



CONTAINERS VS BREAK BULK

WHEN QUALITY MATTERS

When the Myth Buster was leafing through various web pages the other day he spotted the above headline on the Maersk site. Well, when the word "quality" is mentioned, his attention is drawn! The article starts by stating that break-bulk operators would like the reefer world to believe that loading chilled cargo on their vessels was better for the quality of chilled reefer cargo than loading in reefer containers. It then gives a number of reasons mainly surrounding cool chain integrity to build to an ending crescendo stating "It is obvious that the quality of the cargo will be best when loading in refrigerated containers"!

Well, this puzzled the Myth Buster. Whereas extensive tests by the New Zealand marketers of kiwi fruit ZESPRI have shown that the air/temperature circulation through the palletized fruit in containers is inferior to that provided by specialised reefers, he did not think specialised reefer operators made such comparisons nowadays between container and specialised shipments of bananas. The recent specialised reefer new buildings built over the last few years ALL have concentrated not only on under deck pallet capacity, but also to providing

considerable on deck container capacity, specifically for the carriage of bananas in containers. This has allowed the large banana companies to enjoy their economies of scale by maximizing their cost advantages producing very low per carton of fruit transportation cost. A good example to support this argument is the news that Fyffes have extended their long term charter agreement with Star Reefers (aka Siem Shipping) for four vessels that they have had on charter since launched five years ago for another two years, with Fyffes option for a further one year. Now that is a commitment to the specialised reefer mode!

If the final statement of the Maersk web story is true then one wonders why the entire banana industry have not changed to containers. The Myth Buster has many friends in the banana industry and posed the question.

The overall opinion is that the quality of bananas loaded in containers and/or below deck has no difference on quality, especially with the banana majors that have multiple vessels loading at production ports every week. The key to preserve a product of excellent

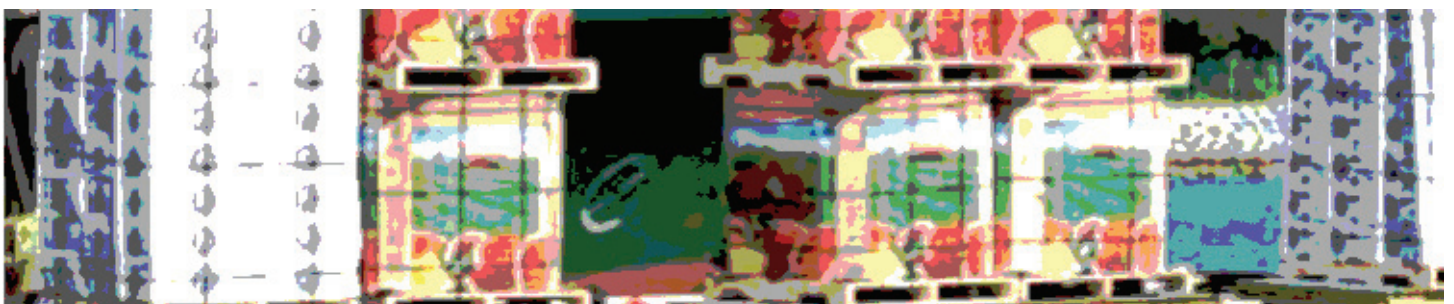
quality mainly depends on pallet unitization, good packaging specs and packing materials, and proper agricultural practices set forth by highest QA standards. Multinationals are no strangers to containers since the conventional fleet composition is a good mixture of product below deck and containers, some multinationals have "container reefer ships" due to their supply chain set-up but ultimately all have the ability to deliver a good quality product leaving the use of Container Lines mainly for destinations where volumes simply do not justify use of specialised reefer as result of volumes but, the KEY factor for the banana industry is "transit time and consistent arrival". The specialised reefer carrier excels in delivering product on time on the core banana trades, unlike container lines where on time reliable services are not the norm. Depending upon which Container Line, you can have from 60% to 80% on time arrivals in any given year. Furthermore, customers require consistent arrivals, especially in markets when more often than not, the Container Lines will miss an arrival due weather, transshipment connections, et cetera. Skipping one arrival and bringing twice the volume in a given week happens also with the Container Lines. As everybody knows, banana prices are very sensitive, not only to economic conditions, but also heavily impacted by arrival volumes where price can easily collapse when these inconsistent arrivals to the market occur. It has been seen that over and over again receivers/shippers will prefer to pay a premium on freight over container lines when it comes down to maintain the supply chain and commitments to customers. Transit times are most important not only for the quality of the bananas but also shelf life. No matter how advanced container technology is today, when specialised reefer services can transport bananas with transit times that container lines cannot offer there is no doubt that quality of bananas arriving to markets is ALWAYS better on specialised reefers than that on container lines. The driving factor for using container lines has been basically cost driven where they have brought down prices that now the very same industry recognize as unsustainable. Obviously the now admitted unsustainable pricing admitted to by some Container Lines has placed Specialised Reefer Owners in a bad position over the last few years (as has been hammered home on a regular basis by a Reefer Industry publication Reefer Trends).

