

FCA (Free Carrier): Properly governing delivery to the carrier

FCA (Free Carrier) is a delivery term of the Incoterms rules under which the seller hands the goods over to the carrier nominated by the buyer at the agreed place of handover. From that point, costs and risk pass to the buyer, who also takes over the organisation of the main carriage. For technical buyers, FCA is the most common export term in practice and offers extensive control over forwarding, freight costs and insurance. The article explains the fundamentals, risks and assessment criteria from a buyer's perspective.

Key facts

- FCA means: the seller hands the goods over to the carrier nominated by the buyer, often ready for dispatch and cleared for export.
- Risk and cost transfer occurs on handover at the named place – not only on board a vessel or at destination.
- FCA is suitable for any mode of transport and is typically used for air, rail, road and container transport.
- The buyer organises the main carriage and insurance themselves and thereby keeps freight costs, transit times and CO balance under their own control.
- The place of handover must be specified precisely; vague wording such as "seller's plant without a detailed address" is a common source of disputes.
- FCA facilitates the proof of export for origin preference and does not subject the seller to any obligations of its own for the main carriage in exports.

Definition: FCA (Free Carrier)

FCA is one of the Incoterms rules of the International Chamber of Commerce (ICC) and is defined in the Incoterms 2020 version. It is a delivery term: the seller fulfils its delivery obligation as soon as it hands the goods over to the carrier or another nominated person designated by the buyer at the agreed place.

Key features of the term

The term can be used for any mode of transport, i.e. road, rail, air, sea and multimodal chains. The seller bears costs and risks up to handover, including loading onto the means of transport provided by the buyer, where this is agreed. From handover onwards, the buyer bears all costs and risks up to destination.

- Suitable for all modes of transport
- Delivery term, not arrival term
- Risk transfer upon physical handover

Distinction from EXW and FOB

Compared with EXW (Ex Works), FCA resolves the typical problem that the buyer would be responsible for export clearance and loading abroad – which is often impractical. Compared with FOB (Free On Board), which applies only to sea transport and provides for transfer only once the goods are on board the vessel, FCA is more flexible. For container freight, FCA is in practice the more sensible alternative to FOB, as containers are already handed over at the terminal.

Incoterms 2020 changes for FCA

Since Incoterms 2020, the parties may expressly agree that the buyer will provide the seller with the transport documents (e.g. the bill of lading with an "Shipped on Board" notation) in the manner desired by the buyer. This option is particularly relevant for sea freight with payment instruments based on bank documents such as the letter of credit, without having to forgo FCA.

Methods and approach: applying FCA correctly in the procurement process

FCA places high demands on coordination by the buyer. Anyone choosing this term takes on responsibility for transport scheduling, documentation and risk provision. A structured approach prevents typical pitfalls.

Specify the place of handover precisely

The term requires the naming of a specific place, e.g. "FCA 89231 Neu-Ulm, loading bay gate 3, Lagerhausstrasse 12" or "FCA Frankfurt Airport Cargo City South". In addition, for goods requiring loading, such as containers or machinery, loading costs should be allocated, as diverging interpretations are common in practice. A delivery schedule and tolerance band logic in the framework agreement can operationalise dates at the handover point and reconcile them with delivery date tracking.

Organising transport and insurance

The buyer selects the forwarder, mode of transport and, where applicable, insurance themselves – a central advantage of the term. In practice, a forwarding framework agreement or pooling of freight volumes across several suppliers is recommended to secure terms and capacities. The sum insured should cover the commercial value plus freight; cover of 110 per cent of the goods value is frequently agreed as a benchmark.

Documentation and compliance

The scope of obligations includes export clearance by the seller at their own cost, carriage documents, the commercial invoice and, for preference queries, the necessary evidence of origin preference. Restrictions from the Restricted Substances List (RSL) or from policy compliance requirements of procurement should be anchored in advance in the enquiry text (see mandatory fields) and in the quality assurance agreement, so that handover and acceptance of goods do not fail due to missing documents.

Key KPIs for managing FCA transactions

Since transport and handover are the buyer's responsibility under FCA, a dedicated set of metrics around the handover point is worthwhile. Measurement is typically at the level of purchase order items and transport-related transactions.

