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American Foreign Trade Definitions

adopted at a conference participated
in by committees representing the

NATIONAL FOREIGN TRADE COUNCIL
CHAMBER OF COMMERCE OF U. S. A.

NATIONAL ASSOCIATION OF MANUFACTURERS

AMERICAN MANUFACTURERS EXPORT ASSOCIATION

PHILADELPHIA COMMERCIAL MUSEUM

AMERICAN EXPORTERS AND IMPORTERS ASSOCIATION

CHAMBER OF COMMERCE OF THE STATE OF NEW YORK

NEW YORK PRODUCE EXCHANGE

NEW YORK MERCHANTS ASSOCIATION

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SECOND EDITION

American Foreign Trade Definitions

adopted at a conference participated in by the National Foreign Trade Council, Chamber of Commerce of the U. S. A., National Association of Manufacturers, American Manufacturers' Export Association, Philadelphia Commercial Museum, American Exporters' and Importers' Association, Chamber of Commerce of the State of N. Y., N. Y. Produce Exchange, and N. Y. Merchants' Association, held in India House, N. Y., on December 16, 1919.

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AS the most certain means of insuring unmistakable clarity in terms and conditions of sale, the Conference voted to recommend to manufacturers and exporters that all use of abbreviated forms of export price quotations be abandoned, and that such terms be written out in full.

The Conference recognized, however, that this recommendation is not likely to be accepted generally at once; and therefore, in the hope of effecting a simplification and standardization of American practice, it adopted the following statement of definitions of the abbreviated forms in more common and general use in the export trade. The Conference strongly recommends to manufacturers and exporters that wherever abbreviated forms of export quotations are employed, the forms herein defined be used, as far as possible, to the exclusion of other forms.

Definitions of Export Quotations

These are, in their order, the normal situations on which an export manufacturer or shipper may desire to quote prices. It is understood that unless a particular railroad is specified, the property will be delivered to the carrier most conveniently located to the shipper. If the buyer, for the purpose of delivery, or in order to obtain lower transportation charges, desires that the goods be delivered to a carrier further removed from the shipper and entailing a greater cost than delivery to the carrier most favorably situated, the carrier to which the buyer desires delivery of the goods should be named in the quotation. The term "cars or lighters" as used herein, is intended to include River, Lake or Coastwise ships, canal boats, barges, or other means of transportation, when so specified in the quotation.

1. When the price quoted applies only at inland shipping point and the seller merely undertakes to load the goods on or in cars or lighters furnished by the railroad company serving the industry, or most conveniently located to the industry, without other designation as to routing, the proper term is:

"F. O. B. (named point)"

Under this quotation:

A. Seller must

- (1) place goods on or in cars or lighters
- (2) secure railroad bill of lading
- (3) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of lading has been furnished by the railroad company.

B. Buyer must

- (1) be responsible for loss and/or damage incurred thereafter
- (2) pay all transportation charges including taxes, if any
- (3) handle all subsequent movement of the goods.

2. When the seller quotes a price including transportation charges to the port of exportation without assuming responsibility for the goods after obtaining a clean bill of lading at point of origin, the proper term is:

"F. O. B. (named point) FREIGHT PREPAID TO (named point on the seaboard)"

Under this quotation:

A. Seller must

- (1) place goods on or in cars or lighters
- (2) secure railroad bill of lading
- (3) pay freight to named port
- (4) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of lading has been furnished by the railroad company.

B. Buyer must

- (1) be responsible for loss and/or damage incurred thereafter
- (2) handle all subsequent movement of the goods
- (3) unload goods from cars
- (4) transport goods to vessels
- (5) pay all demurrage and/or storage charges
- (6) arrange for storage in warehouse or on wharf where necessary

3. Where the seller wishes to quote a price, from which the buyer may deduct the cost of transportation to a given point on the seaboard, without the seller assuming responsibility for the goods after obtaining a clean bill of lading at point of origin, the proper term is:

"F. O. B. (named point) FREIGHT ALLOWED TO (named point on the seaboard)"

Under this quotation:

A. Seller must

- (1) place goods on or in cars or lighters
- (2) secure railroad bill of lading

- (3) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of lading has been furnished by the railroad company

B. Buyer must

- (1) be responsible for loss and/or damage incurred thereafter
- (2) pay all transportation charges (buyer is then entitled to deduct from the amount of the invoice the freight paid from primary point to named port)
- (3) handle all subsequent movement of the goods
- (4) unload goods from cars
- (5) transport goods to vessel
- (6) pay all demurrage and/or storage charges
- (7) arrange for storage in warehouse or on wharf where necessary