Another risk factor with shipping on the Container Liner services by the banana industry is that the Container Line business models are mainly based on dry-cargo and not reefer cargoes. A perfect example of this is the unilateral decisions by Container

Lines to change their service strings with complete disregard to the banana shippers. For example, Maersk have increased their transit time on their Ecuador - St. Petersburg service up to 25 days with no apparent regard for the wishes of the Ecuador shippers. The result, BANEX (the foundation upon which Maersk built their ECUBEX service originally) is now back into specialised reefer ships on the service implemented by Star Reefers with 17 days transit to St. Petersburg from Ecuador where now they can bring product consistently week on week. It has just been reported that from the East Coast of Central America to the US Gulf that Maersk have simply cancelled their service for being uneconomical with effect from the end of September. Small shippers and/or retailers that were sourcing bananas direct from growers won't be able to bring their product now. There were much heralded announcements by Container Lines of banana services from Ecuador and East Coast Central America but these have not proved so popular due transit times of up to 30 days which is claimed to prejudice fruit quality. Rock bottom freight rates being offered by Container Lines cannot win over quality issues.

It could be very interesting if Insurance underwriters could disclose the amount of claims on bananas shipped on container lines (numbers may surprise the market) for arriving in bad conditions. It's all very well for Container Lines to hark on about their uninterrupted cold chain but it not always the case when cargoes are stuffed at the port of loading and unstuffed at port of discharge into the same facilities used by specialised reefers.

To sum up, QUALITY is not just carriage and out turn condition of reefer cargo. It also refers to schedule integrity and reliability. That reliability also extends to pricing. This goes especially for the banana industry. In the good old days when "men were men and freight rates were freight rates" the major banana players, the so called Multinationals built and bought their own tonnage. In this way they knew what their biggest cost in their logistic chain, namely shipping, was for the ensuing 10-15 years. Nowadays the multinationals like Del Monte and Fyffes tend to achieve this by medium to long term time charter. Other banana companies seem to be backing the Container Line service routes. It probably comes as cold comfort to them to hear of Maersk's protestations that their reefer rate structures are unsustainable! How can you plan/budget for the future when your service provider admits that considerable freight increases are required to maintain their continued investment in reefer transportation?



360 Quality Surveys: *an expert's view*

By: **Olivier van der Kruijs**,
designated person of BMT de Beer, approved certification body

Damage to cargo is the most frequent occurrence involving possible shipowner's liability. Not necessarily is cargo damage the most expensive type of claim, but with often more than 3000 pallet loads carried in one single reefer ship, chances of cargo damage occurring have proven to be high.

The key value of the 360 Quality program is increasing the awareness on risk mitigation amongst all working in the perishable cargo supply chain. These efforts have already shown a significant reduction in claims, both in quantity as well as in magnitude.

Since transport over sea is a damage-sensitive part of the supply chain, an important focus of the 360 Quality code is inspection of reefer ships. These inspections assist in identifying any shortcomings in the ship's condition and/or procedures, which accordingly can be rectified before they lead to actual problems.



Since the kick-off of the 360 Quality inspections in June 2007, BMT de Beer has performed more than 350 inspections on board reefer ships worldwide. Furthermore, BMT de Beer was a member of the 2009 committee that has developed the present survey scope.

Important part of the survey is the physical inspection of the cargo compartments to ascertain hazards in respect of food safety, cargo contamination by oil or water and mechanical damage. Vessels complying with the inspection standards will be awarded a certificate, valid for two years.

