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Brexit shocks hit EU-Canada trade deal as new hurdles emerge

The European Union put its landmark free-trade accord with Canada on a slow track for approval, increasing the risk of a veto amid an anti-globalization backlash across Europe.

The European Commission, the EU's executive arm, proposed that its first trade agreement with a fellow member of the Group of Seven leading industrialized countries face ratification by national parliaments in the 28-member bloc. This marks a retreat from an initial goal to require backing only by governments and the European Parliament.

The decision follows last month's U.K. vote to leave the EU and warnings against bypassing lawmakers by countries such as Austria that underscore popular disenchantment with supranational decision-making. The reversal, which goes against the commission's own legal opinion, also signals a longer and bumpier road for the planned EU-U.S. trade agreement for which the Canada pact is a model.

"We call upon the member states, who have all asked for this agreement, who have all welcomed it, to also show the leadership to defend it vis-a-vis their parliaments and their citizens," European Trade Commissioner Cecilia Malmstroem told reporters in Strasbourg, France. "This is a really good agreement."

The accord would boost EU economic output by about 12 billion euros ($13 billion) a year and increase EU-Canadian trade by about a quarter, according to EU estimates. As recently as February, the two sides envisaged that the Comprehensive Economic and Trade Agreement, or CETA, would take effect in 2017.

Beyond lengthening the approval process, the ratification route through national and even some regional parliaments hands any one of them veto power. Malmstroem said she wants the deal to apply provisionally before ratifications are completed.

Merkel Reacts

German Chancellor Angela Merkel, a Christian Democrat whose Social Democratic coalition partner criticized the commission's original stance on CETA, signaled support for a stronger national role in ratification.

"Requiring national parliaments to vote on free-trade agreements isn't a novelty," Merkel told reporters in Berlin.

The political pitfalls risk undermining the credibility of the EU as it sidesteps stalled World Trade Organization efforts to open markets by seeking commerce deals with individual countries or groups of nations. Negotiations on the EU-Canada agreement, the bloc's most ambitious to date, began in 2009.

The accord would end 98 percent of tariffs on goods traded from the outset and 99 percent after seven years. Each side would dismantle all industrial tariffs and more than 90 percent of agricultural duties. Markets for services and public procurement would also be opened.

European Skeptics

In an effort to win over European skeptics, the two sides amended the deal after it was struck in 2014 to scale back protection for foreign investors. The provisions on so-called Investor-State Dispute Settlement are also being inserted into a draft EU-Vietnam trade pact completed last year and will be the model for treatment of foreign investors in the planned EU-U.S. deal, the TTIP.

Latin America bucks protectionist trend driven by Brexit, Trump

While the U.K.'s decision to abandon the European Union and the rise of Donald Trump in the U.S. are threatening to unravel decades of integration and globalization in the developed world, politicians from Mexico on south are opening their economies to more foreign investment and trade.

Presidents from the Pacific Alliance trade bloc, composed of Chile, Colombia, Mexico and Peru, recently met in southern Chile to discuss financial services, innovation and cross-border investment in the market of 220 million people. Argentina's President Mauricio Macri also attended for the first time as an observer, after saying he wanted to improve collaboration with the bloc.

"Just as Europe discusses disintegration, we are discussing integration," Chile's Finance Minister Rodrigo Valdes said ahead of the meeting this week. "I think this is very important as a sign of unity."

The Pacific Alliance, which eliminated tariffs on 92 percent of goods this year, must now move to free up trade in services, Valdes said while his Colombian counterpart Mauricio Cardenas called for a common financial market. Nations outside the pro-trade Pacific Alliance in the region are also moving toward greater openness: Brazil is seeking to grant more private-sector and foreign ownership in the oil, aviation and farming industries, while

*(**TREND** – continued on page 17)*

Lufthansa sees air freight yields in 'landslide' drop on glut

"At the moment we have great problems in air freight, in Germany as well as across Europe," Peter Gerber, who heads Lufthansa's cargo operations, said at a briefing in Frankfurt.

"Global growth has slowed, and global trade no longer grows faster than economic activity. Persian Gulf carriers keep adding capacity although it does not pay off, and capacity growth currently is three times greater than demand growth."

Lufthansa is restructuring freight operations, cutting as many as 800 jobs in an effort to reduce costs by 80 million euros ($89 million) a year. The efforts follow two consecutive quarters of operating losses at the cargo unit, the first time that has happened since the collapse of Lehman Brothers in 2009. Declines in average per-kilogram prices for air freight have been accelerating and now amount to a drop of 15 percent to 20 percent, Gerber said.

The Lufthansa plans to offer new services including air freight shipments for private consumers, and enter into more partnerships like the ones it has with ANA Holdings Inc. and United Airlines, Gerber said. Lufthansa is also speaking with large air-freight customers including Amazon.com Inc. and Alibaba Group Holding Ltd about possibly serving them directly, instead of the current practice of doing most business with them through forwarding agents," Gerber said.

EU at the crossroads

Now that "The Exit" is done and a new relationship between the United Kingdom and Europe is being mapped: What of the EU itself? The much-ballyhooed concept of a closer EU played poorly in the UK referendum. Nonetheless, this concept of "more" integration of the EU is creating a schism within the union. Which road to choose is a debate that could have global consequences.

By George Lauriat, AJOT

On the morning of the 24th of June when the announcement came that Britain would leave the European Union, it was unclear who was more shocked, the United Kingdom's own Prime Minister David Cameron or Germany's Chancellor Angela Merkel. Both leaders in the lead up to the referendum sincerely believed there was little chance of the UK leaving the Union but were keenly aware of the schism developing between those seeking closer integration between EU members and those (like Chancellor Merkel and PM Cameron) believing that the Brussels based-Eurocracy was suffocating enough.

There are decidedly two different visions of Europe and the European Union. Many in the EU, especially in France, Belgium, Italy and surprisingly Greece, envision an integrated more homogenous "Europe" which through its economic, political, military and even cultural clout can leverage (and more so, is entitled to) a greater role of leadership in world affairs. George Papandreou, the former Prime Minister of Greece (2009-11), perhaps framed the "more" argument best by saying, "We [EU] have to become more a United States of Europe."

This idea of a "more" united Europe hasn't played out as well as Brussels might have imagined. First it was the re-emergence of Putin's new Russia and the Ukraine adventure. More recently, it has been the region wide failures to address the terrorist threat from Isis and the ongoing refugee crisis.

In retrospect, it is a genuine question whether the UK would have voted to exit the EU had there been no refugee crisis?

In the post-Brexit EU, Chancellor Merkel, now finds herself as the primary opposition leader to the President of the European Commission (EC), Jean-Claude Juncker, a life-long Luxembourg politician and leading proponent of "closer" Europe. In many

*(**CROSSROADS** – continued on page 7)*

From Across the Pond: The Exit

Brexit Over and Exit Strategy begins

By George Lauriat, AJOT

Early Friday morning (24-June) the U.S. awoke to the results of Britain's historic vote to leave the European Union. On the western shores of "The Pond" the controversial referendum was often buried in the electric ether of the U.S. Presidential campaign or more exciting issues like keeping up with another generation of Kardashians. However, with the "shocking decision" (an expression used by at least a dozen U.S. news reporters) "The Exit" is *today's* news.

Special Relationship. While most of the U.S. was ambivalent to the lead up to the referendum, on the East Coast, where the expression "I'm transatlantic" often means having

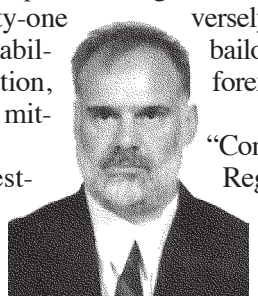
*(**EXIT** – continued on page 6)*

Early fallout from Brexit

While it is too early to know the extent of the economic fallout of the Brexit, the first returns are coming in and show some unexpected consequences.

By George Lauriat, AJOT

Less than a week after the United Kingdom's referendum vote went in favor of leaving the European Union (EU), the £ (pound) plummeted to $1.30, the lowest in thirty-one years. As in many divorces, the creditability of both sides was thrown into question, and the Euro also slumped, somewhat mitigating the sterling's loss of luster.



There are reports of property investment (reportedly, six property funds stopped trading post Brexit) – and investment in general, already seeking alternatives to the City (City of London). Commercial property investment is seen to be most vulnerable at this moment.

What's harder to gauge, so close to the historical vote, is the collateral far afield and long-term impacts.

The first is simply the economic loss or gain for both the UK and Europe. Depending on the economists, there are so very widely differing views on the immediate economic and financial futures of both parties in the divorce. Many economists are predicting that the Eurozone will slump into a recession over the next 20 plus months. The zone has already been flirting with a mini-recession, as GDP growth has been minimal.