4. The seller may desire to quote a price covering the transportation of the goods to seaboard, assuming responsibility for loss and/or damage up to that point. In this case, the proper term is:

"F. O. B. Cars (named point on seaboard)"

Under this quotation:

A. Seller must

- (1) place goods on or in cars
- (2) secure railroad bill of lading
- (3) pay all freight charges from forwarding point to port on seaboard.
- (4) be responsible for loss and/or damage until goods have arrived in or on cars at the named port

B. Buyer must

- (1) be responsible for loss and/or damage incurred thereafter
- (2) unload goods from cars
- (3) handle all subsequent movement of the goods

- (4) transport goods to vessel
- (5) pay all demurrage and/or storage charges
- (6) arrange for storage in warehouse or on wharf where necessary

5. It may be that the goods, on which a price is quoted covering the transportation of the goods to the seaboard, constitute less than a car-load lot. In this case, the proper term is:

"F. O. B. Cars (named port) L. C. L."

Under this quotation:

A. Seller must

- (1) deliver goods to the initial carrier
- (2) secure railroad bill of lading
- (3) pay all freight charges from forwarding point to port on seaboard.
- (4) be responsible for loss and/or damage until goods have arrived on cars at the named port

B. Buyer must

- (1) be responsible for loss and/or damage incurred thereafter
- (2) handle all subsequent movement of the goods
- (3) accept goods from the carrier
- (4) transport goods to vessel
- (5) pay all storage charges
- (6) arrange for storage in warehouse or on wharf where necessary

6. Seller may quote a price which will include the expense of transportation of the goods by rail to the seaboard, including lighterage. In this case, the proper term is:

"F. O. B. Cars (named port) LIGHTERAGE FREE"

Under this quotation:

A. Seller must

- (1) place goods on or in cars
- (2) secure railroad bill of lading
- (3) pay all transportation charges to, including lighterage at, the port named.

- (4) be responsible for loss and/or damage until goods have arrived on cars at the named port.

B. Buyer must

- (1) be responsible for loss and/or damage incurred thereafter
- (2) handle all subsequent movement of the goods
- (3) take out the insurance necessary to the safety of the goods after arrival on the cars
- (4) pay the cost of hoisting goods into vessel where weight of goods is too great for ship's tackle
- (5) pay all demurrage and other charges, except lighterage charges

7. The seller may desire to quote a price covering delivery of the goods alongside overseas vessel and within reach of its loading tackle. In this case, the proper term is:

"F. A. S. vessel (named port)"

Under this quotation:

A. Seller must

- (1) transport goods to seaboard
- (2) store goods in warehouse or on wharf if necessary, unless buyer's obligation includes provision of shipping facilities
- (3) place goods alongside vessel either in a lighter or on the wharf
- (4) provide the usual dock or ship's receipt.
- (5) be responsible for loss and/or damage until goods have been delivered alongside the ship or on wharf

B. Buyer must

- (1) be responsible for loss and/or damage thereafter, and for insurance

- (2) handle all subsequent movement of the goods
- (3) pay cost of hoisting goods into vessel where weight of goods is too great for ship's tackle

8. The seller may desire to quote a price covering all expenses up to and including delivery of the goods upon the overseas vessel at a named port. In this case, the proper term is:

"F. O. B. vessel (named port)"

Under this quotation:

A. Seller must

- (1) meet all charges incurred in placing goods actually on board the vessel
- (2) provide the usual dock or ship's receipt.
- (3) be responsible for all loss and/or damage until goods have been placed on board the vessel.

B. Buyer must

- (1) be responsible for loss and/or damage thereafter
- (2) handle all subsequent movement of the goods

9. The seller may be ready to go farther than the delivery of his goods upon the overseas vessel and be willing to pay transportation to a foreign point of delivery. In this case, the proper term is:

"C. & F. (named foreign port)"

Under this quotation

A. Seller must

- (1) make freight contract and pay transportation charges sufficient to carry goods to agreed destination
- (2) deliver to buyer or his agent clean bills of lading to the agreed destination
- (3) be responsible for loss and/or damage until goods have been delivered alongside the ship and clean ocean bill of lading obtained (seller is not

responsible for delivery of goods at destination)

