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Intelligence For Food Warehouse, Transportation, Technology Leaders

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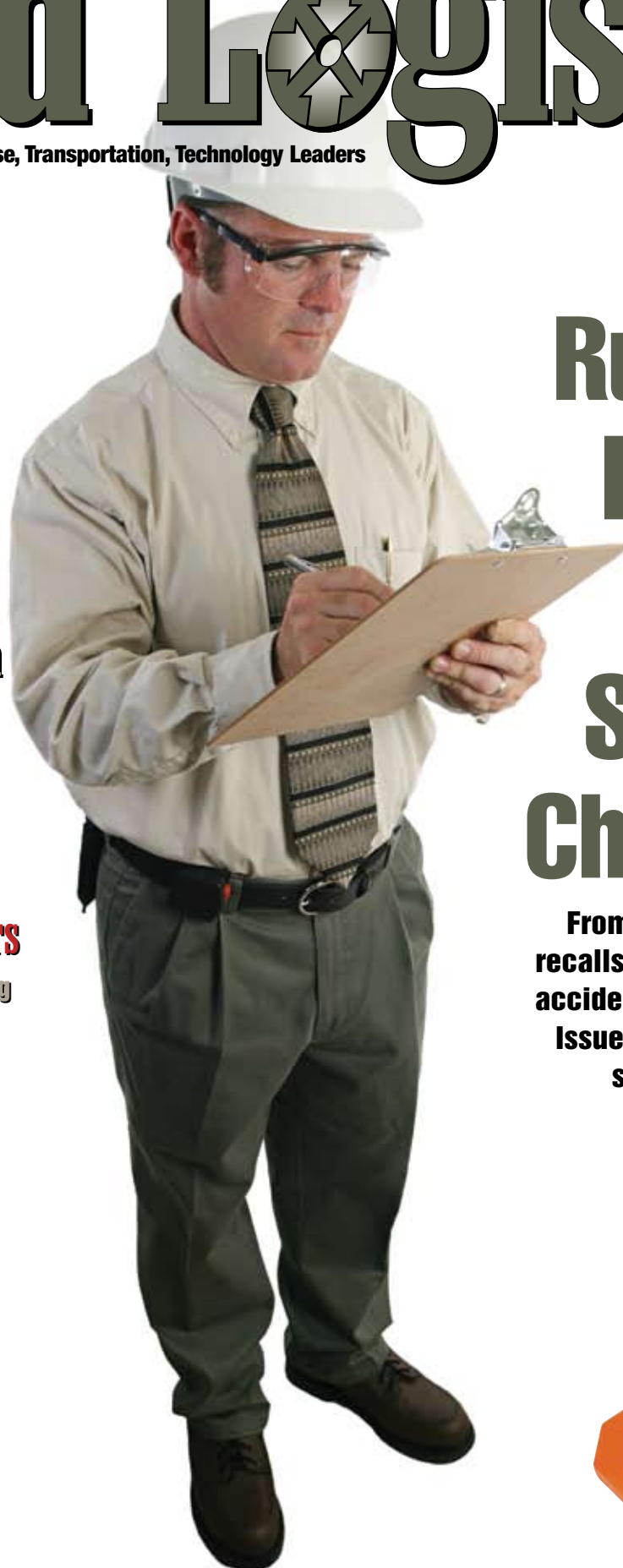
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PERISHABLES

Best practices are inexpensive to implement, yet result in greater efficiency throughout the supply chain.

By John Karolefski



Meeting The Challenges Of Transporting Produce

IT'S THE BEST of times and the worst of times for the produce industry. First the good news: Americans are focused on eating healthy meals nowadays. Reducing consumers' collective waistline and fending off illness through proper diet has prompted many people to eat better. And that includes more fresh fruits and vegetables.

Now the bad news: Health scares today include potential tampering with produce shipments as well as dealing with e coli and related threats. There is also a small but growing movement to "buy local." Such a practice falls in line with the goal of sustainability because less energy is used to transport produce from distant states to local grocery stores; for example, from California or Florida to New York and New Jersey.

While shippers of produce benefit from the good news, they really can't solve all of the issues of the bad news. But they can do their part to improve the industry by tuning up the supply chain.

"I think the keys to success in the supply chain are communication as well as the effectiveness and efficiency of the value chain," says Bud Floyd, vice president of marketing for Perishable Business at C.H. Robinson Worldwide Inc., a third-party logistics (3PL) company in Eden Prairie, MN.