But the Brexit and up coming negotiations has thrown a bucket full of uncertainty over the region, dampening whatever inherent growth might be in the system. The "uncertainty" factor looms large, as it is the bane of financial markets. There is already an erosion of foreign investments, but how it plays out over the next ten or twelve months, may tell a different story.

Others believe that a lower Euro (and indeed lower £) will make exports more competitive in global markets (although the converse is true for imports). Within Europe, the UK is a market that rational participants in the EU economy do not want to lose because a nasty divorce trumps trade, and the chances of the contagion undercutting an already shaky EU economy is worth avoiding.

A level of EU underperformance from emerging or stressed economies has always been a feature of the "single market" and the Euro.

In Germany's case, it has long been argued that the underperforming "south" Euro-nations have actually helped German exports by depressing the Euro's exchange rate thus enabling the goods to be competitive in global markets. Conversely, many Germans would argue that the bailouts (such as Greece) far outweigh the forex advantages.

In a presentation in Chicago at SMC3's "Connections" Dr. Donald Ratajczak, the Regents professor emeritus of economics at Georgia State University, suggested that the impact on the two main "safe-haven" currencies, the US$ and Japanese ¥ (yen), could widely differ. For example, in Japan, the flight of Brexit capital drove up the value of the ¥ against the dollar. For Japan, this increases the value of their exports making them less competitive with say US exports. Essentially, it increases the value of goods without a commensurate increase in productivity. With autos and other consumer goods, if the currency situation was to persist for any length of time, a switch to moving production to areas less costly and closer to markets could result in major production cutbacks. In the short term, Ratajczak is forecasting a downturn in Japan and flat growth over next two years because of Brexit.

Ironically, one of the winners from the Brexit fallout might be Mexico. The shift in production of vehicles to Mexico could accelerate – even given significant problems with corruption and infrastructure – as auto manufacturers move closer to the American markets.

The case of the US is different. Ratajczak and other economists believe there will be some damage to the US economy but nowhere near the injury expected in other markets. For example, Ratajczak expects the US GDP to grow 2.5% in the second and third quarters, and between 2.25%-2.5% in the fourth quarter. He initially forecast 3% GDP growth in the third quarter, but with Brexit vote cut the forecast by 0.5%. The rise in the US dollar against both the pound and Euro will also hurt exports to Europe – although conversely imports could pick up. It's a little less clear how US exports to Asia will be impacted. While it has been forecasted that a pick up in China could be soon (there was a slight increase in first quarter GDP growth), it's yet to manifest itself.

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European Commission proposes signature and conclusion of EU-Canada trade deal

The European Commission has formally proposed to the Council of the EU the signature and conclusion of a free trade agreement between the EU and Canada, known as the Comprehensive Economic and Trade Agreement, or CETA.

The deal is set to benefit people and businesses – big and small – across Europe as of the first day of its implementation. To allow for a swift signature and provisional application, so that the expected benefits are reaped without unnecessary delay, the Commission has decided to propose CETA as 'mixed' agreement. This is without prejudice to its legal view, as expressed in a case currently being examined by the European Court of Justice concerning the trade deal reached between the EU and Singapore. With this step, the Commission makes its contribution for the deal to be signed during the next EU-Canada Summit, in October.

President Jean-Claude Juncker said: "The trade agreement between the EU and Canada is our best and most progressive trade agreement and I want it to enter into force as soon as possible. It provides new opportunities for European companies, while promoting our high standards for the benefit of our citizens. I have looked at the legal arguments and I have listened to Heads of State or Government and to national Parliaments. Now it is time to deliver. The credibility of Europe's trade policy is at stake."

EU Trade Commissioner Cecilia Malmström added: "The agreement reached with Canada is a milestone in European trade policy. It is the most ambitious trade agreement that the EU has ever concluded and will deepen our longstanding relations with Canada. It will help to generate much-needed growth and jobs while fully upholding Europe's high standards in areas like food safety, environmental protection and people's rights at work. This is what our trade policy is all about. I now hope that the deal with Canada can be signed, provisionally applied and concluded quickly, to the benefit of consumers, workers, and entrepreneurs – this is an agreement that Europe needs. Meanwhile, the open

*(**CONCLUSION** – continued on page 6)*

(*EXIT – continued from page 2*)
closer relations with bag checkers at JFK or Heathrow than family members, the debate between remaining and exiting was a keen topic of discussion. Like the U.K. itself, those with closer links to the City (City of London) tended to support remaining in the EU, while those whose interests were farther afield, leaned towards exiting the Union. In either camp, the sense of a "Special Relationship" as Prime Minister Winston Churchill described (although he was not the first to coin the phrase) the ties between the U.S. and Great Britain… and the rest of the English-speaking world, remains a cornerstone to the future of both nations.

Speaking of Churchill quotes, the iconic figure of modern British politics was exploited by both sides during the campaigning up to the Brexit with pithy quotes of varying degrees of accuracy.

President Barack Obama, who was firmly on the "remain" side of the question, came out post-Exit to say the U.S. respects the Brexit vote and that the "Special Relationship [between the U.S. and Britain] is enduring," which is more to say than U.K. Prime Minister David Cameron's announcement that he will be "exiting" the office of Prime Minister in due course.

What that "Special Relationship" means and has meant, is difficult to assess. Ironically, President Obama has been accused (mostly in the U.K. press) of not supporting the "Special Relationship" but in all fairness, that allegation would not hold up in the hands of any solicitor worth his wig. Like the markets, the political repartee of the moment is rarely a fair judge of a long-term trend.

The U.K. is unequivocally a major trade partner, generally around seventh overall, and a critical source of direct and indirect foreign trade investment. Further, the U.K. is a "trade ally" in many of the larger international trade issues. This role as chief ally in trade has become very important as the world divides into greater regional trade pacts with competing global interests.

It is perhaps in this role as trade ally that The Exit will have the most impact. Obama and other U.S politicians have viewed Britain's participation in the EU as a sort of backdoor into the labyrinth of byzantine Brussels. For many in business (the U.S. is not alone in this view) the EU's regulatory structure requires a sort of pathfinder or pilot and the City of London fulfills the role admirably. But without being an insider, can London and indeed the U.K still be an insider?

Exit Strategy?

For the U.K. the real work, and indeed the reality of going it alone, begins now. PM Cameron has said he'll stay on for a while, to see the dust settle.

How Ryanair (which released a million tickets for sale at £9.99 apiece) works or the Eurostar Chunnell or any number of day-to-day euro-entanglements are untangled and separated is going to take time – two years or more is the guesstimate experts are bandying about. Other than Greenland, this represents the only defection and the rules of the EU exit are complicated.

Euro-economists are also united in their belief the British economy will take a hit, the £ will tank and other unpleasantness will prevail falling over the isles like a new dark age.

Certainly there are issues. Will Scotland (contrary to U.S. presidential nominee Donald Trump's teed up assessment) use this as its own version of an Exit Strategy? Lower energy prices not to mention European markets pushed Scotland into the "Remain" camp in the EU referendum - all bets are off if another referendum to leave the United Kingdom is placed on the docket. Ditto for Northern Ireland.

There is also the issue of FTA (Free Trade Agreements). Many of the FTAs came within the context of EU collective clout. Renegotiating these FTAs without the EU umbrella may not be as favorable.

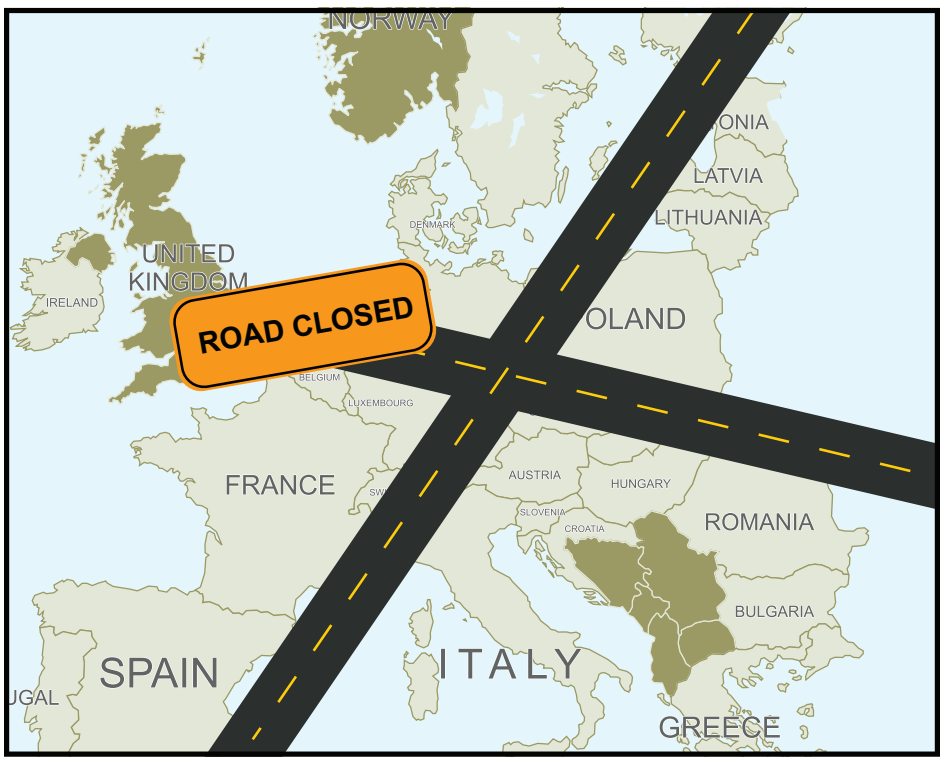
And Europe. How does the Berlin-Paris-Brussels nexus reply to the first major EU defector? This is not Greece, who may have inadvertently laid the groundwork for the Brexit with their own Euro-rebellion, but rather a global power central to Europe's world-view. It has been suggested that it is like the U.S. losing Texas. It's much more - there simply is no North American equivalent. For sometime it has been quipped that 'Northern Europe cuts the checks and Southern Europe cashes them'. This is a real gut check for Germany and France, who've orchestrated the notion of an "even closer union" while challenges from Russia (Putin was hoping Britain would leave the EU) and migration issues remain unanswered with no end in sight.