B. Buyer must

- (1) be responsible for loss and/or damage thereafter and must take out all necessary insurance
- (2) handle all subsequent movement of the goods
- (3) take delivery and pay costs of discharge, lighterage and landing at foreign port of destination in accordance with bill of lading clauses
- (4) pay foreign customs duties and wharfage charges, if any

10. The seller may desire to quote a price covering the cost of the goods, the marine insurance on the goods, and all transportation charges to the foreign point of delivery. In this case, the proper term is:

"C. I. F. (named foreign port)"

Under this quotation

A. Seller must

- (1) make freight contract and pay freight charges sufficient to carry goods to agreed destination
- (2) take out and pay for necessary marine insurance
- (3) deliver to buyer or his agent clean bills of lading to the agreed destination, and insurance policy and/or negotiable insurance certificate
- (4) be responsible for loss and/or damage until goods have been delivered alongside the ship, and clean ocean bill of lading and insurance policy and/or negotiable insurance certificate have been delivered to the buyer, or his agent. (Seller is not responsible for the delivery of goods at destination, nor for payment by the underwriters of insurance claims.)
- (5) provide war risk insurance, where necessary, for buyer's account

B. Buyer must

- (1) be responsible for loss and/or damage thereafter, and must make all claims to which he may be entitled under the insurance directly on the underwriters
- (2) take delivery and pay costs of discharge, lighterage and landing at foreign port of destination in accordance with bill of lading clauses.
- (3) pay foreign customs duties and wharfage charges, if any

EXPLANATIONS OF ABBREVIATIONS

F. O. B.	.....	Free on board
F. A. S.	.....	Free along side
C. & F.	.....	Cost and freight
C. I. F.	.....	Cost, insurance and freight
L. C. L.	.....	Less than carload lot

General Recommendations

In reaching the conclusions set forth in this statement the Conference considered the fact that there are, in more or less common use by manufacturers in different parts of the United States, numerous variations of these abbreviations, practically all of which are employed to convey meanings substantially synonymous with those here defined. For instance, there are manufacturers who quote "F. O. B. Cars," "F. O. B. Works," "F. O. B. Mill" or "F. O. B. Factory" meaning that the seller and buyer have the same responsibilities as those set forth in section 1. The Conference considered all those variations and determined to recommend the use of "F. O. B. (named point)," as "F. O. B. Detroit," "F. O. B. Pittsburgh," etc. Of the considerable number of these abbreviations which are used in the United States, the Conference felt that the form "F. O. B. (named point)" is most widely used and understood, and therefore should be adopted as the standard of practice.

The chief purpose of the Conference is to simplify and standardize American practice, and to that end it urges manufacturers and exporters to cease the use of synonymous abbreviations and quote habitually in the terms here recommended,

just as far as these terms will cover the price conditions which it is desired to arrange with the buyer.

Variations of the abbreviations recommended in other sections also are in more or less common use throughout the United States. The recommendations of the Conference set forth above apply to them with the same force as to those cited under section 1.

Manufacturers and exporters are urged to bear in mind that the confusion and controversies which have arisen have sprung in part from the use of an excessive number of abbreviated forms with substantially similar meanings, as well as from the use of abbreviations in a sense different from their original meanings, or in an application not originally given them and different from the sense or application understood by foreign buyers.

In simplified and standardized practice lies the best hope of reducing confusion and avoiding controversy.

The Conference urges upon manufacturers and exporters the very great importance at all times of making their intention in whatever quotations they employ so thoroughly clear as to be impossible of misunderstanding or misinterpretation. It is much better to take the time and space at the outset to make the quotation clearly understood, than to be compelled in the end to go through vexatious controversy or litigation, which costs not only time and expense but customers as well. Misunderstandings can best be avoided if the seller will formulate a written statement of the general conditions under which his sales are to be made, and will see that the foreign buyer possesses these terms of sale when considering a quotation. The items which may be included in such a statement, deal with: delivery, delays, partial shipments, shipping instructions, inspection, claims, damage, and payment. If all contingencies are thus covered by carefully considered conditions of sale, disputes will largely be prevented.