On-time delivery and handover quality

The key metric is the proportion of punctual handovers within the agreed time window. In practice, values above 95 per cent are considered a solid benchmark; tighter tolerance bands are set for just-in-sequence supply chains. Handover quality encompasses the completeness and accuracy of the accompanying documents.

Cost and process metrics

Freight costs per unit, delivery reliability and the share of renegotiated peak rates provide insight into the efficiency of transport management. The savings pipeline should present freight optimisation as a separate savings category, for example through route consolidation or modal shift. In addition, metrics on the document error rate indicate process quality at the supplier – a topic well suited to the Quarterly Business Review (QBR).

Anchoring metrics in supplier evaluations

On-time delivery, document quality and response time to scheduling changes should be included in the supplier scorecard with appropriate weighting. This creates incentives to systematically improve handover processes at the gate and in the plant, rather than treating them as a peripheral topic.

Risks and controls with FCA

The main cause of disputes surrounding FCA is poorly drafted agreements at the point of handover, as well as organisational gaps on the buyer's side. Anyone choosing the term must actively manage the associated control obligations.

Unclear handover point and loading issues

Wording such as "FCA seller's plant" without a precise address and without allocation of loading responsibility regularly causes friction. Control measures: name the place and loading obligation in a binding manner, define a handover protocol and time window, and enforce the agreement consistently in the PO policy and the terms of purchase. Packaging must also be clarified in advance, for example obligations under the Packaging Act (VerpackG) and transport packaging specifications.

Risk transfer and liability gaps

Gaps in cover can arise between handover and the start of insurance, for example if the insurance only takes effect on board or at destination. Countermeasures: continuous transport insurance from handover, a clear claims notification process and, in supply risk management, an assessment of the transport route, including force majeure scenarios and alternative routes. For critical goods, an incoming goods inspection plan at the receiving site is recommended to record transport damage in a documented manner.

Residual financial and contractual risks

Because the buyer prefinances freight services and bridges payment run times, supplier financing risk or liquidity pressure can arise with long transit and payment cycles. Manageable buy-back arrangements, freight cost components in the price formula and clear provisions on standby costs (demurrage, detention, stand money) in the award documents or contract reduce this risk. Individual legal questions – such as customs value and liability limits – should be examined on a case-by-case basis under contract and tax law.

FCA in the procurement context: strategic use

FCA is more than a transport formula: it shifts control over parts of the supply chain from the seller to the buyer and can be used strategically for cost, supply capability and sustainability objectives.

Negotiating position and cost control

Because the buyer procures freight services themselves, the seller's margin on the transport cost line disappears. Consolidated volumes, comparative quotations and the use of market-oriented price formulas for freight costs create transparency. At the Supplier Day, the transport strategy can be coordinated with suppliers and forwarders, for example regarding frequencies, container concepts and loading time windows.

Supply chain visibility and sustainability

Whoever controls transport and modal choice can also systematically collect emissions data – a basis for Life Cycle Assessment (LCA) in product-related analyses and for CO₂-related reporting obligations. Moreover, data quality for delivery date tracking and disruption early warning improves, as transport events become directly visible in one's own systems.

Suitable use cases

In practice, FCA is particularly suitable for containerised exports, air-freighted spare parts, critical material with high insurance requirements and supply relationships in which the buyer takes on a systems supplier role or central logistics control. For simple domestic deliveries with low volumes, by contrast, a delivery clause (DAP-type) from the seller is often more pragmatic.

Current developments surrounding FCA

The framework conditions for FCA transactions are changing due to market dynamics, regulation and digitalisation. Buyers are well advised to review terms and processes periodically for their fitness for purpose.

Freight market and choice of term

Capacity bottlenecks and volatile sea and air freight rates have shown in recent years how quickly terms can become cost drivers. Companies that had consolidated their own transport volumes under FCA responded more flexibly to capacity bottlenecks than buyers who left everything to the seller. The choice of term should therefore form part of a regular procurement strategy review.

Digitalisation and document processes

Electronic waybills and digital transport documents are gaining in importance, particularly as Incoterms document handovers are increasingly accepted as data records rather than paper. For buyers, this means: define requirements for format, transmission channel and archiving in a binding manner in the PO policy. Systematically maintained mandatory fields in ordering systems reduce queries and errors.