The idea of an illegal immigrant walking through the Chunnell (which happened) and having a pint on the other end didn't go down well with the referendum voters. Still it's worth remembering that this was a very narrow victory for exiting the EU and the issues between London and the rest, not to mention Scotland, will have a profound influence on whatever happens next with The Exit. Indeed a new government will be in place in *both* the U.K and the U.S. soon and the real concerns of The Exit and the *Special Relationship* will come to the fore. *This blog appeared in www.ajot.com on 24-June*.

(*CONCLUSION – continued from page 4*)
issue of competence for such trade agreements will be for the European Court of Justice to clarify, in the near future. From a strict legal standpoint, the Commission considers this agreement to fall under exclusive EU competence. However, the political situation in the Council is clear, and we understand the need for proposing it as a 'mixed' agreement, in order to allow for a speedy signature."

After receiving the green light from the Council and the consent of the European Parliament it will be possible to provisionally apply the agreement. From day one, CETA will scrap almost all customs duties, saving EU firms hundreds of millions of euros a year in duty payments, thus also benefitting European consumers directly, by reducing prices and increasing choice of products imported from Canada.

It will boost trade in services, create new market access and provide better access for European suppliers of services in which EU companies are world leaders, ranging from maritime services, telecoms, and engineering to environmental services and accountancy.



(*CROSSROADS – continued from page 2*)
respects, it is a collision of both substance and style, representing the real division in the EU.

When UK Prime Minister Cameron was negotiating last February for concessions to help bolster the "Remain" side, he did so with the Juncker's EC - a commission whose composition has been often described as Eurocrats or EU-theologians or worse. Essentially, Cameron was negotiating for concessions or "wins" with the very parties that were more than happy to show both Cameron and the U.K. the door out of the EU.

Since the U.K. referendum vote there have been calls for Juncker to resign (reportedly by the Czech and Polish foreign ministers). While some of the dissatisfaction with Juncker and the Eurocrats in Brussels is to be expected, there is little doubt Juncker and the EC are squarely in the crosshairs of Merkel. In short, the German Chancellor is trying to cut out Juncker and the Eurocrats from the negotiations with the UK.

This is critical to an amicable parting of the EU and UK, which in turn is key to readdressing the economic fallout associated with the referendum.

Merkel wants the negotiations of separation in the European Council, which is composed of the 27 heads of government, rather than the European Commission, composed largely of Brussels-based political appointees. And it is likely Merkel will get her way, as a coalition of nations such as Poland and other Baltic states are aligning behind Germany.

European Commission
Jean-Claude Juncker

The Road to Bratislava

The Slovakian city of Bratislava is around 740-miles from Brussels with the majority of the pan-European route in Germany. On September 16th the members of the European Union will meet in Bratislava to discuss the UK's departure from the EU and attempt to devise the terms of disengagement – if not for the UK, at least for themselves. With Brussels far in the rear view mirror, the chances of a German led coalition setting the ground-rules for an amicable separation with the U.K. is plausible. But it is worth taking into account that France and Italy and others have resented (tinged with some envy) the UK's euro-exceptionalism – for example, retaining the £ (Pound) and other factors. Both countries believe (whether rational or not) that they would be the benefactors of financial services leaving the City of London (It is worth noting that among financial pundits, a migration of services to the Middle East and Asia or even Berlin seems more likely).

In any case, the U.K.'s departure from the EU represents a road not travelled and now they are compelled to map out an acceptable exit strategy. From Germany's point of view, most of the trade issues can be resolved without "punishing" the UK for the decision to leave (covered under Article 50 of the Lisbon Treaty). One idea that has been bandied about in the German press is an "Associate Membership" for the U.K.

However, it is unlikely that even Germany would sign off on a deal to open the "single market" to the U.K. without the UK agreeing to the "free movement" of people – the very issue that fueled The Exit in the first place.

The Associate Membership idea also has merit from the UK's perspective. With Scotland and Northern Ireland both on the losing side of voting to remain in the EU, the potential for an un-United Kingdom is frighteningly possible. Although there is no guarantee, for example, that an independent Scotland would be welcomed into the EU with open arms.

The UK's geo-political role as the EU's insider-outsider would likely remain intact. This is important for NATO and other international organizations. In trade pact terms, negotiations like the TTIP (Trans Atlantic Trade and Investment Partnership) or TFTA (Trans Atlantic Free Trade Area) without the UK's presence in the EU have a new layer of complication.

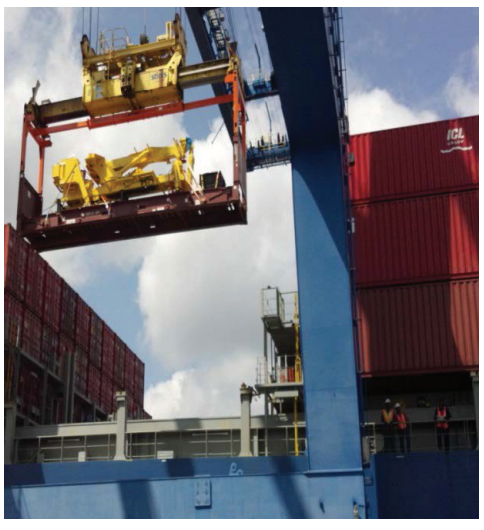
In the case of the US and its "Special Relationship" with the UK, having a voice, or at least a whisper into an ear, in Brussels is invaluable *(see article on page 2)*.

Crossroads

Juncker once said, "It is not acceptable that the European Union countries are divided into those who give and those who take." Many citizens of Germany and the UK remain unsure of exactly what Juncker meant. Who specifically is doing the giving and the taking?

It's fair to remember, the EU was first and foremost an economic and trading agreement. The goals were to create a trading bloc to be able to

(*CROSSROADS – continued on page 16*)



Cold chain heats up in China

There is a demand for temperature-controlled product in China. But before fresh food enters the supply chain, there is a pressing need to build a first class "cold chain".

By Matt Miller, AJOT

As its middle class expands and appetites grow, China will source more and more of its fresh food globally in the years ahead, and that offers immense commercial possibilities for producers around the world, as well as for importers and distributors. China's food industry also wants to beef up its fresh food exports and national distribution, as it attempts to modernize and bolster safety procedures and growing methods.

However, there's one major element that holds back perishable food-related commerce: China's cold chain needs serious strengthening.

"The growth in consumption of perishable food in China will only continue if supply chains deliver on quality and safety," wrote Paul Bosch, food and agribusiness research analyst at Rabobank, in a recent report. "To a large extent this depends on the proper cooling of products during storage handling and transport."

This doesn't just mean building new cold storage facilities and adding fleets of refrigerated trucks, although both are desperately needed. Cold storage operations are highly fragmented. Many existing cold storage facilities are substandard and improperly run; some deceive customers as to capabilities, including discreet temperature capabilities. Drivers often lack training in how to properly transport refrigerated goods and many times carry them in vehicles that have seen better days.

""There's a lack of understanding how to operate what they do have," said Bosch in an interview. "They don't use assets the right way."

Some food is handled more efficiently than others. Logistics providers in China have years of experience in frozen food such as seafood, for example. Local seafood producer and trader Zhangzidao Group, also known as Zoneco, began building up its own cold storage division several years back.

Ice Cream Factor

Ice cream and yogurt have become models of proper distribution as well. "It's a very advanced and very efficient supply chain," said Clement Lam, director and manager, Swire Pacific Cold Storage Ltd., which is mounting China's most ambitious cold storage facilities building program. *(See table on page 17)*.

