

## 1. What are Incoterms?

Incoterms rules (or International Commercial Terms) are eleven terms published by the International Chamber of Commerce (ICC) that define the conditions of supply of goods in international sales transactions. They set out requirements in your sales contracts for imports and exports, defining who has the responsibility (the seller or buyer) and who is liable for any risk or damage to the goods. The purpose of Incoterms is to precisely define three aspects of international trade:

- the allocation of logistics costs between seller and buyer;
- the transmission of risks in transporting the goods; and
- the documents and customs formalities necessary for export and import operations.

The Incoterms have been [revised](#) and the new terms will come into force on 1 January 2020. Contracts that begin on or after this date are likely to be based on Incoterms 2020 unless the contract states otherwise. Some further insight on the what Incoterms 2020 means for your business can be found [here](#).

## 2. What are the different variations?

In the current [Incoterms 2010](#), there are a range of incoterms to use, each one offering different risk and responsibility. For example, Ex Works (EXW) places most of responsibility on the buyer or receiver of the goods. At the other end of the scale, is Delivered Duty Paid (DDP) which we are seeing increasingly being adopted by UK retailers as part of Brexit preparations as they seek to make the seller responsible for the goods, and payment of any costs or duties.

Free On Board (FOB), Ex Works (EXW) and Free Carrier (FCA) are the most frequently used, but others may work better depending on your business. A chart is included in this document providing an overview of Incoterms 2010.

## 3. What does Brexit mean for Incoterms?

A no-deal Brexit will see dramatic changes to the processes applying to trade between the UK and EU. Tariffs will apply for certain goods, new documentation will be required and delays are anticipated at the border. The Incoterms in your contract will dictate who is responsible to pay for these tariffs, or for the cost of any that become unusable due to delays at the border.

FDF has created a number of guides to help companies understand what changes will apply to trade, including: [calculating tariffs](#), [Transition Simplified Procedures \(TSP\)](#), 5 step guides to [importing](#), [exporting](#), and [EU importers of UK goods](#), and the status of the [UK's roll-over of EU FTAs](#).

Media coverage indicates that retailers including [Sainsbury's](#) and [Lidl](#) are pressing suppliers to deliver goods on Delivered Duty Paid (DDP) terms, meaning they would be responsible for any additional costs and processes arising due to Brexit.

## 4. What is FDF's view?

For most suppliers, it isn't realistic for them to absorb these additional costs and take on board this risk on behalf of retailers. We urge retailers to adopt a collaborative and constructive approach, working with their suppliers to prepare for a no-deal Brexit with a focus on safeguarding the UK's food and drink supply chain. Failing to do so will have damaging long-term implications for our industry and for consumer choice and price.

## 5. What should I do?

Companies should review their contracts with their supply chains, to determine the extent of their responsibilities in the event of a no-deal Brexit. If there is uncertainty, you should seek legal advice. FDF has worked with Squire Patten Boggs to produce [guidance on the impact of Brexit to contracts](#).

# Incoterms® 2010

by the International Chamber of Commerce (ICC)