"We need to have open architecture as it relates to system visibility that I can see end to end—not deal with just one element of the value chain, but all its opportunities."

To provide guidance for greater efficiency in the supply chain, the transportation task force of the Produce Marketing Association (PMA) has released a report on Best Practices (see sidebar page 24). It is a roadmap to improvement.

And improvement is certainly needed throughout the supply chain. Today's challenges range from a communications gap and scattered distribution patterns to loading and unloading inefficiencies.



PMA's Best Practices Offer A Roadmap To Improvement

The Produce Marketing Association (PMA) created a transportation task force in 2005 to identify and analyze transportation issues impacting the produce industry. It has developed steps that suppliers and receivers can take to ensure the proper delivery of produce. They are included in a document of Best Practices for suppliers and receivers.

According to PMA, many of these best practices are inexpensive to implement, but will result in greater efficiencies and lower costs throughout the supply chain.

Here is a summary of the general recommendations:

1. All members of the produce supply chain approach transportation issues and disputes with an understanding of the impact on the business customer.
2. Shippers and receivers engage in collaborative sales and operational planning to better cope with supply and demand management issues.

3. Supply chain efficiencies are maximized when there is a clear, ongoing communication between all parties.

4. Pallet requirements negotiated between the shipper and the receiver rather than assuming that carriers will be responsible for acquiring and/or disposing of pallets.

5. Supply chain partners (shipper, carrier and receiver) agree to service level metrics and expectations prior to moving a load or, in the case of an ongoing business relationship, periodically review a scorecard of service level metrics and expectations.

6. Shippers and receivers strive to build loyalty, confidence and trust with carriers by addressing relevant environmental factors.

7. The Bill of Lading contains necessary information.

8. All supply chain partners need to understand, as well as comply with, the requirements of the US Bioterrorism Act of 2002. —J.K.

Communications Gap

The communication gap that currently exists is both an internal and an external one. The trend is to have fewer employees perform more tasks outside their area of expertise, resulting in internal disorder. In the worst cases, employees compete against one another through the lure of bonuses and incentives that do more to create friction rather than harmony.

When goods are shipped, experts say there is sometimes a “get it done quickly” mentality among workers to meet the timetable of the receiver. Another attitude: “If it doesn’t affect me, it doesn’t affect my organization.” Sloppiness is surely to result and a lot of finger pointing (unsupported by facts or data) takes place when issues arise further down the supply chain. This domino effect does little to foster a spirit of cooperation between partners.

Floyd maintains that adding to the breakdown are the habits of those at the top; namely, buyers who do not communicate their activities to other buyers. Most do not currently operate their systems online, compounding the problem even further.

In a typical scenario, one company might have three pallets of product to ship while another has five pallets of something else that’s fully compatible. Both are unaware of

this fact, allowing the potentially overlapping products to find their way into stores on separate trucks.

In a traditional grocery situation, buyers not typically located at the distribution centers use transportation brokers, explained Michael Coonan, group logistics manager for Ryder System Inc., a Miami-based provider of transportation, logistics and supply chain management solutions. Their job is to find independent trucking operators who are based in the area of the produce to load and haul the goods.

The problem that occurs is that remote produce areas are challenging to service and there are usually few loads going back into the area. Seasonal growing in these areas also contributes to inadequate trucking capacity.

As for improvements, experts say organizational transparency can go a long way. Ideally, the entire operation should be an open book, including a full explanation of all profits in place. Furthermore, the last six months of shipping information—by lane—should be readily available to assess opportunities as well as uncover new and different solutions. But as it stands, many organizations do not have sophisticated solutions that can extract knowledge from data.

Another weak point addressed by Floyd is that organizations are not well-rounded

enough. Their systems may be good on one side because that’s their true competency and what pays the bills from warehouse to store. But on the other side, getting a product from A to B, they might not have invested enough capital to upgrade their proficiencies.

Communication between customers is another area that must be strengthened, according to Floyd. There should be in place specific definitions on a customer basis of what is expected regarding delivery times.

“I’ll ask a customer, ‘How do you define on time delivery?’ They might say within 24 hours of the (expected) time. Another customer might define it plus or minus two hours, or plus or minus 30 minutes,” he explains.

Inefficient Distribution Patterns

“Education begins with awareness,” says Floyd. “Efficiency as it relates to fuel and local sourcing will be more in the forefront. Information should be readily available for our company to assess best methods of moving goods.”

Terry Humfeld, vice president of volunteer leadership relations for PMA, sees LTL (less-than-trailer load) situations as a constant challenge. When drivers are being asked to visit three or four locations on the West Coast to get their trucks full before they start heading East, there is a significant amount of man hours wasted.

