

FOB Price

What is FOB Price?

To understand FOB pricing, one must understand what FOB means. FOB is the short form term for Free On Board (or Freight on Board) and roughly translates to mean that the cost of product being delivered to the nearest port is included in the purchase price, but the purchaser is liable to pay the shipping costs from that port. This is along with all other fees for the onward journey to the port of the buyer's destination.

It is clearly understood when this shipping term is used, that the supplier will pay for the product cost and inland delivery costs from their factory to the port. This will not include costs in relation to onward shipping fees.

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FOB is best understood by contrasting it with other shipping terms. As discussed above, when purchasing FOB the buyer will pay for the transport. In contrast to these many contracts are EXW (Ex-Works) or Ex-Factory cost. Therefore, it is just the cost of the product that is paid by the buyer; which includes no transportation or customs costs in the fee paid.

In contrast to the above, CIF (Cost, Insurance and Freight) is the price of a contract which includes insurance and sea freight fees; to deliver the product to the nearest port. CFR (Cost and Freight) is similar in many ways to CIF, but insurance is not included in the price.



What is FOB price?

There is no specific formula for what the FOB price will be; it just means that the seller will pay for the good to the port of shipment along with loading fees. The buyer pays for the insurance, marine freight transport, unloading, and transportation from the point of the arrival port to the port of final destination.

What does FOB price mean?

The FOB price will mean that the buyer has to arrange their own transportation for the goods from the supply port to the buyer. Therefore, all of the transportation logistics and timings have to be arranged by the buyer.