Fresh produce is proving especially difficult to carry and store properly, Bosch said.

In China, most fresh food is consumed close to where it is produced. The country's wet markets still provide consumers with the vast bulk of meat, seafood, fruits and vegetables.

Fresh food that is transported longer distances often falls prey to China's complex distribution system, which is provincial-based. China's wholesalers have resisted paying for efficient temperature controlled transport and

*(**HEATS** – continued on page 9)*

Refrigerated container racking system at the Port of New Orleans' Napoleon Avenue Container Terminal

Swire's cool moves in China

By Matt Miller, AJOT

The venerable Hong Kong conglomerate Swire Group has mounted probably China's single-most ambitious cold chain-related project, a $450 million investment in eight cold storage facilities around the country.

"We are building the best in class, comparable to any in the world," said Clement Lam, director and manager, Swire Pacific Cold Storage Ltd. China, in a telephone interview.

Swire, best known as the owner of Cathay Pacific, is one of the world's leading cold storage operators. It owns United States Cold Storage, with 36 facilities around the US, totaling nearly one million pallet positions, as well as operations in Australia, Sri Lanka, Vietnam and Hong Kong.

In China, Swire began with a cold storage joint venture in Guangzhou in 2008. It mounted its own building campaign two years later, also in Guangzhou. Swire has since opened four more facilities: Nanjing, Ningbo, Langfang, in Hebei province, and Shanghai. Two more are being built in Chengdu and Xiamen, with scheduled openings during the first quarter of 2017. An eighth facility is set for Wuhan, where Swire is now negotiating with the government for land.

The building program is not only costly, but drags down group profitability. In 2015, Swire Pacific Cold Storage lost HK$102 million ($13.15 million), which the company attributed to both operating losses in all but the Guangzhou facility, and development costs.

Lam termed the facilities expensive to build but "actually very efficient in terms of operating costs."

Swire builds and operates its facilities to insure integrity and standards, Lam said. The China facilities range in size from about 50,000 pallet positions to 80,000. Each offers multiple temperature-controlled chambers. Like facilities being built in Europe and the US, Swire's cold storage warehouses emphasize sophisticated IT systems for multiple tasks: monitoring, tracking, handling, inventory and order management and climate and energy control. The one-year-old Ningbo facility, for example, has 70,000 pallet positions in two warehouses, offering 24 separate temperature chambers and state-of-the-art IT.

Swire Cold Storage customers read like a who's who of food and beverage: Dairy Queen, Mission Foods, Coca-Cola, Yum Foods, Cargill, Nestle. That's not surprising given the exacting handling and quality assurance standards these global players demand. However, while most of its customers are multinationals, Swire has been able to attract some local producers as well. Lam said Swire is negotiating not only with other international companies for more business, but also Chinese supermarket chains, for example. Swire is looking for a mix of customers, with different price points and yields. And Lam believes as China's own emphasis on food safety gains ground, more local customers will opt for Swire's operations.

According to Swire's annual report, at the end of 2015, business in Shanghai, Hebei and Ningbo is growing, but still ranged between 31% and 40%.

"We are here for the long

*(**COOL** – continued on page 16)*

*(**HEATS** – continued from page 8)*

storage.

"How wholesalers manage products is the main reason for substandard cold chain," said Lam.

As Lam explained, under this system, producers and even importers lose control of their produce and the way it is handled once it leaves the farm, plant or port gate.

The impact of China's weak cold chain is dramatic. Each year, millions of tons of food spoil in China because of transport-related deficiencies, wasting billions of dollars. Food-related diseases remain a major health hazard in China, striking tens of millions annually.

On the other hand, as they gain buying power, more and more Chinese consumers are demanding fresher and safer food. Dairy and meat consumption continues to grow and consumer tastes broaden. China, for example, is now the world's biggest consumer of ice cream.

The wealthier consumer is helping to propel state-of-art supermarkets and, increasingly, online fresh food delivery, both reliant on efficient and modern cold storage.

More sophisticated tastes and an emphasis on safety and freshness also work to drive demand for imported food products, which, of course, rely on a well-oiled cold chain as well.

The government is getting into the act and that is critical, Lam and others believe. Under new food safety regulations, promulgated in October last year, product traceability is being strengthened. Food product companies become liable for their products and can be saddled with recalls.

These new regulations mean the role of distributors will likely change, Lam said. While wholesalers will continue to market products, the actual transport and storage will become the domain of the producers and importers.

Fruit & Produce Demand

"They are taking back some control," said Lam.

There's evidence some of this is already underway. In May, for example, JD.com, China's second largest e-tailer, opened a Tianjin cold storage facility in a joint venture with Zhengming Logistics, a China-based 3PL. This follows a $70 million investment last year by JD in online retailer FruitDay, which offers fresh imported produce directly to more than 10 million consumers.

"Chinese consumers associate imported fruit and vegetables with safety and quality,

*(**HEATS** – continued on page 15)*

Tyson Food Inc.'s Perry Bourne uses an infrared device to verify the temperature of a chilled meat shipment to ensure it meets company quality assurance standards.

Tyson's Bourne keeps poultry in motion and more for major US meat exporter

One might be tempted to describe the job of Tyson Foods Inc.'s Perry Bourne as poultry in motion.

As Dakota Dunes, S.D.-based director of international transportation and rail operations for Springdale, Ark.-headquartered Tyson, Bourne is charged with maintaining the flow of poultry, beef, pork and value-added branded items for the second-largest U.S. exporter of temperature-controlled proteins in a global marketplace spanning more than 100 countries.

Industry Profile

By Paul Scott Abbott, AJOT

Bourne also is active with the Agriculture Transportation Coalition, including recently testifying on Capitol Hill on the impending verified gross weight mandate, and finds time to promote type 1 diabetes research, collect antique firearms and even go on an African safari.

In an interview with the *American Journal of Transportation*, Bourne discusses addressing industry challenges and offers a glimpse into his personal passions.

What specific challenges do you face in shipment of temperature-controlled cargos, and how are you making such transport safer and more efficient?

Certainly, the move of temperature-controlled cargo has its own set of unique opportunities.

In our business, we've got a full complement of protein products – the beef, pork, poultry and, now more than ever, our branded products, with the [2014] acquisition of The Hillshire Brands Co.

For export, it's a mix of frozen and chilled. For the domestic, the majority is chilled and has to be shipped in a pretty tight range, because, as we're all concerned with food safety, a couple of the biggest enemies of any perishable product are temperature abuse, as well as transit time and distance traveled.

It's very crucial that we contract with carriers that have good equipment, current models, and good maintenance, because we as a company are very conscious of getting our products to market in very good condition. Food safety is a very big issue for us. It's just the right thing to do.

We have to deal with a wide range of ambient temperatures, from well below zero to 100 degrees-plus, and certainly refrigerated trucking here in the U.S. is a bit challenging in trying to deal with all those ambient areas. Meat freezes at 28 degrees Fahrenheit, so we're shipping a tight range, in the 30 degrees Fahrenheit range, as we want to maintain that shelf life for our customers.

What supply chain changes do you see occurring as a result of increasing corn production in the Midwest and U.S. initiatives to heighten exports of agricultural products, including proteins?

We're in a much better situation here in 2016 and hopefully beyond with the improvement in corn production and the availability of cash grain crops throughout the country. It really plays a vital role in the producers raising the livestock, as well as the birds. I think corn is the No. 1 cost for poultry farmers, so it's a crucial piece.

Farmers can't raise the animals and we can't get them to the levels that we need without ample reasonably priced supplies of grain. Certainly, $8-a-bushel corn that we experienced a few years ago was really devastating for the marketplace. The loss through drought conditions was a huge problem for farmers and ranchers.

We've had back-to-back good years. Hopefully, we'll see that continue.

The better availability and cheaper corn prices [now $3.50 to $4 per bushel] allow a more reasonably priced finished product protein to enter the market and for more people to be able to afford it, and, most importantly, as we try to export that product overseas, that we're able to compete in the marketplace, where we're in competition with countries like Brazil and Australia.

With cheaper inputs that allow us to be more competitive with that commodity priced product in the world

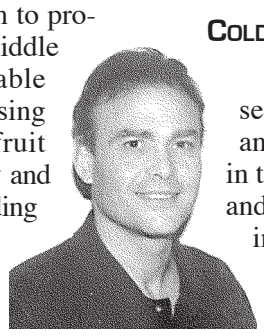
(***PROFILE*** *– continued on page 14)*

Demand for perishables in China is growing rapidly

To many, China is an untapped market for perishables, but upgrades to the country's cold supply chain are required to provide real opportunities to shippers.

