09 SUPPLEMENTARY NOTE TO BULLETIN NO. 9 INCOTERMS® 2020

FOB OR FCA FOR SHIPPING TIMBER IN CONTAINERS?

PRACTICAL RECOMMENDATIONS FOR THE TROPICAL TIMBER INDUSTRY

1. PURPOSE OF THIS NOTE

ATIBT Bulletin No. 9, dedicated to Incoterms® 2020, outlines the rules applicable to different modes of transport and recommends the use of the FCA Incoterm for container shipments. It specifically states that **the FOB Incoterm should not be used for containerized shipments.**

However, many operators in the timber industry continue to use the Incoterms **FOB, CFR,** or **CIF** for container shipments. The purpose of this note is to explain this situation, highlight its practical implications, and offer recommendations tailored to the practices of the international tropical timber trade.

2. THE INCOTERMS® 2020 RULES

Incoterms distinguish between two categories.

Incoterms applicable regardless of the mode of transport

EXW	FCA	CPT	CIP	DAP	DPU	DDP

Incoterms reserved for conventional maritime or inland rivers transport

FAS	FOB	CFR	CIF

This distinction stems directly from ICC Publication 723EF, as included in ATIBT Booklet No. 9.

3. WHY IS FCA RECOMMENDED FOR CONTAINERS?

In a containerized shipment, the seller generally delivers the container:

- at the port terminal,
- or to a consolidation yard,
- or directly to the carrier.

The container is then handled by the terminal and the shipping line before being loaded onto the vessel, sometimes several days later.

The seller therefore no longer has physical control over the loading operations aboard the vessel. Fascicule No. 9 thus notes that FOB is not suitable for containerized transport, as the seller generally delivers the container to the terminal or the carrier before it is actually loaded aboard the vessel. The transfer of risk under FOB therefore occurs at a time when the seller no longer has physical control over the goods.

The Incoterm **FCA** thus corresponds much better to current operational realities.

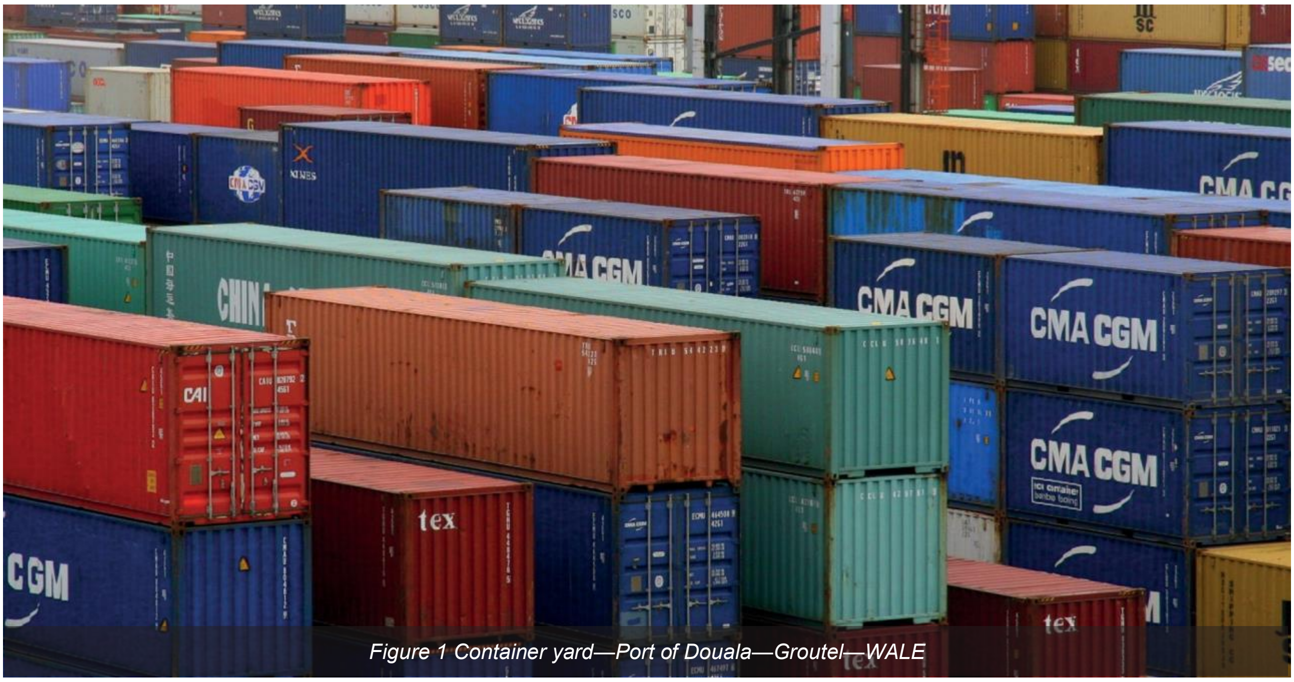

Figure 1 Container yard—Port of Douala—Groutel—WALE

4. CHARACTERISTICS OF INCOTERMS

It primarily concerns the **transfer of risk.**
Specifically, the transfer occurs when the container is handed over to the carrier at the agreed-upon location, in accordance with the terms set forth in the FCA rule.
Under FOB, the transfer of risk occurs when the goods have been actually loaded onto the vessel.

Thus, when a container is handed over several days before the ship's arrival:

- under FCA, this period normally falls under the buyer's risk;
- under FOB, it theoretically remains the seller's responsibility.

It is this difference that explains the recurring questions from operators.

