

Incoterms FCA: Free Carrier – allocating responsibility clearly between buyer and seller

Incoterms FCA (Free Carrier) is a delivery term of the International Chamber of Commerce (ICC) under which the seller hands over the goods at the named place of delivery to the carrier nominated by the buyer. From that point, costs and risk pass to the buyer. For technical buyers, FCA is often the most precise alternative to EXW and a practical middle ground compared with Incoterms FOB, as it also maps container and air freight cleanly.

Key facts

- FCA belongs to the ICC Incoterms 2020 version and can be used for any mode of transport.
- Risk passes upon handover to the carrier nominated by the buyer at the named place.
- Export clearance and export documents are the seller's responsibility; the main transport costs are borne by the buyer.
- The choice between delivery at the seller's premises or at another location significantly changes loading and unloading costs.
- In practice, FCA is increasingly replacing FOB for container transports, as FOB was designed for that purpose.
- Without a precisely named place of delivery, disputes over costs and transfer of risk typically arise.

Definition: Incoterms FCA

Free Carrier (FCA) is one of the eleven Incoterms rules and belongs to the group of collection terms with the seller's export obligation. The seller delivers the goods contractually, cleared and cleared for export, to the carrier or other nominated person designated by the buyer at the named place.

Legal core of the term

Risk passes from seller to buyer upon handover to the nominated carrier, irrespective of the point at which title transfers and irrespective of the transport contract. Up to that point, the seller bears all risks and costs including export clearance. The buyer organises and pays for the main carriage; insurance – unlike Incoterms CIP – is not mandatory and lies practically within its responsibility.

Distinguishing it from EXW and FOB

Compared with EXW, under FCA the seller at least handles export clearance, which is a relief for international buyers without their own import licence in the country of supply. Compared with Incoterms FOB, FCA is also suitable for container, air and multimodal transports, whereas FOB is strictly speaking geared to sea transport with delivery on board. For this reason, many logistics practitioners recommend FCA instead of FOB for container loads in order to obtain clear liability boundaries.

Variants of the place of delivery: the decisive detail question

Under FCA, the distribution of costs and transfer of risk depend heavily on how the named place is worded in the purchase contract. The Incoterms 2020 rule distinguishes two constellations which buyers should regulate explicitly.

Delivery at the seller's premises

If delivery takes place at the seller's premises, the seller loads the goods onto the means of transport provided by the buyer. The seller bears the loading costs, whereas the buyer bears unloading on arrival. Risk does not begin to pass until the goods are placed on the loading vehicle, which is slightly more favourable for the buyer than under EXW.

Delivery at another named place

If the seller delivers to another named place, such as a terminal, forwarder's warehouse or port CFS, they transport the goods there at their own risk and cost but are not required to unload. Risk passes once the goods are handed over, ready on the vehicle, provided the carrier or their agent does not delay taking them over. This detail rule of Incoterms 2020 is practically relevant because delays in onward transport frequently trigger chargeable dwell times.

Application in sourcing strategy and contract design

FCA gives buyers maximum control over freight costs, forwarder selection and lead time, but in return requires logistics expertise in the country of supply. The term fits particularly well with consolidation strategies in the sourcing strategy, where freight volumes are bundled and freight rates are actively negotiated.

Cost transparency and price comparison

Under FCA, the goods price is decoupled from transport, which makes comparative quotations between suppliers from different regions methodically cleaner. However, buyers should factor in hidden effects: export clearance, terminal handling charges, warehousing charges at the place of delivery and document logistics. In practice, it turns out that the apparently cheapest term does not always yield the most cost-effective landed cost position.

Contractual precision

The purchase contract should name the place of delivery as precisely as possible, ideally with address and long-form date, for example "FCA Supplier Plant, street, town, country, Incoterms 2020". In addition, a clause on the nomination and change of carrier, on dwell time provisions and on document handover is recommended. Those using delivery-on-movement options can stipulate that risk passes as soon as the goods are made available at the works, even though the main transport starts later – an option that can shift warehousing cost risks.

Important KPIs and metrics in FCA transactions

Since the buyer bears transport responsibility under FCA, relevant metrics shift into their own logistics and dispatching sphere of control. Metrics from the supplier network, transport performance and schedule reliability gain in importance.

Logistics and schedule metrics

The seller's on-time delivery to the place of delivery, dwell times at the place of delivery and freight costs per unit are the key metrics. For consignment arrangements or just-in-time collections, additionally the delivery reliability within the takt window. Early-warning indicators such as rising dwell times or more frequent schedule shifts signal problems in the handover process before they escalate into supply failures.

Procurement-side metrics

Landed costs per part, scrap and complaint rates along one's own transport route and the number of deviating documents form part of standard reporting. Those using several FCA delivery points compare locations on the basis of costs per shipment and lead time. The supplier's award readiness – i.e. its ability to perform export clearance and documents error-free – can also be measured via error rates in export documentation.

Risks and controls in FCA business

The greatest FCA pitfall is the imprecisely named place of delivery; the second greatest is underestimating one's own risk management after delivery. Both risks can be controlled through clear processes and the right supplier selection.

