

Tackling Transportation Challenges

There is a perfect storm brewing now in the transportation sector of the produce and floral industries. Increasing fuel and liability insurance costs, declining availability of truck drivers and more governmental regulation are making our industry re-examine how we transport and inventory our products across North America. And contributing to the storm's intensity is the fact that many truck drivers would rather haul dry goods than perishables.

PMA's membership identified transportation-related issues as a top concern in our 2005 Member Needs Analysis. This was reinforced in discussions by PMA's volunteer leadership this past spring and resulted in transportation challenges being identified as a key strategic issue for the association. To obtain a better sense of the range and intensity of issues that are contributing to our transportation challenges, in early August PMA organized a teleconference focus group of industry members who are active in the transportation sector.

The focus group research verified a number of issues including those mentioned above. However, discussion also centered on the need for more efficient distribution patterns to address less-than-truckload (LTL) situations. There was a sense that some industry practices may be creating additional problems for truckers and receivers that make the hauling of produce and floral products less appealing. This all exacerbates the driver shortages that many parts of the country are experiencing as drivers simply choose not to haul produce and floral products or to take loads to certain receivers.

Here is a sampling of comments from the focus group that illustrate some of the issues. "The biggest problem we typically have with delivering to the mass market is the appointment times and the waiting."

"We can't have trucks going in on LTLs

and dropping off two pallets. We've got to go in with straight loads to these receivers."

"[Drivers] are going to find the easiest loads to do. They're looking to just bump docks and they're going to go to the dry freight arena to do that."

"We're finding it harder to find drivers, especially during the peak periods, to make the multiple pickups. These guys not only want to just bump docks, they want to do it within 25 miles of where they happen to be sitting right now."

The occasional rejected load creates additional problems for drivers. "You sit there with a truckload full of melons or strawberries or whatever... while it ties up your equipment for a day or two days or three days and you're left holding the bag. But you know you didn't do anything wrong."

When asked what issues are most important, one participant in the focus group summed it up this way: "It's consolidation of products and taking care of the truck drivers in a greater fashion than we do today. The industry treats drivers as second rate citizens and quite frankly, that shouldn't be the case."

There was also discussion on the impact of government regulations. Whether it's coping with the hours of service regulations or coming into compliance with environmental emission regulations, the transportation industry is scrambling to stay in compliance.

PMA has organized a transportation task force that will be co-chaired by Bud Floyd of C.H. Robinson Worldwide, Inc. and William Schuler of Castellini Company and that will include representatives from all segments of the supply chain including retailers, distributors, grower shippers and transportation providers.

The first order of business for the Task Force will be to analyze and find real business solutions to the concerns raised in PMA's trade research, including driver short-

PMA Produce and Floral Transportation Focus Group Comments:

"It's everybody's Achilles heal."
Ross Wileman, Mission Produce

"You can ship a container of broccoli today from Ecuador cheaper than we can send it from California to Miami."
Tom Wason, Sysco Food Services

"For us it's drivers, drivers, drivers, drivers and drivers. It's by far our single biggest issue, trying to retain them, trying to get them."
David Armellini, Armellini Industries

ages, the reluctance of some drivers to haul produce, the impact of government regulations and the need for more efficient distribution patterns.

Effective transportation is at the heart of a healthy produce and floral industry. While we recognize that PMA can't resolve some of the transportation issues like rising fuel costs, PMA is committed to playing a leadership role in providing a forum for our members across the supply chain to discuss potential solutions.

We also understand the challenges we can impact won't be solved overnight. There are no easy solutions. But it is important to remember that we have the collective wisdom of the entire produce supply chain at our disposal. Our history has proven that we are at our best when we are working together to create and implement a plan of action to solve our problems. I am confident we will be able to tackle our transportation challenges in the same manner.

In addition to our work on the Transportation Task Force, PMA plans to focus attention on transportation throughout its upcoming Fresh Summit, PMA's International Convention and Exposition scheduled in Atlanta this Nov. 4-8.

Included in the Fresh Summit program are a Town Hall meeting, a panel discussion led by logistics company experts on challenges of trucking and an education session on complexities of global shipping.

For more information, visit the PMA Website at www.pma.com/FreshSummit. **pb**



Beyond Industry Solutions

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Transportation is a vexing issue for the produce industry. It is not uncommon for transportation to cost more than the product itself. Frequently, orders go not to the shipper with the best price or best quality — but to the guy who can get it where it needs to be when it needs to be there. The slightest familiarity with standards set by large buyers indicates it is easier to meet quality requirements than to have product at the distribution center when it needs to be there.

