

WHAT YOU NEED TO KNOW WHEN BUYING “EX-WORKS” FROM CHINA

In general, the majority of cargo from China is shipped either FOB or C&F and only a small portion as Ex-Works. The reason being, FOB and C&F are easy for buyers to understand and control costs, while the costs of Ex-Works is somewhat hidden and uncontrollable. Often buyers are not willing to buy Ex-Works unless they have no other option.

There are 2 common reasons why Chinese factories are forcing buyers to buy “Ex-Works”:

1. Often the distance between factories and the port is significant. Trucking arrangements, although not impossible, can be very expensive. The trucking costs can make the total price very uncompetitive.
2. Many factories in China do not have the right to export. In China, a factory must be registered in order to export. Some privately owned factories are not registered. Often non-registered factories will “rent” the name of a registered exporter so export declarations can be made on their behalf. “Renting”, of course, adds additional costs. Often, a factory will go to specialized brokers who act as match makers to link up non-registered factories with registered exporters. Extra costs will be:



- Higher fees for export declaration for the match maker type broker.
- Additional costs from the registered exporter for “renting” their name and license. The additional cost will depend on the type of commodities being exported. For example, food products are very sensitive so exporters who offer these services are very limited and thus expensive.

In conclusion, when buyers are forced to buy Ex-Works, the cost of the goods may look low initially but the origin trucking fees and/or the cost for export customs formalities will add significant additional costs to the cost of the goods. If your supplier gives you an Ex-works price, make sure you find out the additional costs to get the freight to the port and cleared through Chinese Customs. Then compare this total price against your FOB or C& F price to truly determine the best terms for you when buying the goods from your Chinese supplier.

**M.E. Dey & Co. can help you determine the best terms to use.
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