Typical weak points

Frequent conflicts arise over loading costs at the third-party place of delivery, over the carrier's delay and the question of exactly when risk passed, as well as over incomplete export documents. The insurance gap between delivery and the start of one's own transport liability is also regularly overlooked in practice. For sensitive goods, coordination with supplier qualification is recommended in order to agree packaging and handling standards as binding requirements.

Control instruments

Proven controls are standardised collection processes with fixed time windows, documented carrier nomination, insurance evidence from the point of delivery and a defined escalation procedure including a delivery reminder for schedule deviations. Digital supply chain solutions for tracking and document exchange significantly reduce dispute potential. For strategic suppliers, the topic can be systematically anchored as part of contract renewal or a long-term supplier declaration (LLE).

Current developments: Incoterms 2020 and digitalisation

The Incoterms 2020 version deliberately strengthened FCA: the option for the buyer to issue its own transport instruction to the seller, which the seller accepts, was explicitly anchored. This facilitates charter and contract situations in which the buyer procures the transport service itself.

Digital document and data flow

Electronic freight and accompanying documents, API-based forwarder integration and digital customs processes shorten throughput times at the place of delivery. Buyers should clarify who is the data owner for transport and customs data and fix this contractually. Without clear data responsibility, interface losses arise which are reflected in dwell times and subsequent charges.

Market dynamics and resilience

Volatile freight rates, port congestion and geopolitical disruptions make active transport management under FCA a competitive factor. Companies that diversify places of delivery and can flexibly reallocate freight volumes respond faster to crises. Aspects such as the recycling rate of packaging material at the place of delivery are also coming into sharper focus of evaluation in the course of sustainability requirements.

Typical metrics

On-Time Delivery (to place of delivery): > 95 %

Usual target value for the seller's schedule reliability up to the named place of delivery

Export document error rate: < 2 %

Proportion of faulty export documents per shipment; indicator of award readiness

Dwell time at the place of delivery: < 24 h

Typical guideline value for the period between delivery and onward transport

Landed cost transparency: 100 %

Proportion of items with fully calculated landed costs

Practical example

A medium-sized mechanical engineering company previously sourced sheet metal components ex works (EXW) and repeatedly had problems with export clearance and dwell times of its freight forwarder in the country of supply. After switching to FCA with a named place of delivery at the supplier's export warehouse, the buyer transferred the collection to a regional contract forwarder and defined fixed collection windows.

- Place of delivery referenced in the purchase contract with full address and Incoterms 2020
- Fixed collection windows agreed with dwell time provisions and escalation levels
- Cargo insurance with seamless cover from the point of delivery evidenced
- Monthly reporting on delivery reliability, dwell times and document errors established

Conclusion

Incoterms FCA is for technical buyers the most flexible collection term because it leaves export clearance with the seller while anchoring full control over transport and costs with the buyer. Decisive are a precisely named place of delivery, clear provisions on loading and dwell times, and seamless insurance cover from the transfer of risk. Those who master FCA achieve more transparent landed costs and strengthen their negotiating position on freight services. The term should form part of a well-considered sourcing strategy, not be a mere formality in the purchase contract. In individual cases, transport and customs law details should also be reviewed by specialists.

Frequently asked questions

What does Incoterms FCA mean?

FCA (Free Carrier) means that the seller hands over the goods, cleared for export, to the carrier nominated by the buyer at the named place of delivery. From that moment, costs and risk pass to the buyer. The rule applies to all modes of transport and is defined in the Incoterms 2020 version of the ICC.

Who pays for what under FCA?

The seller bears the costs up to delivery, including export clearance, packaging and transport to the named place. The buyer pays the main carriage, insurance as well as import clearance and duties. Where delivery takes place at the seller's premises, the seller bears the loading costs; at other places of delivery the seller has no unloading obligation.

What is the difference between FCA and FOB?

FOB provides for risk to pass once the goods are on board the sea-going vessel and is not suitable for container and multimodal transports. FCA transfers the risk already upon handover to the carrier and works for all modes of transport. In practice, experts therefore recommend FCA instead of FOB for containerised cargo.

When does risk pass under FCA?

Risk passes when the goods are handed over to the nominated carrier at the named place. If the seller delivers at a location other than their premises, risk passes as soon as the goods are handed over to the carrier on their means of transport. A delivery-on-movement option can shift the point of delivery contractually.

Under FCA, is the buyer or the seller insured?

FCA does not provide for any insurance obligation; both parties insure their respective risk phases at their own cost. The buyer should therefore provide cargo insurance with seamless cover from the point of delivery. Unlike Incoterms CIP, there is no obligation for the seller to procure minimum cover.

When is FCA the right Incoterm for procurement?

FCA is suitable when the purchaser has transport expertise and freight volumes and wants to control costs and carrier selection themselves. It makes sense for international purchases where EXW would be too risky and CIF or DAP too inflexible. Prerequisites are a reliable carrier in the country of supply and a precisely named place of delivery.