CONCLUSION

CIF should not be the preferred term of trade used to move LCL from places like India and China. By moving under this term you are essentially wiping out any control along the supply chain and leaving it to the supplier. The cost of the local charges and the cost of late or lost documents are very expensive.

I see this time and time again because importers just assume it is the easiest way to ship, but in fact it has far more reaching ramifications in the long run, when things go wrong. Once the goods arrive in Australia they are your problem, including all the costs associated with errors such as those in the case studies.

When you ship FOB you are putting the responsibility of some of these things on the Australian freight forwarder, the freight forwarder has an opportunity to liaise with the shipper and work out if fumigation is required etc. The documents are also handled between the freight forwarder and the shipper so we are able to assist with overseeing the documents for Australian standards. Unfortunately under FOB we still do not handle the fumigation but we can offer advice on commodities where it is required.

All in all CIF can work extremely well under some circumstances especially where it is not a pre-requisite to control the shipping times, costs and or if there were allowable consolidations, however for LCL freight out of China and India it does not work in the favour of the importer.