The quotation "F. O. B. (named port)" as "F. O. B. New York," "F. O. B. New Orleans," "F. O. B. San Francisco," is often used by in-

land producers and distributors to mean merely delivery of the goods at railway terminal at the port named. This abbreviation originated as an export quotation and had no application to inland shipments. It was used only to mean delivery of the goods upon an overseas vessel at the port named. That, in fact, is the meaning universally given to the phrase among foreigners, and is the meaning which the best practice among exporters requires it invariably to have. But because of the confusion which has arisen through the use of that form with a different meaning by inland producers and distributors, and in the interest of unmistakable clarity, the Conference most strongly urges the invariable use by American manufacturers and exporters of the form "F. O. B. Vessel (named port)." This adds only one word to the abbreviated form and has the great advantage that it cannot be misunderstood. It also avoids the difficulty which might arise among foreigners not always well versed in American geography, through confusing an inland forwarding point with a shipping port at seaboard.

The Conference calls attention to the fact that in selling "F. A. S. Vessel" manufacturers and exporters should be careful to have their agreements with buyers cover explicitly the question of responsibility for loss after goods have been delivered on the wharf or alongside the vessel and before they are actually loaded on the ship. There is no generally established practice on this point. The recommendation of the Conference in the definitions of responsibility under section 7, sets up a rule which it is hoped will lead to the establishment of a standard practice.

It is understood that the provision of lighterage covered in several of these recommendations is only within the usual free lighterage limits of the port, and that where lighterage outside such limits is required, it is for buyer's account.

In order to avoid confusion in another particular, attention is called to the care which must be exercised in all cases in making weight quotations. The net ton, the gross ton and the metric ton, all differ in weight. Similarly there is a variation in the use of the term "hundred-

weight" to mean either 100 pounds or 112 pounds. It is, therefore, not sufficient to quote a price per "ton" or per "hundred weight." Instead the Conference recommends the use of the terms "ton of 2,000 lbs.," "ton of 2,240 lbs.," or "ton of 2,204 lbs.," etc., whichever is intended.

It is also important to note that a carload lot in the United States means the quantity of the particular commodity in question necessary to obtain the carload freight rate for transportation on American railways. This quantity varies according to the commodity and also varies in different parts of the country. Certain commodities being more bulky than others, the minimum carload for them is less than for heavier products occupying less space. The load required may range anywhere from 12,000 to 90,000 pounds. Consequently it is important, when quoting prices applicable to carload lots, to so state and to specify the minimum weight necessary to make a carload lot of the particular commodity for the particular shipment in question.

The Conference points out that in quoting "C. & F." or "C. I. F.," manufacturers and exporters moving large quantities of material by one vessel should be careful to ascertain in advance the buyer's capacity to take delivery. This because, under these terms and as a condition of making the freight rate, transportation companies may require a certain rate of discharge per day, and that rate of discharge might be in excess of the buyer's capacity to take delivery. In such event an adjustment with the transportation company would be necessary, which might affect the freight rate and consequently the price to be quoted.

The Conference also strongly urges shippers clearly to understand the provisions of their insurance protection on all foreign sales, irrespective of the general terms used thereon. In almost all cases it should be possible, when making shipments by steamer, to obtain insurance cover giving full protection from primary shipping point to designated sea port delivery, and/or foreign port delivery. As ordinary marine insurance under F. P. A. conditions, *i. e.* free of

particular average, gives no protection against deterioration and/or damage to the merchandise itself while in transit, when caused by the recognized hazards attending such risks, shippers should endeavor in all cases to obtain insurance under W. P. A. (S. P. A.) conditions, *i. e.* with particular average (subject to particular average), when in excess of the customary franchise of 3% to 5%. Under such form of insurance, underwriters will be called upon to pay claims for damages when these exceed the stipulated franchise.

The Conference points out that inasmuch as fees for consular invoices and similar items are arbitrary charges fixed by foreign governments, they are not included in the terms of C. & F. or C. I. F. quotations, and it is part of the duty of the buyer to meet them.

Finally, the Conference strongly recommends, as a most effective measure of simplification, the general practice of quoting for export, as far as possible, either "F. A. S. Vessel," "F. O. B. Vessel" or "C. I. F." Concentration on* this small list, all of which terms are readily understood abroad and are difficult of misinterpretation, will, it is felt, be markedly influential in avoiding confusion and controversy.

The conclusions and definitions set forth above are the recommendations of a Conference which was composed of representatives of nine of the great commercial organizations of the United States interested in foreign trade. Not all have as yet the force of law or long established practice; but it is the hope and expectation of the Conference that these recommendations will receive such adherence on the part of American producers and distributors, as to make them in fact the standard American practice. And it is therefore, expected that in due time they will receive the sanction of legal authority.