By Peter Buxbaum, AJOT

China needs to improve its cold supply chain to provide a growing middle class with perishable food options. Increasing consumption of fruit and vegetables, dairy and meat in China, according to research from the Dutch agri-finance group Rabobank, "is being driven by continued economic growth and urbanization."



Although China's economic growth rate is slower and becoming more balanced, the country's economy is nonetheless expected to grow by six percent to seven percent annually in the coming years. That growth, the Rabobank research indicates, "will elevate a further 38 million households into the upper middle class." China's appetite for fruit and vegetables, dairy, and meat is expected to increase by 17 percent over the next decade.

The country's growing demand for fresh food offers huge opportunities for exporters of perishable foods, provided that China makes the required investments in transportation, storage, and distributions infrastructures, according to a Rabobank report. China's more affluent consumers are making fresh foods more common in the Chinese diet. As fresh food demand increases in China, food and agribusinesses are searching for improvements in food safety, quality, and more efficient paths to the Chinese consumer.

"Food safety remains one of the biggest concerns for the Chinese consumer," said Wilco Hendriks, CEO of Rabobank China. "China is improving its own food safety and security, reducing food waste, lowering healthcare costs and seeking better overall health improvements of the Chinese population. To meet the changing consumer needs, China is also looking at investments in the infrastructure and logistics of food transportation flows across domestic and international land routes instead of sea shipping lanes."

Europe and the Netherlands in particular are major suppliers of food and agricultural products to China. Increasing prosperity and China's growing demand for fresh food offers huge opportunities for imports from European food industry, but also require huge investments in cold chain infrastructure.

Cold Chain

China's cold chain sector is still lagging and needs to improve in terms of both quality and capacity. According to the Rabobank research, an estimated $85 billion is needed in the next ten years. Rabobank analyzed the building of China's new cold supply chains

*(**DEMAND** – continued on page 16)*

Pharmaceuticals, a growing segment of temperature controlled logistics

Peter Buxbaum, AJOT

Global pharmaceutical sales are forecast to reach $1.3 trillion in a couple of years, and, by 2018, emerging countries including China, India, Brazil, Russia, and Mexico are expected to account for nearly 50 percent of the growth in drug spending globally.

Pharmaceutical products are often temperature-sensitive and require controls applicable to other perishables.

These emerging markets present new opportunities for pharmaceuticals exporters. But the increased volumes of shipments and the growing diversity of their destinations, demand enhancements to cold chain infrastructure, services, and technologies.

Among recent developments in this area, Yusen Logistics announced the opening of a dedicated pharmaceuticals gateway at Amsterdam Schiphol Airport last year. This new operation marked the launch of the company's global pharma airfreight services.

The operation links Yusen Logistics' Antwerp import/export consolidation center and European central warehouse with its Schiphol operations, to form a multi-modal hub. Pharmaceuticals shippers are able to call for full or part-load consignments for movement by air, sea, or road.

Main destinations for Yusen Logistics' pharmaceutical airfreight shipments from Amsterdam include JFK, Sao Paulo, Toronto, Santiago de Chile, Japan, Korea, Manila, and Sydney. Products handled include prescription medicines, vaccines, antibiotics, biotechnologies, and healthcare equipment.

Miami International Airport has partnered with Brussels Airport to create an international pharmaceuticals air hub alliance. The alliance aims to build a network of airports dedicated to growing the global pharmaceuticals industry. Miami and Brussels are the first two airports in the world to be designated as pharmaceuticals freight hubs by the International

*(**SEGMENT** – continued on page 15)*

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(**PROFILE** – *continued from page 10*)
marketplace, we're all better off – farmers, ranchers, the ag community and consumers.

How are you engaged with the Agriculture Transportation Coalition, and what are your key objectives?

Tyson has been involved with AgTC for quite a few years. We got involved taking an active role in initiatives when there was a ship capacity problem on the West Coast. We were involved in some hearings in Washington with AgTC and the FMC [Federal Maritime Commission], and it's grown from there.

Most recently, I've been involved with AgTC over this SOLAS – Safety of Life at Sea – issue with shippers required to provide a verified gross mass on all containers. It's not a very complicated issue, but it's surprising how much time and effort it has consumed in the last six months in trying to get shippers and carriers to come together and come up with a reasonable solution before the July 1 implementation date.

The SOLAS VGM resolution seeks a very understandable goal to improve safety of life at sea by making sure that shippers worldwide are communicating effectively and accurately what they're shipping in containers.

That's been a responsibility of shippers for years, and certainly we support that as a company and as AgTC, but it's kind of gotten a little convoluted from a perspective of shippers also being required to also include in that verified gross mass the empty asset weight of the steel box that we load, which is information we don't have.

I've been involved with the AgTC working group that is trying to come up with some workable solution so we can get on with life.

The sad part is I'm not aware of any U.S. exporter that doesn't already supply the intended information, which is accurately telling the carrier what you put in the container. That's a very reasonable thing. That's a requirement as far as I'm concerned.

We, as a company at Tyson, are very, very concerned about safety. That's a crucial part of our culture. We're very concerned about our own team members' safety at work and can understand and support the activity that ocean carriers are concerned about with shoreside personnel as well as anything that might happen to a vessel.

But it's difficult to understand how who provides the weight of the container itself – an empty-asset steel box – how that is going to make a difference on whether a ship is going to break apart or not at sea. It just seems to be much ado about nothing.

I appeared [April 20] before the Senate Commerce Subcommittee [on Surface Transportation and Merchant Marine Infrastructure, Safety and Security] to discuss the impact we believe the SOLAS regulation will have in further disrupting U.S. exports and hurting the American economy. [Bourne's testimony may be found online by following the *bit.ly/BourneTestimony* Web shortcut.]

Having worked at Tyson for more than a third of a century, have you ever thought what it might be like to be working for some other company?

In fact, I have worked for three major companies.

I started my career right out of school at Indiana [University], where I received my undergraduate degree in transportation [in 1973]. I worked for Deere & Co. in Moline, Ill., for about 6 1/2 years and then moved back to my home state of Indiana and worked for Eli Lilly & Co., the pharmaceutical company, and then an opening came here [in 1982] for an international manager of logistics, and the rest is history.

How have you been involved with the Juvenile Diabetes Research Foundation, and what other outside interests do you have?

Our son, Andrew, became a type 1 diabetic when he was in fifth or sixth grade. He's now 36 and a physician. It's a pretty frightening experience for parents to go through when their kid is having to take shots and check their blood multiple times a day. But there is life at the end of the tunnel. It's a difficult disease to deal with, but, through organizations like JDRF and American Diabetes Association, a big effort is made to try to explain the disease and try to help patients deal with it. JDRF's primary focus is in research for a cure.

My involvement as a parent with JDRF was in activities such as fundraisers. My company, Tyson, was involved in a walk we had here in the Siouxland area back in about 2002. Unfortunately, we no longer have the walk here in Sioux City anymore, but, for four or five years, I was the board president of JDRF here in Siouxland, with a lot of people working very hard to raise funds for the research that's so desperately needed to try to keep young people from having to go through that throughout their lives.

(**PROFILE** – *continued on page 16*)

After testifying before a Senate subcommittee on behalf of the Agriculture Transportation Coalition, Perry Bourne, Tyson Food's director of international transportation and rail operations, left, poses with Senator John Thune, R-S.D., chairman of the Senate Commerce Committee.

Virgin Atlantic Cargo steps up its focus on pharma

Virgin Atlantic Cargo is increasing its investment in temperature-controlled services after more than doubling its share of the pharmaceutical market from the UK to North America since the launch of its Cool Chain product two years ago.

Heading this focus is Darren Sherlock in the newly-created role of Manager, Products & Partnerships. Having joined the airline in 2011 as a Business Change Analyst, he was part of the team that developed Virgin Atlantic's Cool Chain product in 2014.

The growth of the airline's pharma business is being driven by its network, notably its high number of frequencies to and from the U.S. and daily flights connecting other major healthcare markets such as India and China, and its service performance.

Mundipharma International is a regular customer of Virgin Atlantic. Its Head of Security Operations, Tom Cochrane, said: "Since starting using Virgin about five years ago to ship our cargo worldwide we have always found them to be amenable to our requirements and specifications. On all the routings we use we have found staff to be attentive and professional in implementing our required procedures. It comes as no surprise that they now wish to develop and extend this service on a formal basis so others can benefit."

Virgin Atlantic's Cool Chain product is designed to support passive shipments in the 15-25°C and 2-8°C ranges, based on its Just Ride and Must Ride services. Pharma shipments booked as Must Ride have the added benefits of priority access to capacity and a 100% money back guarantee. The airline is also approved to carry temperature-controlled active cargo containers from partners CSafe and Envirotainer and leases containers on behalf of its customers on request.