Taking produce as an example, the PMA task force suggested that the various category managers work together in creating visibility internally to consolidate loads throughout the operation. Having good software programs is the key to fulfilling this goal.

The “forward consolidation center” is a relatively new concept that is gaining popularity. With this system, full truck loads from California, for example, could be transported into a facility in Kansas City. Those loads are then cross-docked and sent off to their intended destinations. This is one way companies can alleviate inefficient distribution patterns.

Loading/Unloading Inefficiencies

Inefficiency problems in loading and unloading come down to defects in process, notes Floyd of C.H. Robinson. This encompasses the time an order goes in, the lead time the order has, the metrics used in evaluation, and the necessity of having full visibility.

Understanding the appropriate lead times for each product and adhering to them is the goal. If you don’t have the appropriate lead time but you set a truck in place and it arrives at the shipper’s location, it might sit for five hours to wait for that product to be processed.

“Drivers are paid to drive and we need to keep them on the road,” says Humfeld of PMA. “Fancy names like ‘dwell time’ are sometimes used, but any time they are sitting in a parking lot it is wasted time.”

Externally, experts suggest that there’s a lack of understanding of real expenses in the supply chain. If a driver waits for three hours before the product can be unloaded, at a cost of \$70 dollars per hour, that’s \$210 that someone in the supply chain must absorb. Not to mention the loss of the carrier who could have used those three hours elsewhere.

On the subject of rejected product, Humfeld says that “in most situations, it’s not the driver’s fault. There’s no reason

to unduly delay them on their way to the next assignment.”

Unfortunately, this happens all too often.

“Coordinating with the field-to-market process is a major undertaking,” explains Coonan of the Ryder Group. “Delay times at origin can be caused by weather and impact a grower’s ability to get the produce harvested to meet orders. Produce trucks that are delayed at origin contribute to missing scheduling opportunities.”

Proper Temperature

“We believe there are four steps to the safety of perishables: the product needs to be pre-cooled properly, the trailer needs to be pre-cooled properly, the trailer needs to be loaded properly and you need to maintain proper temperature during transit,” says Elizabeth Darragh, director of supermarket and food strategic marketing for Sensitech Inc., a Beverly, MA-based provider of cold chain monitoring instruments, information and analysis.

Although the steps are simple, they aren’t always followed. Product sometimes sits on the dock while other times the refrigeration gets turned off in the trailer. To cut costs, an excessive amount of pallets are being crammed into trailers which can result in damaged goods.

Why does this happen? According to Darragh, there is an overall lack of education on the subject, sprinkled with too many shippers maximizing loads to the point where the safe arrival of goods is thrown into risk. Too often those involved believe that they’ll “never get caught” if an issue arises further down the supply chain.

Produce is unique, she says, in that it may not look like it’s been abused when it gets to the distribution center. It should be made common knowledge by all those involved that there is an important relationship between time and temperature. Darragh stresses that every time the balance is upset, shelf life decreases.

So it’s not surprising that recent national surveys show that many consumers

are not happy with the taste of produce. Retailers need to collaborate closely with suppliers in delivering better quality from field to the store. When fruit is being shipped from California to the East Coast, the habit of trying to stuff as many crates as possible into the trailer often endangers quality.

There is considerable public concern these days about the danger of E. coli bacteria. With fresh produce, there is no method of killing it, as there is with meat. Since consumers are already critical of produce selection, coupled with their heightened fears of getting sick, proper handling techniques become all the more necessary.

The bottom line is that shippers must be taken to task for the quality of produce. Companies like Sensitech work with supermarkets to monitor both shipments and temperature recording devices. This helps to further cement a symbiotic relationship with the suppliers in their quest to deter spoilage.

“This trend has become a strong one in the last five years,” Darragh reports. “Chains want us to monitor every trip to the store. They want to see how well their suppliers are performing.”

Coonan of Ryder System sees improvements occurring simply by “grocers partnering with a reputable and flexible dedicated carrier that is acutely aware of their needs and how to service them.”

A key component is making sure both the shippers and receivers are communicating their expectations to the transport companies in terms of how those loads should be handled. Transport companies must use temperature monitors.

“The supply chain has a clear responsibility in fulfilling all the post-harvest requirements of the product and that includes keeping cold temperatures if need be, or just holding the produce at the proper temperatures,” explained Humfeld.

Bottom line: Best Practices will only work if the industry adopts them. #