5. WHY IS FOB STILL WIDELY USED?

Despite the suitability of FCA for containerized transport, as outlined in Incoterms® 2020, FOB remains widely used in the international timber trade.

This situation can be explained in particular by:

- long-standing commercial practices;
- existing contracts;
- certain banking models and documentary credits;
- the practices of many importers;
- the configuration of certain computer systems.

It is therefore more a matter of **historical usage** than a strict application of the Incoterms® rules.

Figure 2 Conventional Loading and Containers – Port of Port-Gentil – Groutel - WALE

6. THE SPECIFIC CASE OF CONVENTIONAL MARITIME TRANSPORT

These recommendations primarily concern **container shipments.**

For shipments of logs, packages of sawn lumber, or other goods loaded directly onto a conventional vessel, the Incoterms **FOB, CFR, and CIF** remain perfectly suitable.

Furthermore, in certain ports and depending on the practices of certain shipping lines or charterers, **the FAS (Free Alongside Ship)** Incoterm continues to be used, particularly when the seller delivers the goods to the wharf alongside the vessel prior to loading operations. This practice remains consistent with Incoterms® when it effectively corresponds to the chosen logistics arrangement.

7. ATIBT RECOMMENDATIONS

ATIBT recommends that operators in the sector:

- **use the FCA Incoterm for container shipments, in accordance with the principles of Incoterms® 2020;**
- to reserve **FOB, CFR, and CIF** for conventional maritime transport;
- to systematically specify the exact location associated with the selected Incoterm (terminal, port, warehouse, etc.);
- ensure consistency between the sales contract, the transport contract, and the responsibilities actually assumed by each party.

When trading partners nevertheless choose to use an FOB contract for a container shipment, they must be fully aware that this approach is based on commercial practice and no longer aligns with the principles established by Incoterms® 2020.

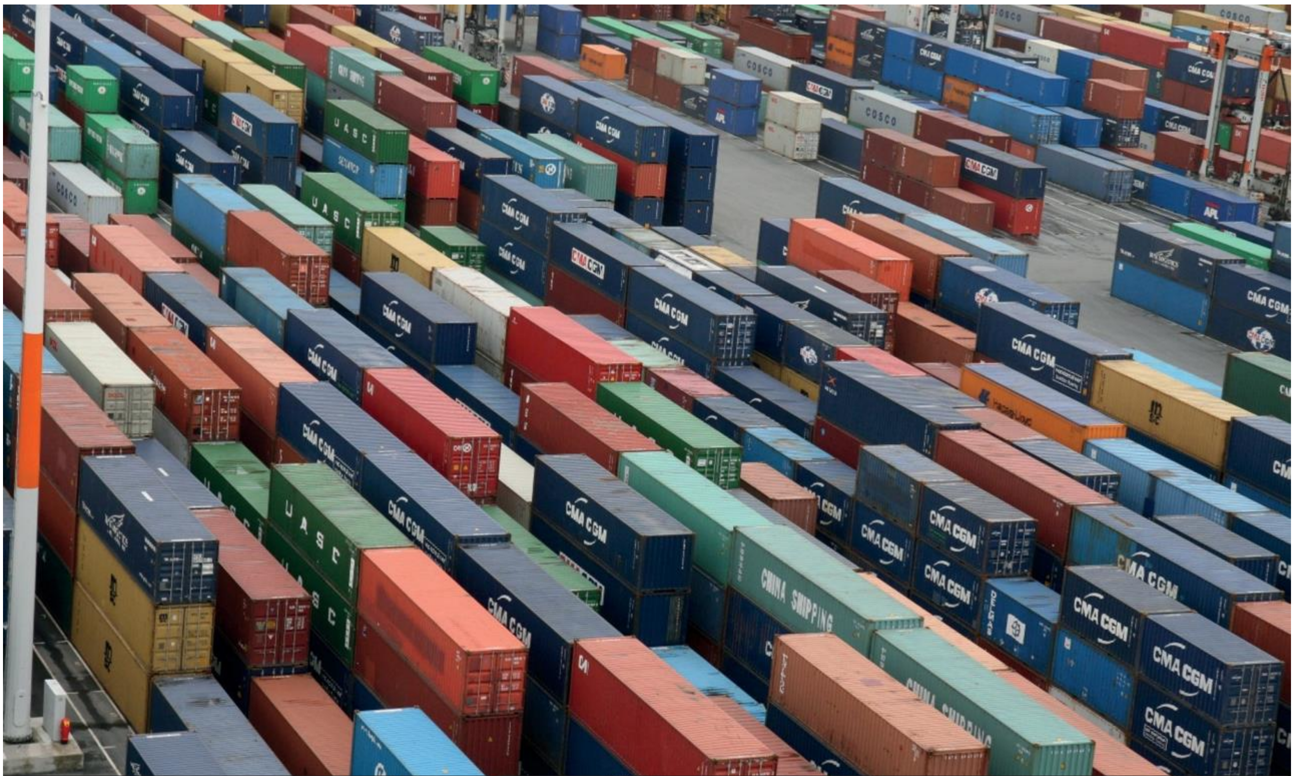

Figure 3 Containers – Port of Le Havre – Groutel - Wale

CONCLUSION

The rise of containerization has profoundly transformed international supply chains.

Incoterms® 2020 have kept pace with this evolution by providing an **FCA** rule that is particularly well-suited to containerized shipments. At the same time, historical practices in the international timber trade explain why **FOB** remains widely used in commercial contracts.

The purpose of this note is not to pit these two approaches against each other, but to help operators make an informed choice regarding the Incoterm best suited to their operation, balancing legal certainty, logistical consistency, and industry trade practices.

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