John Lloyd, Senior Vice President, Cargo at Virgin Atlantic, said: "Pharmaceutical traffic is a fast-growing part of Virgin's business. The world's biggest global pharma market is transatlantic so with our 27% share of cargo capacity to and from the U.S. we are in a strong position to give our customers the capacity, frequencies and service they need. Building on the growth we achieved in 2015, Darren will be responsible for working closely with our customers to look for more opportunities for us to work together across our network."

"Pharmaceutical shipments cover such a broad range of products from contact lenses to high value vaccines. Our growth is based on understanding the sensitivities of every shipment, being responsive to our customers and tailoring services to meet their requirements. Some pharma customers moving less temperature sensitive products, choose to use our high value cargo service to provide added security," Darren Sherlock added.

*(**HEATS** – continued from page 9)*

as they do with imported milk," wrote Gordon Orr, a senior advisor to the consultancy McKinsey China. "This creates a willingness to pay a premium."

Because of the way Chinese customs categorizes products, it's tough to accurately break out fresh fruits and vegetables imports. This much is known: It's really, really small. Last year, China imported about $5 billion worth of fresh fruit and a few million dollars worth of fresh vegetables. Bananas and grapes represent the two single biggest items, although fresh cherries are coming on particularly strong. Recent bilateral trade agreements have opened up categories such as US apples as well. (Fresh dairy imports accounted for another $2 billion, while imported seafood totaled $6.5 billion. Imported fresh meat is now taking off and in May 2016 alone, totaled almost $4 billion, according to customs data.)

The potential for imported fresh produce in China is enormous. A study by China-based M.Z. Marketing Communications provided this comparison: China imported only twice the amount of fresh fruit in 2014 as did Hong Kong, although China's population is almost 200 times larger than Hong Kong's.

China hopes to boost fresh produce exports as well. For the 12 months ended May 2016, fruits exports totaled about $5.7 billion, which would represent about a 32% gain over calendar year 2014. Vegetables exports totaled $9.7 billion in 2015, an 18% gain over 2014. For the first five months of this year, Chinese vegetable exports totaled $6.6 billion.

Chinese exporters are pushing in particular among fruits, pears, apples and citrus, and among vegetables, garlic, mushrooms and onions. However, China must overcome a clinging reputation for low grade – and in some cases unsafe -- produce. Especially for fruits, export markets have been largely limited to poorer countries in Southeast Asia and Russia and exporters acknowledge they need to push heightened quality to capture a bigger market.

A more efficient, competent and economical cold-storage infrastructure is key. But building one is no easy task.

China's cold storage capacity at the end of last year stood at 93.6 million cubic meters, according to data presented during an industry conference by Lam. That's an impressive 55% increase in just two years. It's eight times the capacity in 2007, according to Rabobank. However, it still represents anywhere from one-third to one-fourth the cold storage capacity of developed countries.

What's more, many of these facilities are substandard. One particular deficiency is the lack of multi-temperature rooms, said Bosch, where different items are stored in the same temperature. So, for example, fruits and vegetables are thrown into the same room or the facilities aren't cold enough to handle some frozen food.

Handling is also an issue, as items are often moved around, jeopardizing the integrity of the cold chain.

Need for Wheels: Refrigerated Truck Fleet

Refrigerated trucks have even more ground to make up. While estimates vary, the country's fleet of reefer trucks stands at most at 90,000, which is less than 20% of developed countries per capita fleet size. Refrigerated trucks in China carry a mere 5% of all fresh produce, 15% of all meat and 23% of all seafood, according to figures presented at last year's Cool Logistics Asia conference. Even these numbers may be overstating how much food moves effectively through the cold chain.

Add to that some ports-related bottlenecks. For example, reefer plugs at Chinese ports total just over 50,000, according to a presentation at the conference by Tsunemichi Mukai, MOL Liner senior vice president. That's barely enough to handle current demands, and far below international norms, although Lam said plugs are available when needed in the main ports of Shanghai, Tianjin, Guangzhou and Dalian.

All this portends huge development in the years ahead. A U.S. Department of

*(**HEATS** – continued on page 17)*

*(**SEGMENT** – continued from page 12)*

Air Transport Association (IATA). The total value of pharma products transported through Miami has increased by 62 percent since 2010 to $3 billion in 2015.

The express delivery company TNT signed up two global customers for its new cold chain packaging and shipping solution Medpak VI°C, which launched in April. One is a leading clinical trial company; the other is a global biotech company.

Medpak VI°C is a reusable temperature-controlled packaging network service. The service comes with tracking and monitoring solutions to ensure compliant cold chain management. Medpak VI°C uses patented packaging technology from the German company va-Q-tec, a solution that uses phase change materials and vacuum insulation panels to keep temperature-sensitive packages within defined temperature ranges.

DHL Global Forwarding recently introduced its new LifeTrack mobile app that provides users access to DHL's online cold chain tracking and management platform. The app gives users in the healthcare industry an overview of their shipments, alerts about any in-transit issues, and support through access to cold chain experts.

Onset, a supplier of temperature monitoring solutions, recently introduced an Android mobile app, to supplement its existing iOS app, for the company's pharmaceutical cold chain monitoring systems. The app enables users to view temperature data from Onset loggers, check their status, set alarms, and create and share reports from

*(**SEGMENT** – continued on page 16)*

*(**DEMAND** – continued from page 12)*
for perishables and what it will entail in a report entitled, "Freight Trains and Cold Chains."

The numbers tell the story: with 20 percent of the world population, China has only 10 percent of its arable land and six percent of its water. The implications are that China "faces enormous challenges on food security and safety," the Rabobank report said.

"China's demand for fresh, safe and high-quality food is outstripping its capacity to produce and deliver domestically," explained Paul Bosch, a Rabobank researcher. "However, the growth in consumption of perishable food in China will only continue if supply chains deliver on quality and safety. To a large extent this depends on the proper cooling of products during storage, handling and transport."

In the report, undertaken together with Wageningen University, Rabobank examined whether and how a new rail route for food products between Europe and China could provide a better and more cost and time efficient alternative. That proposition is based on the New Silk Road, an international trade and infrastructure project proposed in 2013 by Chinese President Xi Jinping to better connect China with Europe.

"When connecting Rotterdam and Chonqing by rail, the New Silk Road trip takes 13 days which is 30 to 40 days less than a Rotterdam-China ocean trip," said Hendriks. "Because of the shorter transportation time, less working capital is needed compared to sea transportation. In addition, inland transportation costs from seaport to inland China are largely reduced."

The New Silk Road has the capability to stabilize China's food system by enhancing international trade and reducing the vulnerability to regional events, such as diseases and extreme weather, according to the report. "In time, the Europe to China land route also has the potential to enhance competition, changing the competitive positions of current trading partners like the United States, Brazil, and Australia, as well as improving the price stability of the food system," said Hendriks.

Recent studies indicate that agricultural products from the Netherlands, such as cherry tomatoes, cherries, blueberries, flower bulbs, veal, and baby milk powder, are well positioned to be transported along the new railway to China. "The strongest selling point of all these products is the reputation of the Dutch agricultural sector in China," said Hendriks. "The Dutch food and agriculture reputation is one of professionalism and modernization, which translates into higher productivity and better food safety for the Chinese consumer."

According to the Rabobank report, establishing better transportation options for fresh food and cold chain improvements internationally and domestically China could reduce the waste of perishables by 14 percent (valued at $7.5 billion); create a 10 percent reduction in food prices and hunger in China; reduce healthcare costs; and provide a 10 percent to 20 percent reduction of emissions associated with the perishables supply chain.

Rabobank's research shows that the development of China's cold chain would be part of an important set of solutions to feed the nine billion world population by 2050. Rabobank's Banking for Food program seeks to provide access to finance, as well as the dissemination of knowledge and networks, to food growers, as well as transportation and distribution enterprises, in the effort to adequately feed a growing global population.

In addition to the transportation links with Europe, China also requires additional investments in its domestic perishables storage capacity and distribution channels, according to the Rabobank report. "The demand for fresh, safe food, bought through modern channels, is driving the country's investment in cold chain infrastructure," the report noted. "Over the past five years, storage capacity has grown from 12 million cubic meters in 2007 to roughly 100 million cubic meters in 2015.

But, the report added, "China's cold chain sector is still lagging and needs to improve in terms of both quality and capacity." The country's cold chain sector will only improve "once cold chain companies start adapting their business models into higher-value strategies in response to the higher service needs of their clients."

*(**CROSSROADS** – continued from page 7)*
compete with the US in global markets. From the onset the EU was an assembly of vastly differing socio-economic systems which with the addition of new nations has become even more so. With such economic diversity is it surprising that moves to tighten the system would chaff at a country like the UK that values its sovereignty so highly?

Now in the EU, political leaders in France, Italy and Austria and other EU nations are calling for their own referendums. Where it will all lead to is difficult to say. But whatever lies ahead for the EU will have global consequence.

