

Ex Works (Place): Overview

The buyer bears all the costs and risks in an Ex Works arrangement. The seller must only make the goods available for the buyer at their warehouse/factory. As soon as the goods are collected, buyer undertakes all other obligations. Ex Works can be used for any means of transportation.

Ex Works is an Incoterm® used for all methods of shipping, irrespective of the mode, or legs of the transport. Under Ex Works, the buyer undertakes all obligations of the shipment once the cargo is packed in export packaging and collected. Here, the buyer must arrange all transport, export documentation, cover all freight charges, and fulfil the importation and delivery process.

Some exporters insist on Ex Works as they desire to recognize the revenue for the sale instantly. As a matter of fact, the ICC's Incoterms® 2020 manual clearly states that recognition of revenue is independent of any Incoterm® rule. The parties involved in global trade shall make and agree upon specific provisions in the sale contract.

Ex Works: Safeguards for Seller

When using Ex Works, the seller may want to consider slight changes to the terms and conditions. For example: "The supplier has the right to impose duties or move the goods to a public warehouse at the buyer's expense if the buyer does not pick up the shipment within "x" days of being informed of their availability. Without this change to the agreement, the seller is at risk of being exploited as free storage or of the buyer postponing the payment cycle.

The seller is only required to make the items available, appropriately packaged, at the designated location, which is typically the seller's factory or depot. Although the seller may be more qualified to do so, the buyer is responsible for putting the items onto a vehicle, for all export procedures, for onward transportation, and for any expenditures incurred after the products have been collected.

To be more specific, it may still be necessary for the exporter to participate in the export reporting and clearance processes and cannot practically delegate them to the buyer.

Ex Works: Advantage to the Buyer

Certain manufacturers are too focussed on the domestic market or may not have requisite licenses that may be required to export goods to the outside world. Some countries have good quality and inexpensive goods, which make it attractive for buyers to arrange all other things on their own.

If a buyer routinely sources goods from a particular country, it makes sense to consolidate different products and import it on their expense.

Ex Works: Disadvantage to the Buyer

In Ex Works shipment, the buyer gets lower per unit cost than other Incoterms®, while there are some significant disadvantages as well. If, for some reason, the goods cannot be exported from the origin country, the buyer bears the risk, because the transfer of ownership has already taken place.

Ex Works: Seller's Responsibilities

The obligations of the seller are quite minimal under the Ex Works Incoterms®. In essence, their only need is to make sure the cargo is prepared for export and that it can be picked up at their location. This indicates that the goods are already contained in export boxes for most shipments. When the cargo is prepared, it must be in a location where the buyer and seller may pick it up.

Ex Works: Buyer's Responsibilities

Once the buyer picks up the products from the seller, they take on all responsibility and risk. These obligations consist of the following:

- 1) Charges for loading the cargo at the pickup point so that it can be transported to the port for export.
- 2) Transporting the products to the port of origin to start the export procedure is known as delivery to port or place.
- 3) Export papers must be completed, and all taxes and duties associated with exporting the goods must be paid. The buyer is forced to rely on independent export strategies.
- 4) Charges at the origin terminal: All charges at the terminal are the buyer's responsibility.
- 5) Putting goods on carriage: The duty involved in putting the cargo on the carriage.

6) Carriage fees: All freight expenses related to transporting the cargo from one port to another.

7) Charges related with fees levied by the destination port and terminal are referred to as destination terminal charges. When the cargo reaches the port of destination, the terminal charges a fee to convey the consignment throughout the harbour and unload the shipment from the ship.

8) Delivery to destination: The price of moving the cargo from the port of destination to the ultimate location.

9) When the items have reached their destination, the costs involved with unloading the cargo from the final carrier are incurred.

10) Import duty, taxes, and customs clearance: All fees and charges related to bringing the goods into the country of destination.

When to Use Ex Works Incoterm®

Established importers set up offices in their export country for ease of handling their shipments. The buyer may opt for Ex Works if they are shipping via air express couriers. In most cases, express couriers collect goods from seller's location.