

How do I prepare a CIF quote?

Cost Insurance Freight is one of the 13 Incoterms published by the International Chamber of Commerce (www.iccwbo.org/index_incot3erms.asp). The current publication is known as number 560, updated in the year 2000. These universal terms specify the buyer's and seller's rights, costs and obligations when they use those terms in an international sales contract. With CIF, the seller delivers the goods past the ship's rail in the port of shipment. Therefore, the name of the port of destination is always required. The seller pays cost and freight for bringing the goods to the foreign port, obtains insurance against the buyer's risk of loss or damage and clears the goods for export. This term is mainly used for ocean freight.

The challenge of preparing a quotation is ensuring all the required cost items are included. Many of the cost items are readily available to the seller. Other cost items will have to come from export service providers, such as a freight forwarder or a banker. Let's look at an example of exporting beer from the U.S. to Japan quoting the price at CIF.

An accurate description of the goods, with specifications:
500 boxes of Bottled Beer Made from Malt. Unit price \$10 = \$5,000
Make sure that measures are also in metric system

Total Dimensions: 1,500 Cubic Ft (42.5 Cubic Mts.)

Size 1 box is 24"Lx18"Wx12"H = 5,184 Cubic Inch = 3 Cubic Ft/box
3 Cubic Ft. x 500 boxes = 1,500 Cubic Ft = 42.47 Cubic Mts.

Total Net Weight: 16,800 lbs (7,620 kgs.)

1 beer bottle weights 1.4 lbs
1 box contains 24 bottles
12,000 bottles x 1.4 lbs = 16,800

Total Gross Weight: 17,500 lbs. (7,938 kg)

Weight of boxes: 1.4 lbs
1.4 x 500 = 700 lbs = net weight = 17,500 lbs

Total Ex-Works, Chicago, Illinois = \$5,150

This will give us our Ex-works (FOB Factory) taking in consideration an export packing costs of 3% of the value.

In order to get to a CIF quote to the port of Yokohama, Japan you need first to calculate a Cost and Freight (CFR) and then add the insurance. To do this we have to consider several cost-factors and your freight forwarder should be able to assist. To make some of these calculations your freight forwarder will request the chargeable weight. In this case we took in consideration the actual weight instead of the dimensional weight (the greater weight is the one used as the chargeable weight). The cost-factors to consider are the following: drayage, (local pick up and delivery of the container), pier delivery, and terminal handling charge, documentation & forwarding fees, and ocean freight.

Drayage: \$250 Pier Delivery: \$125 Terminal Handling Charge: \$500 Documentation & Forwarding Fees: \$100 Ocean Freight; \$5,000

Our CFR, Yokohama, Japan \$11,125

Insurance – The insurance is necessary in case of risk of loss and/or damage to the goods during transit. The insurance is calculated on a shipment-by-shipment basis. You can obtain cargo insurance from your freight forwarder, who will base the cargo insurance on the value of the entire shipment including freight, insurance and unforeseen increases in cost during transit.

Insurance will be quoted at .50 cents per \$100 of value @ 110% CFR CFR (\$11,125) x 110% \$12,237.50 \$12,237.50 x .0050 = \$61.19 CIF= CFR (\$11,025) + Insurance (\$61.18)
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CIF, Yokohama, Japan US \$11,186.18