Some crucial parts of the survey:

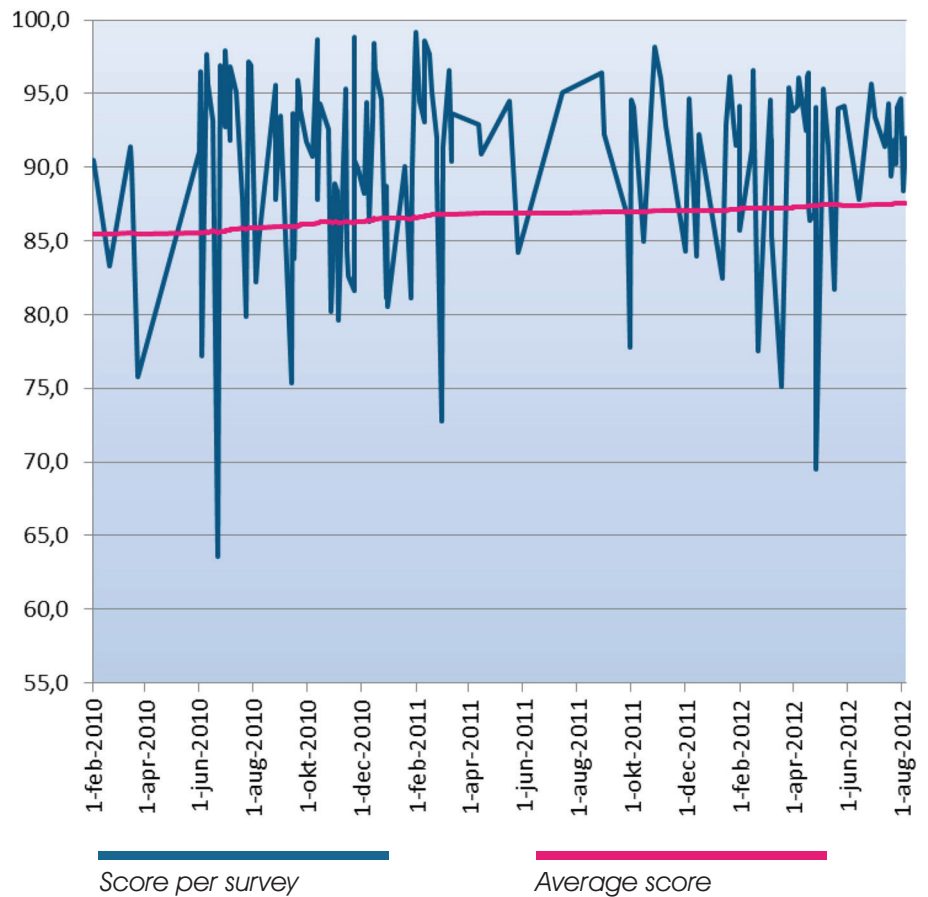
- **Survey of the weatherdeck hatch covers for integrity**
- **Identifying leakage of hydraulic oil, with focus on locations where such leakage can contaminate the cargoes carried**
- **Condition of the gratings and cargo deck surfaces for proper air flow distribution and uninterrupted cargo handling**
- **Strength and condition of the side shoring constructions and other means of (athwart ship) cargo securing**
- **Cleanliness of holds, drains and bilges**
- **Performing a load test of auxiliary engines to see if the power output is sufficient.**

All survey observations are entered into an Excel document (the 360 Quality Inspection Checklist), where an underlying scoring calculation tells whether the vessel may be awarded her certificate. Not necessarily does a vessel has to score 100% on all subjects, but minimum standards are to be met.

The overall score of each ship is shown in the graph on the right (for surveys under the new scope as from January 2010). The blue line connects scores of individual vessel surveys, whereas the red line gives the average for all surveys. What is encouraging to observe is the fact that the average score of the surveys continues to rise. Or to put in another way, the condition of the vessels from a 360 Quality perspective, gets better over time.

This can be explained by the fact that when a vessels does not meet the standard upon survey, there is an immediate incentive for the shipowners to correct deficiencies, as there is only a three-month grace period for a re-inspection. Non-compliance will lead to automatic withdrawal of the certificate.

