

NEWS RELEASE

For Immediate Release.

Date: October 24, 2003

Contact: Cheryl Young (401) 884-3701 (cyoungpr@cox.net), or
Dwight Schmidt (317) 805-4750

Washington Apples Cost Less To Ship in Corrugated

Total System Costs of RPCs up to 14 percent higher in real-world cost comparison study

INDIANAPOLIS, IN (October 24, 2003) -- It costs 7 percent to 14 percent more annually to ship 24 million pounds of Washington Apples 2000 miles (approximately the distance from Yakima to Chicago) when returnable plastic containers are used instead of corrugated cases.

This was the conclusion of a research study announced by the Corrugated Packaging Alliance at this week's Produce Marketing Association (PMA) Fresh Summit in Orlando. The study used the Full Disclosuresm modeling tool to analyze actual cost factors provided by a major Washington State Apple grower that currently packs in both types of containers. The study also showed that costs are even higher when RPCs are leased, even when RPC poolers subsidize the cost of leasing programs.

-more-



NEWS RELEASE

-2-

In this analysis, total system costs for packaging, handling and distribution amounted to \$3.7 million for modular Corrugated Common Footprint (CCF) containers and \$4.3 million for RPCs. Without factoring in the initial purchase price of plastic containers, using corrugated saved \$267,000 annually vs. using RPCs. The corrugated savings rose to \$535,000 if the initial RPCs were purchased and their cost amortized over their useful life.

Important Real-World Data. According to Dwight Schmidt, Executive Director of the Corrugated Packaging Alliance, "This information is important, because grocery retailers are looking for ways to reduce cost throughout the entire supply chain, so shipping container costs are under constant review. Some retailers have already experimented with using RPCs to see if they can reduce costs. In this study, not only did using RPCs fail to reduce total supply chain costs, they actually increased costs on every leg of the distribution system."

Mr. Schmidt said that the Washington Apples case study will be the first in a series of case scenarios that will model existing distribution channels to determine real-world costs of using different shipping container alternatives. "A fair cost comparison must focus primarily on the effect that either packaging alternative has on the total system costs of distribution," he said. "If total costs go up, no one in the supply chain (grower, distributor or retailer) can realistically expect to save money long term – everyone loses, absorbing additional system costs. As the total cost picture in the Washington Apples case demonstrates, RPCs increase total system cost."

-more-





NEWS RELEASE

-3-

Mr. Schmidt noted that RPCs were more expensive than corrugated during the first stage of the distribution cycle, from the grower/shipper to a distribution center and then to retail locations; costs directly borne by the retailer. At this point the corrugated is recovered for recycling, incurring no further costs and even earning new revenue. Many of the RPCs' extra costs actually take effect on the return trip. During this backhaul leg, RPCs incur an additional \$472,000 in costs for shipping, handling, washing and storage. Washing and tracking costs are particularly significant.

Leasing Costs Analyzed – Who Pays? In addition to total system costs, the study went on to determine how RPC costs would be allocated among the grower/shipper, RPC pooler and retailer if the plastic containers were leased. Common practice today is for the RPC pooler to lease containers on a per-use basis, at a cost comparable to purchasing an individual corrugated case -- \$1 each in the Washington Apples example.

The costs of RPC leasing programs are also allocated to the grower, shipper and pool operator in different proportions than the outright purchase scenario. For example, the retailer pays \$323,000 more to receive Washington apples shipped in RPCs instead of corrugated. So not only are the total costs higher, but also the retailer shoulders a higher percentage of them. The grower shipper also pays \$83,000 more not even including a \$3 million up-front investment for specialized equipment. The balance of the extra cost (\$213,000) is absorbed by the pool operator.

-more-





NEWS RELEASE

-4-

Mr. Schmidt said, "In this leasing scenario, it appears that the RPC pooler is losing a significant amount of money to compete with corrugated. If this is true,

the next obvious question is, 'how long can RPC suppliers continue such a practice at a loss?' "

Study Parameters. The Washington Apples study was conducted by Heads Up Systems, Inc. and sponsored by the Corrugated Packaging Alliance (CPA). The distribution system modeled was a typical two-stage system in which apples are packed and shipped to a distribution center and then re-distributed with other produce commodities to retail stores.

The study assumed that either 40-lb.-capacity Corrugated Common Footprint or RPCs would be loaded onto standard pallets (fitting 7 layers of 5 RPCs each, or 8 layers of 5 corrugated containers each). The 48-foot refrigerated trailers hauling RPCs cube out at 26 pallets or 910 containers; the truck hauling corrugated weighs out at 25 pallets, or 1,000 containers. The cost considerations for corrugated end at the retail store, while the RPC usage cycle includes costs incurred to ship containers back to the initial point of use.

During the backhaul leg, the RPCs are first returned to a distribution center where they are sorted according to size and condition. Next they are shipped to a special depot where they are washed, sanitized, refurbished, and sent to a warehouse for storage. They are ultimately shipped back to the grower on an as-needed basis. The grower estimates that it takes about 120 days to complete

-more-



NEWS RELEASE

-5-

this odyssey, because the apples may spend considerable time in cold storage. Therefore, an RPC can complete about 3 cycles (or turns) per year.

Clearer Pictures Emerging. Mr. Schmidt concluded: "Initial arguments to justify RPCs vs. corrugated were based on a supposition that RPCs were more economical because they were reusable. Full Disclosure case studies detailing the impact of major cost sensitivity factors on total system, shipping-container economics now present a clearer picture. In case after case, analyzed using hypothetical or actual data (as in the Washington Apples study), the facts demonstrate that corrugated is the most economical transport packaging solution.

"In addition, third-party field studies repeatedly show that corrugated provides superior shipping density for greater payloads along with product protection better than or equal to RPCs. These cost benefits, in addition to the ability to customize every corrugated structural design and graphics for in-store merchandising, make corrugated the most versatile and most economical shipping container solution around."

#

The Corrugated Packaging Alliance (www.corrugated.org) is a corrugated industry initiative jointly sponsored by the American Forest & Paper Association (AF&PA) (www.afandpa.org) and the Fibre Box Association (FBA) (www.fibrebox.org). Its mission is to foster growth and profitability of corrugated in applications where it can be demonstrated, based on credible and persuasive evidence, that corrugated should be the packaging material of choice; and to provide a coordinated industry focus that effectively acts on industry matters that cannot be accomplished by individual member companies.