



Movin' on down the line

Tighter security borders mean bigger transportation headaches for the food supply chain

BY JACK KOHANE

Souping up his company's logistics for shipments crossing the Canada-U.S. border is a top priority for Kelly Johnston. Pointing to the hurdles at the 49th parallel, the vice-president of Government Affairs for the Campbell Soup Company headquartered in Camden, N.J. says, "There are increasing bottlenecks in moving products across borders, and it may not be long before gridlock sets in." In other words, it's not good news for food processors.

According to Johnston, customs authorities are singling out the food industry. "Particularly in meat cargos," he emphasizes. "And despite the recent spate of programs launched by the U.S. Department of Homeland Security to expedite freight crossing into the U.S., many food com-

panies can't reap the benefits of these programs."

Referring to the Free and Secure Trade (FAST) regulations now enforced at the borders (FAST is a joint Canada-U.S. initiative involving the Canada Border Services Agency and the United States Customs and Border Protection, intended to move pre-approved goods across the border quickly), Johnston says, "We're not in FAST because customs agents check and double-check meat and poultry products." This, he insists, subjects shipments to further delays, worsened by infrastructure constraints. There are also continuing staffing shortfalls in replacing inspectors who have departed as a result of the integration of the Animal Plant Health Inspection Service into the Department of Homeland Security. According to

Johnston, some wait times for clearing food shipments by truck have grown from hours to days. Johnston is optimistic though, and believes that means can be found to avert impending border logjams. “As an industry we must work to prioritize food shipments, and to view food distribution in continental rather than national terms.”

In an effort to do just that, Johnston has teamed with the Canadian American Business Council (CABC), a non-profit, pro-NAFTA organization based in Washington, D.C. The organization comprises about 100 companies, including Canadian National Railway, Wal-Mart and Wendy’s International. CABC-backed legislation was recently introduced by Congress to launch a pilot program of expedited inspection away from U.S. entry points as a means of speeding up trade at ports. “Although truckloads are sealed at the factory, customs agents must still break these seals to inspect the cargo,” says Maryscott Greenwood, CABC’s executive director. “Customers at the end of the supply chain may be hesitant about receiving goods with broken seals, afraid the shipment could have been tampered with *en route*. But there’s light at the end of the tunnel. Teaming with governments on agreements to mitigate logistical snags, private enterprise is ready to help move things along. Everyone is talking about the issues – that’s the positive sign.”

Vancouver-based Leading Brands Group of Companies is a co-packer for international beverage companies (including TrueBlue, TREK and Country Harvest), with bottling plants in Richmond, B.C. and Edmonton, Alta. Because the company ships its waters across Canada and

cles, especially as most of Leading Brands’ major U.S. retail customers operate on just-in-time inventory, with precise delivery dates written into purchase orders. Crossing borders under the myriad new regulations, says Mockford, makes it difficult to meet narrow delivery schedules. “FAST doesn’t work for us as we don’t run our own fleet, and we’re not yet in C-TPAT [Customs-Trade Partnership Against Terrorism, a voluntary government-business supply chain security initiative] as it requires a ‘chain of security’ involving carriers, consolidators, licensed customs brokers, as well as manufacturers. This is complex to administer and expensive to implement.”

Eric Haak, vice-president of Operations for Sunrise Bakery, agrees. The company’s Bavarian kettle doughnuts, cinnamon buns and angel food cakes are shipped frozen from its 40,000-sq.-ft. bakery plant in Edmonton to destinations across Canada and the U.S. “We ship full truckloads to the U.S. two to three times a week, and as we are in the FAST and C-TPAT programs, we haven’t encountered undue shipping problems – yet,” he says. “Delays do occur, but by being proactive in accordance with evolving security regulations, and by working closely with our carriers and U.S. distributors, we strive to ensure slowdowns are minimal and manageable.”

To confront the challenge of managing freight costs on the Canadian side, Sunrise Bakery is participating in the Edmonton-based Food Processors Logistics Research Council (FPLRC), a consortium of food processing companies that have combined their buying power and interlaced their delivery schedules to reduce transportation

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into the U.S., the new regulations are having significant impacts on its North America-wide logistics strategy. “Beverages are very expensive to transport,” says Robert Mockford, vice-president of Operations, adding that his trucks can only be pallet-filled to about 66 per cent capacity due to highway truck-weight limitations. “Factor in rising labour and fuel costs, and this translates into huge per delivery overheads. Because beverages are price-sensitive, we can’t simply pass expenses along to our retail customers. We have to absorb much of it, and find other avenues to cut costs.”

