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Final Citrus NR

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Shipping Oranges in Corrugated Common Footprint Costs Less *Study Shows Reduced Supply Chain Costs for Retailers and Grower/Shippers*

INDIANAPOLIS, IN (April 5, 2004) – A new study released today by the Corrugated Packaging Alliance (CPA) concluded that shipping oranges in Corrugated Common Footprint (CCF) containers saves retailers and grower/shippers nearly 12 percent of their total supply chain costs, compared to shipping in reusable plastic containers (RPCs). The study is the second in a series of studies sponsored by the CPA and conducted by Heads Up Systems, Inc. (West Linn, Oregon).

The oranges study used actual data provided by a large California citrus grower and a large grocery retailer to compare total shipping and handling costs using CCF containers and either purchased or leased RPCs. Full DisclosureSM, a sophisticated, activity-based cost modeling tool¹ was used to evaluate total annual costs for shipping 52 million pounds of oranges 1,150 miles (approximately the distance between Salinas, California, to Denver, Colorado). The analysis concluded that in this scenario, shipping in CCF containers saved retailers and grower/shippers more than a half million dollars annually, compared to RPCs.

¹ Full Disclosure was developed by the American Forest & Paper Association (AF&PA) and the Fibre Box Association (FBA).



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“Through our Full Disclosure cost analysis using real-world cost inputs, we are able to provide industry customers with a better understanding of the impact of container choice on total supply chain costs. In the months ahead, we’ll also analyze total supply chain costs for shipping grapes and watermelons. It’s important for retailers and their suppliers to take a close look at total costs for individual commodities, in order to determine what’s best for each,” Dwight Schmidt, Executive Director of the CPA, explains.

Detailed Findings

In the orange analysis, total supply chain costs for packaging, handling and distribution amounted to \$5.6 million in CCF containers, versus a total cost of \$6.1 million in RPCs – a difference of more than one-half million dollars or 9 percent of the total cost, if the RPCs were purchased. Renting the RPCs adds even more to the total supply chain cost, giving the CCF an almost 12 percent cost advantage.

Both the California oranges case scenario and the previously-conducted Washington apples (2003) case scenarios concluded that using RPCs costs more than corrugated during the first and second stages of the distribution cycle, when the product travels from the grower/shipper to a distribution center and then to retail locations, due to higher transportation and handling costs. Once the container reaches the store, corrugated is recovered for recycling, incurring no further costs and even earning new revenue for the retailer. RPCs, however, continue to accrue additional costs in sorting, washing, repairing and backhauling to locations where they will next be used. Most of the extra costs of using RPCs are incurred in this return trip. In the California oranges case, RPCs incur an additional \$753,000 in trucking and handling costs to get from the store back to the user.



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Who pays? The retailer pays the lion's share of the extra costs for using RPCs -- \$630,000 or 14 percent more than using CCF containers. The grower also pays about \$139,000 more using RPCs than corrugated, not including any up-front capital expenses for new equipment.

Mr. Schmidt concludes, "The Full Disclosure analysis clearly shows that in this scenario corrugated makes the most sense because it is the cost-effective choice for retailers and grower/shippers." For more information on the CCF and Full Disclosure studies, visit the Corrugated Packaging Alliance at www.corrugated.org.

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.

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Study Parameters. The California citrus study modeled a typical distribution system in which oranges are packed and shipped to a distribution center, then re-distributed with other produce commodities to retail stores.

The study inputs represented the grower/shipper's current practice of packing either 40-lb.-capacity Corrugated Common Footprint or RPCs and loading them onto standard pallets (fitting 8 layers of 5 RPCs each, or 9 layers of 5 CCF containers each). These pallet loads are placed in refrigerated trailers. The oranges are trucked to the retailer's distribution center where the pallets are "broken down" (reconfigured for retail), loaded onto delivery trucks and distributed to retail outlets in mixed pallet loads.



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Once at the retail stores, pallets are unloaded from the trailers, and the oranges are set up for retail presentation. Empty corrugated containers are broken down and compacted for recycling. Empty RPCs begin their return trip, which ultimately culminates in their return to the grower.

During this backhaul leg, the RPCs are first returned to the distribution center where they are sorted according to size, condition and pooler. Next, they are shipped to the pooler's depot where they are washed, sanitized and refurbished. Then they are sent to a warehouse for storage. They are ultimately shipped back to the grower on an as-needed basis. It takes about 30 days for RPCs to make a complete round trip. Therefore, an RPC can complete about 12 cycles (or turns) per year if sufficient demand exists.

