

Press Release

NEWS RELEASE

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Shipping Watermelons in Corrugated Bulk Bins Offers Dramatic Savings

INDIANAPOLIS, IN - The Corrugated Packaging Alliance (CPA) today released a cost-comparison study that concludes shipping watermelons in bulk bin corrugated containers saves nearly 20 percent of annual, total supply-chain/distribution costs, compared with shipping in bulk bin, reusable plastic containers (RPCs). The study also showed that the retailer saves over 10 percent, while the grower/shipper saves 45 percent of its cost to package and ship the watermelons.

The study used actual cost data provided by a large grower/shipper of watermelons in south-central Arizona to perform a real-world cost comparison. Total supply chain costs (including the bulk container rental, trucking and handling, and pool maintenance of the RPCs) came to \$7 million annually in corrugated, compared to \$9.7 million in RPCs - a cost advantage of \$2.7 million for using corrugated bins.

Most of the difference, as in other case scenarios previously released by the CPA, is caused by higher costs associated with trucking and handling for RPCs. These additional costs are primarily incurred in the backhaul trip, when the bins must be sorted, cleaned, maintained and shipped back for re-use. In contrast, the corrugated bins are frequently reused right in the same store that received the watermelons, and when they can no longer be used, they are recycled to generate additional revenue for the retailer.

The new study is the fourth in a series of cost comparisons sponsored by the CPA and conducted by Heads Up Systems, Inc. (West Linn, Ore.). The research was conducted using Full Disclosure(SM), a sophisticated, activity-based cost-modeling tool to evaluate total annual costs for shipping watermelons 2,000 miles (approximately the distance from Red Bluff, Ariz., to Cincinnati, Ohio). Costs were examined for shipping in bulk bin corrugated (triple-wall, 800-pound capacity) and in injection-molded bulk bin RPCs (800-pound capacity with integrated pallets).

The comparative weight of each container - 112 pounds for RPCs versus 51.5 pounds for corrugated bins and wooden pallets - contributed significantly to \$1.5 million higher trucking costs for RPCs. According to the analysis, the retailer paid \$699,000 more, approximately \$6.34 more per container, to ship the watermelons in RPCs. But the grower inherits the heaviest burden in additional costs for RPCs, owing mainly to the \$14 per container bulk RPC rental cost (vs. \$8.30 per corrugated bin and pallet). Expanding corrugated's cost advantage even further, the pool operator's economics also provide significant insight: in this scenario, it is estimated that the pooler sustained a loss of more than \$1.2 million per year to operate this float of RPCs. Stakeholders should consider this reality in evaluating the package alternatives regarding how long the rental rate can be sustained.

"This study demonstrates a huge cost advantage for sticking with corrugated bulk bins to ship watermelons, and a caution to growers and retailers who might consider switching to bulk bin RPCs. Once more, for yet another commodity, and even more dramatically than ever before, scrupulous analysis of all the system costs for packaging and distribution proves that corrugated simply makes the most economic sense, as well as providing excellent protection and the merchandising power of high-end graphics," said Dwight Schmidt, Executive Director of the CPA.

For more information on the Arizona Watermelons and other Full Disclosure studies, including all of the

study parameters and cost comparison details, 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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Full Disclosure was developed by the American Forest & Paper Association (AF&PA) and the Fibre Box Association (FBA).