Although Mockford supports border security, the mounting reams of paperwork and growing scrutiny of shipments entering the U.S. pose soaring logistical obsta-

cles. Since its inception last year, the FPLRC has achieved an estimated 37-per-cent reduction in direct freight costs. The Council is currently co-ordinating full-scale consolidation between Edmonton and major centres to reduce the cost to market for small- to medium-size (SMEs) food processors, and plans include expanding the program to Calgary-area food processors. “We’re enhancing our collective appeal to major Canadian and U.S. markets, which may perceive Edmonton as being too far geographically from its customers,” says Haak. “To overcome the distance issue, we decided that rather than compete on our own it makes better business sense for us to work together as a region. In the food industry we’re competing against the world, not each other.”

The FPLRC is also spearheading “The Freight Consolidation and Secure Supply Chain Initiative,” a study designed to gain a better understanding of the opportunities available to regional processors and manufacturers through a fully integrated, intermodal warehousing and distribution centre. In addition, it looks at the feasibility of developing a regional, multi-modal freight consolidation centre to facilitate market reach for SMEs located within the Greater Edmonton Region. Looking to capture more of the Ontario market, the FPLRC is also working on ways to pare shipping expenses to reach that province. “Creative ways to trim transportation costs are part of the solution,” explains Haak. “Tough logistical issues aren’t going away – it’s up to us to tackle them head-on or sink.”

In Ontario there’s also gathering momentum for new ways to meet the food industry’s logistical challenges through the country’s busiest and most congested transportation corridor. Once referred to as a “quirky little railway,” the Guelph Junction Railway (GJR) is engineering the idea of building the first rail transit terminal in North America dedicated solely to moving food. “The terminal would get food trucks off overcrowded highways and eliminate some of the circuitous routes taken by rail cars

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crossing the Canada-U.S. border,” says Tom Sagaskie, GJR’s general manager. “The terminal would be certified to meet all 570 government food regulations.”

Receiving \$250,000 from Transport Canada to study the proposed agrifood railyard, Sagaskie notes that, “From the GJR (which has about 40 km of track between Guelph and Campbellville, Ont.), food processors can access 220 other intermodal sites and 95 per cent of North American markets.” Several

food companies have already told Sagaskie they would use the terminal. The GJR is proposing a 95-acre food-grade rail facility on a new site rather than using former rail stations because, according to Sagaskie, “They tend to be contaminated and cannot be used for food.” The terminal facilities will also skirt land designated as environmentally sensitive. Once approved, it will take a further two years to construct the terminal.

There are only three federally chartered railways in Canada: Canadian Pacific (CP), Canadian National (CN) and the Guelph Junction Railway. When railways were built several miles separated them, but the GJR connects both to CN and CP (by comparison, other small railways in Canada are either owned by the big two or licensed provincially). “The Class 1 railways don’t like to deal with each other, but they will deal with me,” says Sagaskie. He also believes that in the event of long-term U.S. border lockdowns due to terrorist attacks or pandemics, rail remains the most reliable mode of moving food. Recalling that during the 9/11 crisis, although air flights and travel by land crossing into the U.S. were suspended, “Rail cars continued to be allowed to cross,” says Sagaskie.

Phil Dick of the Ontario Ministry of Agriculture, Food and Rural Affairs’ Food Industry Competitiveness Branch, prefers to comment on the known rather than on the perceived risks. “In a perfect world we’d like to see continued growth in the food sector, the maintenance of our standard of living, and a reduction of our impact on the environment – not mutually exclusive ideals,” he says. “A more balanced approach to a better multi-modal mix will not only reduce our risk to crises, but would allow us to do more with a diminishing resource as baby boomers exit all the employment sectors, including the trucking industry. Will we ever replace long and medium-haul trucking? It’s unlikely – some things just have to move by truck.”

Regardless of the approach it takes, a logistics plan that can adapt to rapid, sometimes unforeseen changes in supply chain dynamics is critical for today’s food processors in getting products to market. “But a company can’t do this in isolation,” cautions Mockford. “Food processors must network with one another to surmount our shared transportation problems. Communication is key. After all, we’re all in this together.” □

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