs.

Cost and freight are also known as CFR for short. In this case, the seller has to arrange the goods to be delivered to a destination port across the sea. To help the buyer when the goods get there, the seller also has to provide the necessary documents to get the goods from the carrier.

The only thing that the seller is not required is procuring marine insurance in regard to the risks or damage which may happen to the goods before they even get to their destination.

Then, what about the responsibilities of the seller and the buyer?

In **cost and freight**, a seller and a buyer have their responsibilities too. The seller has four obligations, which include:

- Providing goods and commercial invoice based on the agreed contract.
- Finishing all export clearances and other obligations related to the government authorities. Of course, all expenses are on the seller as well.
- Making a shipping contract with the lifter(s) according to the contract. This contract ends once the goods arrive at the destination port, which expense is also on the seller.
- Handing over the goods to the lifter(s) until the goods are stored on the ship (past the shipping gate). This should go according to the agreed time/deadline on the contract. The seller is also responsible for paying for the shipping process, terminal handling charges on the departure port, until moving the goods on the ship.

The buyer also has four obligations, which include:

- Paying an amount of cost as mentioned in the agreed contract between parties involved.

- Finishing all import clearances and other obligations related to them. The buyer also needs to pay all of these.
- Bearing the cost shipping and handling processes, including the terminal handling charges. The buyer is also responsible for paying for the loading of the goods on the ship at the departure port.
- Bearing all the risks of the loading starting from the time the goods have already gone past the shipping gate, still at the departure port.

Cost and freight are probably the buyer's favorite. Unlike EX Works, most of the costs should be paid by the seller. However, this does not mean the buyer is completely off the hook. From the list of obligations above, it is quite obvious.

There are many choices when it comes to trading. Whether you prefer EX Works, free carrier, free alongside the ship, free on board, or even **cost and freight**, they all have their benefits. What everyone needs to remember is to read the contract thoroughly. That way, they will be more aware of the risks and benefits.

It is also to avoid complaints and unnecessary lawsuits while the shipping of goods is still in the process, or already done.

Sources:

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