Important is to note that the 360 Quality inspection scope, at various areas, goes deeper than other types of surveys. In areas where industry standards are silent in providing guidance on what is acceptable (and what is not), the 360 Quality inspection scope provides detailed instruction on how to interpret observations made by



the surveyor. It is defined, in % precise, what levels of wear are acceptable on, for example, hatch cover rubbers and grating profiles (striping). In addition, the 360 Quality program is the first to actively look, for instance, at strength calculations on the side shoring boards.

Because of the detailed survey guidance, the level of uniformity achieved over these inspections is extremely high. Every surveyor knows what is expected from him. In addition,

every survey report is extensively reviewed by the designated person in the head office, removing any remaining personal interpretations.

Accordingly, after more than 5 years of 360 Quality Inspections we can say that the reefer ship inspections have been able to contribute in taking the condition of reefer ships to a higher level. By that it has met its objective in preventing losses and reducing incidents.



Measuring gaps in between aluminium gratings



Ascertaining deformation on hatch sealing

Revised 360 Quality Code, Checklists and Guidance Notes

A working group from the 360 Quality Executive Committee has revised the 360 Quality Code, Terminal Guidance Notes, Terminal Checklist, Trade Guidance Notes and Trade Checklist.

The Guidance Notes for certifying ships and the Vessel Inspection Checklist were revised in 2009. There are now thirteen terminals certified that comply with the Code. Auditors have had a chance to work with the Code and Guidance Notes for terminals and it felt to be about time to revise the Guidance Notes for certification. A revision was also carried out of the Checklist to better reflect what should be prioritized.

The Guidance Notes have been updated based on the experience by Auditors what to look for and to quite some extent to facilitate the understanding of how to interpret each subject in the Checklist. In addition some subjects in the Checklist have been combined to one common subject, evaluations of subjects have been refined to

better reflect the weight of how items should be evaluated. The number of subjects was thus reduced to 66 to be inspected.

The revised documents were tested with three terminals to ensure both the ease of working with the documents and to ensure the previous evaluation of terminals were not offset.

Guidance Notes for Trades and Checklist for Trades follow closely what is stipulated for ships and terminals. Thereby, the group followed up by updating requirements for trades.

The full set of documents can be found on the 360 Quality website.

Ralph Mohlin



Terminal Successes

The 360 Quality Association congratulates affiliate members **SEA-invest** and **Gloucester Terminals LLC (Holt Logistics)** on their recent accreditation success.

The **SEA-invest Fruit and Food Division** announced that their terminals in Antwerp (Belgium) and Rotterdam (The Netherlands) are compliant with the latest standards of the 360 Quality Code. Belgian New Fruit Wharf recently renewed its certification (June 2012) and Rotterdam Fruit Wharf achieved its latest certification six months earlier.



Rotterdam Fruit Wharf bv

Member of the SEA-invest Group

By certifying both terminals the SEA-invest Fruit and Food Division continues to be a flag-bearer of the



Belgian New Fruit Wharf nv

Member of the SEA-invest Group

360 Quality Code and highlights its role as a key player of the 360 Quality idea.

Gloucester Terminals LLC

(represented globally by Holt Logistics Corp) successfully passed the audit process and are now a 360 Quality Association certified Terminal. Gloucester Terminals LLC is a family owned business of some three generations that operate in New Jersey and on the Eastern

Seaboard of the United States. The perishable cargo operation is only one of the services provided. The Gloucester Marine Terminal in New Jersey recently benefitted from a \$42million investment in solar energy and the facility can boast the largest rooftop solar energy array in the United States.



MEMBERS:

Maestro Reefers A/S

NYKCool AB

Seatrade Group NV

Star Reefers UK Ltd

AFFILIATE MEMBERS:

Ambassador Services Inc. USA

AROLA Aduanas Y Consignaciones SL Spain

Belgian New Fruit Wharf Belgium

Commercial Cold Storage (PTY) LTD South Africa

COOPEUNITRAP RL Costa Rica

FPT Group (Pty) Ltd. South Africa

George Hammond PLC UK

Gloucester Terminals LLC (Holt Logistics) USA

K Services LLC USA

Kloosterboer Vlissingen vof The Netherlands

Marmedsa Group Spain

MMD (Shipping Services) Limited UK

Reefer Terminal SpA Porto Vado Italy

SIELSA Costa Rica

Zoomweg Zeeland Cold Stores The Netherlands

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