

## Cost and Freight (Port): Overview (CFR)

Cost and Freight (CFR) means the seller has fulfilled its obligation when the goods are delivered and loaded on the vessel they've nominated at the named port of shipment.

Only inland and sea transport should make use of CFR under Incoterms® 2020. As soon as the items are loaded onto the vessel before carriage begins, risk or liability for the goods passes from the seller to the buyer, and the buyer is then responsible for any further expenditures.

## Cost and Freight: Transportation Options

Although buyers and less experienced exporters might choose an F-group term, more experienced exporters prefer C-group terms since they allow direct communication with the carrier and provide all the information required for letters of credit in one location. Additionally, if you book a lot of freight, selecting C-group terms gives you more negotiation power.

Like the other four Incoterms® 2020 rules for shipping by sea and inland waterways, CFR is best used when the seller has direct access to the vessel for loading, such as when shipping bulk freight or non-containerized commodities. Carriage Paid to (CPT), however, might be a superior Incoterms® option for most exports. Any freight destination may be the named destination under CPT.

The risk of the products is transferred to the buyer after they are carried onboard, or before to the freight continuing, under CFR shipping terms, even though the seller is responsible up till the designated point of port. All payments after the scheduled port, including goods insurance, are the buyer's responsibility. Additionally, in CFR, the seller is not bound by any mandatory obligations, in contrast to the CIF Incoterm®, which calls for the provision of insurance coverage.

## Cost and Freight: Seller's Responsibilities

When transacting using CFR Incoterm®, the seller is accountable for the following:

1) The seller shall make the following expenses:

- Warehouse charges
- Inland charges for loading and carrying goods till the designated port

- Depot and duty charges for terminal proceedings
- Charges for documentation
- Custom charges
- Charges for shipping freight

CFR freight charges are paid by the seller. He continues to be responsible for the carriage going from the warehouse to the first port, which is the port of the exporting country, and then for the carriage going from the first port to the second port, which is the port of the importing country.

2) Insurance: In general, the seller is not required to have insurance. Although he is in charge of delivery, he is not in charge of insurance. However, he may extend his services to insurance or even carry out the coverage process at the risk and expense of the client

3) Duty and customs clearance: The export customs procedures are the seller's responsibility. He is responsible for maintaining the packing list, commercial invoice, bill of lading, and other export-related paperwork. He will pay for things like terminal fees and freight forwarding costs. Additionally, he will give the buyer that paperwork to complete the freight procedures after the procedure.

4) Risk transfer: The risk of the goods after the first port is not the seller's responsibility, even though he is responsible for delivery of the goods up to the designated port. As soon as the seller loads the goods onto the vessel, the buyer assumes the risk of the commodities. Therefore, the importer is responsible for paying any additional fees or levies placed on the products because of carelessness or delays, such as shipping demurrage fees, unexpected taxes, etc.

## **Cost and Freight: Buyer's Responsibilities**

Under the CFR Incoterm®, the buyer is accountable for the following:

1) Cost:

- Costs associated with insurance since he bears the entire burden of covering and the risk involved with the goods.
- Processes for import customs, including payment of all fees and taxes at the designated port.
- Transportation costs for inland travel between the designated port and the final destination.

2) Freight: In this process, the buyer is just barely involved. As soon as the seller delivers the goods, the buyer must unload them at the dock and load them for interior transit to the final destination.

3) Risk Transfer: As soon as the seller loads the items onto the vessel at the first port, the risk of the commodities passes to the buyer. Additionally, the buyer bears the insurance risk from the beginning of the trade procedure. The loss will be the duty of the buyer if he neglects to direct the seller to the delivery port.

4) Insurance: As soon as the seller loads the items onto the vessel at the first port, the risk of the commodities passes to the buyer. Additionally, the buyer bears the insurance risk from the beginning of the trade procedure. The loss will be the duty of the buyer if he neglects to direct the seller to the delivery port.

5) Duty and customs clearance: The buyer is responsible for paying any import duties included in the CFR. The buyer is liable for unloading the items when the seller drops them off at the agreed port. All import taxes and charges are his responsibility at the dock port. Additionally, he will be responsible for paying any local and depot fees.

Even while the seller is responsible for delivery of the products up to the designated port, he is not responsible for the risk of the items after the first port. The risk of the commodities shifts to the purchaser as soon as the seller loads them onto the ship.

Therefore, any additional charges or levies imposed on the goods because of negligence or delays, such as shipping demurrage fees, additional taxes, etc., are the responsibility of the importer.

## **When to Use Cost and Freight Incoterm®**

The best applications for CFR Incoterms® are in inland waterway and ocean freight. It is generally utilised for bulk cargo and non-containerized commodities when the seller has direct access to the vessel and the goods are put straight onboard rather than in a container terminal. If the items must be delivered to a container terminal, CFR will not be applicable.