

Cost and Freight

What is Cost and Freight (CFR)?

It is important to have an understanding of Cost and Freight (CFR), an essential incoterm used in international trade for inland and seaways transport, whereby the seller has responsibility to get the goods from their warehouse or factory to the destination port, paying for transport, delivery, and clearing customs.

CFR Price – What is Cost and Freight?

CFR stands for Cost and Freight – it's a legal term used in international shipping meaning the seller assumes more responsibility for the delivery of goods and needs to pay for transport to an agreed port. The seller will also need to pay for the delivery of goods and export, up until the point the goods are loaded on board the ship.

It is important to first note the difference between the shipping terms CFR and CIF. CFR stands for Cost and Freight.

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The term CFR means that the seller has more responsibility; they will pay for and arrange transportation. This can be contrasted with a seller under an FOB shipping transaction; where the seller is merely responsible for delivery of the goods to the port of origin; they will then be transported.

In relation to a CFR trade, the exporter will pay for and arrange transportation to the port of destination that is specified by the receiving party. The exporting company will arrange and fund the transportation that is set out by the purchasing party. In relation to liability and ultimate responsibility, the purchaser will take on the responsibility when the ship has docked in the port of destination. The further costs that will include further transportation and the unloading of the vessel will be bared by the buyer.

Incoterms – What are they?

The reason that we sometimes hear the term Incoterms mentioned is that the International Chamber of Commerce (ICC) created the international commerce terms, and these have been known as Incoterms. The reason for the differences of terms are that each one sets out an agreement which governs the requirements of shipping that falls to buyers and sellers in cross border trade. The three types of shipping outlined above; being CIF, CFR or FOB are all agreements that are widely referred to as separate incoterms.

One of the main reasons for these widely agreed Incoterms is that it sets a framework on which international trade can progress in a formalized way and allows contract formats that are clear and understood across many languages.