Cost and Freight (CFR)

Important

This is a shortened version of our full lecture. It covers the essentials — but Incoterms are more complex than most people realise.

Every transaction is different. Use this as your starting point, check the rules for your specific shipment, and seek professional advice where needed.

Our full course at sadi4u.co.za gives you more information — for your protection and peace of mind.

Welcome

Let's talk about Cost and Freight — CFR.

CFR applies to sea and inland waterway transport only.

What CFR Means

Under CFR, the seller is responsible for all costs of transporting the goods to the Port of Destination.

But — and this is the key point — risk passes to the buyer once the goods are safely on board the vessel at the Port of Loading.

So the seller pays for the journey. The buyer carries the risk of the journey.

The Cost and Risk Split

This is the most important thing to understand about CFR:

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Cost and risk do not travel together.

- The seller pays the freight all the way to the destination port
- But the buyer bears the risk from the moment the goods are on board at the loading port

Two different things. Two different parties. Two different points.

Seller's Responsibilities

Under CFR, the seller:

- Books the vessel and pays the ocean freight to the destination port
- Clears customs for export
- Packages and prepares the goods
- Submits the Terminal Handling Order (THO) to the Port of Loading
- Transports the goods to the Port of Loading according to the stack dates
- Delivers the goods on board the vessel
- Provides the Shipping Instruction to the carrier
- Obtains the Bill of Lading from the carrier and forwards it to the appropriate party under the agreed terms of sale

Buyer's Responsibilities

Under CFR, the buyer:

- Bears all risk from the moment the goods are on board at the loading port
- Arranges and pays for their own insurance for the voyage
- Handles import customs clearance, duties, and taxes
- Arranges and pays for unloading and inland transport at the destination

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Always Name the Port of Destination

If your contract just says "CFR" without naming the destination port, you invite confusion and disputes.

For example: CFR Hamburg clearly identifies Hamburg as the Port of Destination.

Always name the port. Always state Incoterms® 2020.

CFR and Containerised Cargo

CFR works best for bulk and break-bulk cargo, where the seller can supervise loading onto the vessel.

For containerised cargo, the seller hands the container to the terminal, and the terminal loads it later. The seller has no control over that loading operation — yet under CFR, the seller bears risk until the goods are on board.

Under Incoterms 2020, the ICC recommends FCA or CPT for containerised cargo through ports. CFR remains valid, but the parties should understand this risk gap. Insurance can cover the loss, but it does not remove the risk.

This is covered in more detail in our CPT lecture and in the Insurance lecture.

Insurance

CFR does not require insurance. The seller and buyer should each insure the portion of the journey during which they bear the risk. Refer to our lecture on Insurance in our comprehensive course.

Bill of Lading

The seller obtains the Bill of Lading from the carrier and forwards it to the appropriate party based on the payment terms — typically to the bank for a letter of credit (L/C), or directly to the buyer once payment is secured. Refer to the lectures on Bills of Lading and Letters of Credit in our comprehensive course.

In Summary

- Under CFR, the seller pays all costs to the destination port
- The buyer bears all risk from the moment the goods are on board at the loading port
- Insurance is not included; each party arranges coverage for the period during which it bears the risk
- Always name the Port of Destination clearly in the contract
- Forward the Bill of Lading to the appropriate party under the agreed terms of sale

The Default and the Contract.

Unloading and loading

The Incoterm sets the default. But the contract can adjust it — for example, if the buyer has no equipment to unload, the contract can say the seller will do it. But the insurance must match. We explain this in more detail in the full course.

Keep the Incoterm itself unchanged; specify any adjustments separately in the contract. e.g. EXW loaded is not acceptable. The only one that can be extended is DDP – DDP Unloaded

The Upsell

This is the basic version of our CFR lecture.

Download a free PDF version from our website at www.sadi4u.co.za

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The full course includes:

- The Terminal Handling Order and Terminal Handling Charges
- The Bill of Lading and Shipping Instruction in practice
- The Herman and Rina discussion
- The Letter of Credit and Insurance lectures
- Logistics and much more (refer to our website for more information)
- Your certificate of completion