Regulatory pressure

Customs and export control requirements as well as sustainability and due diligence obligations increase the documentation effort along the supply chain. FCA transactions with transport responsibility of one's own therefore demand closer alignment between procurement, customs and compliance – for example on preference queries, sanctions lists and emissions reporting.

Typical metrics

Cost split: Seller: ~0 % of main carriage costs

Under FCA, the buyer typically bears all main carriage and insurance costs from handover at the named place onwards.

Risk transfer: 100 % at handover

Full risk transfer occurs on delivery to the carrier, not only at destination – in practice, transit damage risks lie entirely with the buyer.

Sum insured: typically 110 % of the goods value

Since the buyer arranges insurance themselves, the CIF standard value (goods value + 10 %) is commonly used in practice as the sum insured.

Documentation effort: frequently 1–2 additional documents

Export evidence and, where applicable, carriage documents from the buyer's appointed forwarder must be provided for preference and customs evidence.

Dispute rate due to unclear handover point: in practice one of the most common sources of Incoterms disp

A missing address specification at the named place (e.g. loading ramp vs. terminal) regularly leads to additional costs and delays; no reliable percentage figure available.

Practical example

A medium-sized machinery manufacturer had been sourcing production components ex works from the seller's plant, with the supplier factoring freight costs into the price. Freight costs fluctuated considerably and delivery dates were difficult to trace. Procurement switched key components to FCA with a named handover point and consolidated freight under a framework agreement with two forwarders.

- Handover point and loading responsibility precisely defined in the purchase order
- Freight volumes from multiple suppliers consolidated (pooling) with contracted rates
- Transport insurance from handover and an incoming goods inspection plan at the receiving site introduced
- On-time delivery and document quality added to the QBR agenda with the supplier

Conclusion

For technical buyers, FCA is the term of choice when transport control, cost sovereignty and data availability are priorities. It shifts responsibility onto one's own organisation and therefore requires forwarding expertise, clear documentation and functioning schedule control. Those who govern the place of handover, loading responsibility, insurance and compliance in a binding manner minimise the potential for disputes considerably. Combined with mature supply risk management and regular supplier reviews, FCA becomes a lever for cost transparency and supply capability. The choice of term nevertheless remains a case-by-case decision and should be made on the basis of volumes, risk profile and one's own logistics competence.

Frequently asked questions

What does FCA mean in procurement?

FCA (Free Carrier) is an Incoterms rule under which the seller hands the goods over to the carrier

nominated by the buyer at the agreed place. From handover onwards, the buyer bears the costs and risk and organises the main carriage themselves. For buyers, this means greater control over freight costs, forwarder selection and insurance.

What is the difference between FCA and EXW?

Under EXW, the seller delivers ex works and the buyer would have to arrange loading and export clearance abroad – which is often impractical. Under FCA, the seller handles export clearance at their own cost and hands the goods over to the carrier, loaded where applicable. FCA is therefore usually the better choice for the buyer in export practice.

When should FCA be chosen instead of FOB?

FOB applies only to sea and inland waterway transport and provides for risk transfer only once the goods are on board the vessel. With container freight, however, the goods are typically handed over at the terminal, so the gap between terminal and on board creates unnecessary risks. FCA suits all modes of transport and reflects actual container handling more accurately.

Who pays the freight under FCA?

The buyer bears the main carriage costs from handover onwards and usually also arranges transport insurance. The seller pays costs up to handover, including export clearance. Where loading onto the buyer's vehicle takes place, the contract should expressly clarify who bears which loading costs.

What happens if the carrier fails to appear?

If the carrier nominated by the buyer cannot collect the goods, under the Incoterms the seller may, at the buyer's request, fall back on an alternative arrangement made by the seller, or treat the delivery obligation as fulfilled once the deadline expires. In practice, it is therefore advisable to agree fallback arrangements, contact channels and time slots in the contract. The buyer should identify dispatch changes early through functioning delivery date tracking.

Is FCA also sensible for domestic transactions?

Yes, the Incoterms can in principle also be used for purely domestic purchases. In practice, FCA domestically is worthwhile above all when the buyer wants to consolidate logistics or has specific control requirements. For simple ex-works deliveries, ex-works or delivery clauses are sometimes more straightforward.