*(**PROFILE** – continued from page 14)*
Otherwise, I enjoy doing a lot of things, including collecting antique firearms. I enjoy shooting and hunting and outdoor activities, like boating.

I also just had the opportunity of going to South Africa on a hunting safari – a lifelong dream that has been on my bucket list.

As they say: Safari, so goodie!

*(**COOL** – continued from page 9)*
run," said Lam.

While Swire's cold storage has obvious appeal for ice cream or frozen French fries, the company is also making a push to attract fresh imported fruit. It has handled apples from the US, citrus from South Africa and cherries from Chile.

Lam cited the New Zealand kiwifruit giant Zespri as one notable client. Not only can Swire offer precise cooling facilities, but can dovetail with Zespri's own IT capabilities, allowing the company to track and trace every kiwi that lands in China, which, after all, is where kiwifruit originated.

*(**SEGMENT** – continued from page 15)*
Android mobile devices.

Onset monitors were designed to simplify compliance with the Centers for Disease Control and Prevention (CDC) vaccine monitoring guidelines. The new Android app enables data download in seconds and helps users meet regulatory compliance requirements.

*(**TREND** – continued from page 1)*
Argentina voted in a president who's dismantling years of trade restrictions and currency controls.

"What we're seeing in Europe is that trade has ended up being a scapegoat for anxieties about globalization," said Jason Marczak, director of the Latin America Economic Growth Initiative at the Atlantic Council in Washington. "At a time when global investors have become risk averse, many Latin American countries have realized they need to work in collaboration to make themselves more attractive investment destinations."

21st Century

The discussion a few years ago was about the outward-looking Pacific Alliance versus the protectionist Mercosur, which includes Brazil and Argentina. Now, with the fall of governments in both countries, Latin America's two main trade blocs are on the same page, Marczak said.

"Argentina has taken the decision of being an active participant in the 21st century," Macri said at an event in Colombia in mid-June. "Mercosur is our starting point but I'm very happy that I've been accepted as an observer in the Pacific Alliance because we believe we need to go toward a swift, profound integration."

While Mexico has opened its oil sector, Macri is inviting investors to bid for projects in infrastructure, renewable energy, oil, mining and agriculture. In September, 2,000 investors are expected to attend an investment forum organized by Argentina's government.

Better Together

Peru's President-elect Pedro Pablo Kuczynski—who's been a finance minister and Wall Street executive and worked at the World Bank—has said he sees free trade as vital for a small economy like Peru's. He was cabinet chief when then-President Alejandro Toledo signed a free-trade agreement with the U.S. in 2006 and says Peru will ratify the Trans-Pacific Partnership after he takes office.

Speaking about Brexit at the meeting in Chile, Kuczynski said "this difficult context means we have to unite. Union makes us stronger."

It was a sentiment echoed by Chile's Foreign Minister Heraldo Munoz. "We look on Brexit with concern, as it seems to raise the phantom of disintegration," Munoz said.

Colombia proposed the Pacific Alliance start trade talks with the U.K., according to RCN Radio. The bloc already has an agreement with the European Union, but will need a new one with the U.K. once it has left the single market.

Bloc Model

The Pacific Alliance has stated its goals is the free movement of goods, services and labor, the last of which the British public rejected in last week's referendum. Still, the bloc has a long way to go before it approaches EU-style levels of integration.

The Alliance has no permanent structures, no parliament and no bureaucracy. Members take turns holding the presidency for one year and technical groups composed of country officials work on issues to be discussed at summits that take place at least twice a year.

Mercosur, the world's third-largest trade bloc after the EU and North American Free Trade Agreement, has lost momentum in the past decade as Brazil and Argentina haggle over everything from trade in shoes to pork. Exports of goods and services from Mercosur nations fell by an average 1.2 percent between 2011 and 2014 while exports increased in the Pacific Alliance by 4.2 percent in the same period, according to the World Bank.

*(**HEATS** – continued from page 15)*
Commerce study earlier this year predicted that China's "cold chain capacity may increase by as much as 20 times current capacity over the next decade."

Rabobank estimates that decade-long investment needs amounts to the $85 billion.

Investments are underway, and while Swire's building program is the most impressive, it's by no means alone. Japan's Denso Corp., for example, in March announced a joint venture with Kingtec Technologies (Heyuan) Co. to develop and sell reefer trucks and related equipment in China.

Cold Chain Innovation

Innovation in cold chain storage and delivery is advancing on multiple fronts around the world. Rabobank has identified six areas of particular interest:

Big data	This allows the analysis of power consumption and cooling output, helping to reduce energy consumption and cut costs.
Last-mile cooling	Applying better cold chain solutions to light delivery trucks and even houses is a tough nut to crack. One goal is an ability to combine fresh and frozen deliveries.
Clean energy	This means not just replacing traditional refrigerant hydrocarbons, but also reducing supply chain emissions through utilization of electric vehicles.
Mechanical automation	Using more and more robotics to reduce both energy and labor costs. This is especially important in high labor-cost countries.
Freezing technology	New methods help increase shelf life, which in turn opens up export opportunities and expands time-to-market.
Warehouse management software	Customizing warehouse software can better manage inventory, optimizing speed and traceability.

All this comes as an increasing number of cold-chain specialists attempt to expand geographically.

Intermodal & Logistics News

VGM much to do about intermodal cargo

By Matt Guasco, AJOT

Exporters need to consider how their IPI *(Interior Point Intermodal)* containers will be handled when they arrive at the port. I'd love to jump on the one size fits all bandwagon and tell you rail recorded weights will be used by the ocean terminal to verify inbound containers but that's simply not true. This idea is on the wish list of many exporters and trade groups but there are too many diverse factors for it to become reality.

Class 1 railroads in the US and Canada do not as a rule provide weight information to the ocean terminal upon arrival at on dock facilities. To date there's no formal plan to exchange this information and here to fore, it's never been an issue. Simply put, ports and terminals in the U.S. will be adopting differing strategies for addressing the issue of "On Dock" rail exports.

Let's look at the Port of New York and New Jersey. This week, *Port News* confirmed "Container weights provided by the railroads are not accepted for VGM purposes." Maher Terminals for example, will require a separate VGM for containers received from E-Rail. At PNCT, APMT, GCT New York, GCT Bayonne and Red Hook, containers arriving by rail will be weighed for a $75.00 charge and that weight will be reported to the ocean carrier as verified to be used, as *Port News* indicates "at the carrier's discretion", truly not a hard and fast ruling on containers arriving by rail.

Charleston and Savannah have been aggressive in addressing terminal generated weight. In both ports all arriving containers are weighed. IPI units are treated no differently than "in gate" moves and terminal generated weights are given directly to the carrier for loading purposes. Bear in mind this information is not shared with the shipper or his agent. Charleston and Savannah are operating ports and they control both the in gate process and the transmission of cargo data for stowage. Their operational control allows them to set port wide policies on Verified Gross Mass.

In the Gulf the Port of Houston is also a working authority, at Barbours Cut there is a cross dock rail facility which is served by an on port gate system. Containers are weighed as they transit from the railhead to the quayside container yard. Weights are provided to the carrier for loading and serve as the VGM weight as agreed to by the carriers under OCEMA.

Pacific terminals operating under the West Coast Marine Terminal Operators Agreement (WCMTOA) will address containers arriving by rail on an individual basis terminal by terminal. Exporters are advised to contact their respective carriers and terminal operators for direction on this issue.

Contrary to information circulating in the trade there is no quick fix for how IPI containers will be weighed or VGM information transmitted to the carrier. As I mentioned in my previous blog containers arriving at the ocean terminal by rail represent a whole new set of challenges with regard to VGM certification.

ASF Intermodal opens Baltimore terminal

ASF Intermodal announced the company's expansion into Baltimore with the opening of its 14th intermodal drayage terminal. This new location, which is the company's first Maryland terminal, joins 13 other strategically-positioned terminals throughout the South and Midwest.

According to ASF Intermodal president Michael Smith, the company's expansion into Baltimore is a strategic one. He states, "Baltimore is an area that we have been interested in for some time. With its positioning on the Atlantic in proximity to the Midwest and just a day's drive away from 1/3 of the U.S. population, Baltimore is an ideal strategic fit for our regional network."

Smith expands, "We are very enthusiastic about our expansion into Baltimore. Our customers have been asking us to expand into this market, so we are confident that there is great potential in Baltimore, both with our existing customer base and opportunities to build relationships with new customers." He continues, "We are also excited to provide a new option for the owner-operators in this market. We are confident that they'll find our pay structure and culture to be very appealing."

Smith states, "The new location will begin with three employees and approximately 30 drivers, though we expect to expand rapidly." He projects, "We expect to have up to 30 trucks operating from this location within the next twelve months, as well as additional support employees."