What is not as clear, however, is that we really have a transportation problem that is amenable to industry solution. It may well be that we have a new set of realities that require changes in business organization.

National issues such as drug testing, hours of service, insurance and fuel prices impact the availability of trucks and drivers. The produce industry must be part of coalitions to address these issues. But the produce industry is a relatively small portion of the national economy. It is unlikely any “produce position” on these issues will carry great weight.

PMA’s Transportation Task Force is desirable and might help, but trade associations, almost by their nature, have to represent the industry as it exists now — a problem when identifying problems through focus group-type research. Pressures felt by individual businesses tend to be identified as industry problems.

If you read the proceedings of U.S. produce trade associations as retailers began to buy direct, you will find task forces, seminars, discussions — all hoping to solve this “problem.”

But this was not just an industry problem. There were new realities such as an interstate highway system, the growth of supermarket chains with their own distribution centers and the replacement of refrigerated box cars with over-the-road truck and piggyback-style rail services that enabled people who could never handle a full rail car to buy direct.

These changes altered the nature of what was efficient and what was not. Companies that adjusted to the new realities survived and thrived. Those that waited for the “problems” to be “solved” are mostly history.

When people complain about getting over-

the-road trucks to handle LTL orders, that may be the voice of today’s industry members expressing unhappiness that their ways of doing business are becoming expensive, difficult or impossible to continue. It may just be that new ways of doing business that better conform to these realities will arise.

There are signs, for example, that wholesaling is on a revival course. Unlike the old model where wholesalers in a terminal market bring in wares without a home and then job them out to small buyers — a model that still thrives in many places — the new wholesaling model involves a tripartite segmentation:

One model is a wholesaler being contracted to supply certain products. Although this is often perceived as a “direct buy” and many of these vendors have farming interests, the reality is more complicated. In many cases the actual product delivered to the retailer, whatever label it carries, did not grow on the same farm. To meet quality and availability requirements, it came from elsewhere.

Even if product did come from the vendor’s farm, that is an incidental reality to the business structure. On many products, the most efficient way to meet a buyer’s demand for quality, timely delivery and zero out-of-stock situations is to have a facility in the same area as the distribution center where the product will be delivered. Once that local facility is established, that vendor tends to have a competitive advantage in bidding for the business of other buyers in the area.

Put another way, a local wholesaler, who is able to accept full trailer or railcar deliveries and then sell to multiple local customers, is often more efficient when everything including the danger of out-of-stock situations is considered than direct sales and shipping.

A second model is substantial chains allowing outside organizations to handle procurement, warehousing, transportation and logistics. When Bruno and Bi-Lo were sold, the buyer elected to have C&S Wholesale Grocers handle the warehouses and logistics. When A&P divested some divisions, the company announced it would also have C&S handle these matters for the remaining company.

More than transportation is involved in these decisions, but transportation is crucial and, specifically to the issue of LTL freight, these arrangements allow consolidation of orders and thus less need for LTL freight.

A third model is the decision by many large shipping and importing organizations to develop regional sales, forward distribution and repacking or processing facilities, an acknowledgement that business realities dictate having ready supply of product close to customers. In effect these local distribution centers are local wholesalers who have exclusive relationships with particular shippers.

Wholesalers even help resolve transportation issues such as rejections. A retailer needs only one type of product. Rejected product has to find another home. Wholesalers tend to have a more diverse clientele; they can accept delivery and sell it elsewhere. Rather than a truck wandering in search of a new buyer, the resolution may be a quick allowance or an agreement by the wholesaler to sell the product on consignment or a price-after-sale basis.

To those unwilling or unable to change and adapt, there is a massive problem. To others, it is a massive opportunity.

It is true that the way the produce industry treats truckers should be addressed, and it will be interesting to see if the PMA task force has the stomach to address tough issues such as the PACA Trust provision. If a buyer purchases a load of produce and owes \$5,000 for the produce and \$5,000 for the transportation, if that buyer goes broke and has \$5,000 in assets to pay for his debts, under current Trust provisions the produce vendor gets paid in full and the trucker gets the shaft.

Nothing is to be lost with task forces. These are important industry issues that need study and thought. We should remember, however, that some complaints are the growing pains of an evolving industry. Research is very good at identifying the complaints of today’s players and particularly bad at identifying who will be playing tomorrow. **pb**