Gene Burgee serves as terminal manager for the Baltimore terminal, which is located at 4800 East Lombard Street.

CN President and CEO Jobin appointed company director

CN has announced its Board of Directors has approved the appointment of Luc Jobin as a company director effective June 30, 2016. Jobin will become CN president and CEO on July 1, 2016.

Jobin will replace Claude Mongeau as a CN director. CN announced June 7, 2016, that Mongeau would step down as president and chief executive officer at the end of June.

CN appoints Cory as COO and Houle as CFO

Luc Jobin, incoming president and chief executive officer of CN, announced the appointments of Mike Cory as executive vice-president and chief operating officer, and Ghislain Houle as executive vice-president and chief financial officer. Cory's and Houle's appointments will take effect July 1, 2016.

From road to ramp in half the time – BNSF RailPass

By Matt Guasco, AJOT

The BNSF Railway has rolled out an integrated dispatch system for pickup and delivery of ocean containers and domestic equipment at their major intermodal facilities. The system called RailPass is designed to allow drivers to quickly enter and exit yards utilizing "Quick Response" technology. Cargo information is entered through a mobile application on the driver's smart phone. The gate then issues a pickup or delivery ticket providing the location of outbound equipment or a slot for inbound loads. The app even offers emergency response within the yard, sending first responders to GPS coordinates through the driver's phone.

Currently drivers pre-register through the UIIA (see Uniform Intermodal Interchange & Facilities Agreement www.Uiia.org) and present their ID upon arrival to begin a paperwork process which could take over 10 minutes to complete. RailPass cuts that time in half and reduces the need for drivers to stop at the "trouble desk" in case of equipment problems or slot location issues that would add additional time to the move. According to Progressive Railroading as of April over 8,000 drivers have signed up to use the application, which requires registration with a CDL number and issuing state information.

I previewed part of the application and noted it was accessible at 26 major intermodal hubs including BNSF Commerce, which serves the Ports of L.A. and Long Beach, Logistics Park Chicago and the Seattle International Gateway. In a statement issued by the BN, they indicated that additional intermodal hubs would come on line throughout 2016.

The Port of Los Angeles noted that about 10% of their rail volume moves off dock as referenced in recent presentations

*(**RAILPASS** – continued on page 22)*

AIR CARGO NEWS

Boeing mulls stretching 777 to knock out Airbus A380 jet

Boeing Co. is proposing to stretch its largest 777 model to create a twin-engine behemoth aimed at delivering a knock-out blow to Airbus Group SE's struggling A380 superjumbo jet, said people familiar with its plans.The U.S. planemaker has approached several carriers about the plane it calls the 777-10X, including Emirates Airline, the world's largest operator of both Boeing's 777 and Airbus's double-decker aircraft, said the people, who asked not to be identified because talks are private.The proposed model would carry about 450 travelers, sharpening its rivalry with the A380, two of the people said. To do so, Boeing would stretch the frame of its 777-9 to squeeze in about four extra rows of seats. The -9, whose debut is slated for decade's end, will be the first twin-engine model to encroach on jumbo territory by hauling more than 400 passengers."We are always evaluating technologies, airplane configurations and market needs," said Doug Alder, a Boeing spokesman. "While no decisions have been made, we will continue to study 777X derivatives and seek customer input to develop products that provide the most value for customers."An Emirates spokeswoman said that the world's biggest international airline is in "regular contact" with both Boeing and Airbus about current and future fleet requirements.

A380 Uncertainty

While Emirates has reviewed the new 777 variant , it isn't sold on the concept, said a person familiar with the talks. The carrier has ordered 289 jets from Boeing's 777 family, including 150 of the upgraded versions known as the 777X. Boeing unsuccessfully pitched Emirates on its 747-8 jumbo two years ago as a potential A380 replacement.

The Chicago-based manufacturer is angling to take advantage of uncertainty over the future of the A380, and any strain in Airbus's relationship with Emirates. While the Gulf carrier has been pressing the European planemaker to upgrade the aircraft's engines to bolster fuel savings, Airbus executives have been reluctant to make the multibillion-dollar investment for essentially one customer.

Tim Clark, president of Emirates, told Bloomberg earlier this month that talks with Airbus to upgrade the A380 with new engines had lapsed. "My main concern is that they stop producing the plane," he said. The airline's A380s seat between 489 and 517 passengers, according to its website.

Wide-Body Battle

Boeing is exploring ways to expand its current product line-up into new market niches as it battles Airbus for supremacy in the wide-body market and staves off new competitive threats to its best-selling 737 narrow-body jets. Also on its drawing board: a potential redesign of the smallest 737 Max and a stretch of the largest plane in that family.

Enlarging the 777-9, which is already designed to seat more than 400 people, would give Boeing another way to woo jumbo-jet operators as sales of the four-engine A380 and 747

*(**STRETCHING** – continued on page 20)*

American Airlines Cargo expands seasonal cargo service out of Ireland

American Airlines Cargo will operate its busiest ever summer schedule to and from Ireland in 2016. During the season, freight forwarders will have nonstop access to four U.S. gateway cities out of Ireland, with connections throughout and beyond the United States and Latin America. From Dublin (DUB), American will fly nonstop to Chicago (ORD), Charlotte (CLT), Philadelphia (PHL) and New York (JFK); from Shannon (SNN), American offers direct service to Philadelphia (PHL).

Cargo service will operate between DUB and ORD, PHL and CLT from now until the end of October, using the Airbus A330-200 aircraft, which offers up to 33,000 pounds (15,000 kilos) of cargo capacity. The DUB to JFK and SNN to PHL services will operate on the Boeing 757 until the end of October and September, respectively. With morning departures out of DUB and SNN, shipments moved out of Ireland will all arrive in the U.S. before early afternoon on the same working day.

"This great range of direct summer services is a real bonus for the freight community here," said Ian McCool, managing director of American's Irish Cargo GSSA, IAM. "We've already seen a dramatic increase in demand for temperature-controlled products since the launch of ExpediteTC. Then, with the opening of the airline's state-of-the-art pharmaceutical facility in Philadelphia last year, there has been an even greater requirement for such services, and I believe these summer routes will prove extremely popular."

DHL delivers black rhino *Eliska* to Africa

DHL has completed another landmark transportation project with the delivery of a black rhino from its birthplace in the Czech Republic to its natural homeland in Tanzania. Three-year-old female Eliska was moved to a natural park in Tanzania as part of an ongoing conservation project run by the George Adamson Wildlife Preservation Trust, aimed at helping endangered animal populations to grow and prosper in their natural habitat. "The delivery of Eliska to Tanzania continues a proud tradition at DHL Express of supporting international animal conservation efforts," said Ken Allen, CEO, DHL Express. "We were very excited to have the opportunity to transport this beautiful animal home to Africa and to play our part in these critical efforts to help revive endangered Eastern black rhino populations. Complex projects like this, where failure is simply not an option, also allow us to showcase the power of the DHL global network and the expertise of our certified international specialists."

Eliska's move was overseen by an international DHL team, comprising around 40 specialists in areas ranging from ground transportation and aviation to customs clearance and certification across more than five countries. The 900 kilogram female was transferred from ZOO Dvur Kralove in the Czech Republic, where she was born in 2012, to the main DHL European Hub in Leipzig, Germany. She was then loaded on to a dedicated 28-ton Boeing 757-200 freighter, specially modified for animal transport, and flown more than 6,500 kilometers directly to Kilimanjaro Airport in Tanzania, from where she was transferred by truck to her new home. Along the way, she was accompanied and monitored by a team of support staff, including Dr. Pete Morkel, one of the world's leading black rhino veterinarians. Five containers of food and water supplies were also loaded for the journey.

"We were delighted that DHL was able to support us with this project, as we were only prepared to entrust Eliska to partners who could absolutely guarantee a safe and seamless move," said Tony Fitzjohn OBE, Field Director, The George Adamson Wildlife Preservation Trust. "Having the support of an experienced team of international transport specialists allowed us to focus without any distraction on the comfort and well-being of Eliska and to ensure that she had the best possible introduction to her new life in Africa." Eastern black rhinos are one of the most endangered mammal groups, with large-scale poaching in the late 20th century leading to a significant decline in black rhino populations in Africa. There are estimated to be about 800 in the world today. ZOO Dvur Kralove, where Eliska was born, has a strong record of breeding Eastern black rhinos, with 43 calves of the species born to date.

"Eliska's departure is a bitter-sweet moment for ZOO Dvur Kralove. We are sorry to say goodbye to one of our much-loved animals, but at the same time, we are extremely gratified to have played a part in this important conservation project and excited to see how she adapts to her natural habitat," said Přemysl Rabas, Statutory Director of ZOO Dvur Kralove. "The build-up to her move to Tanzania has involved years of careful preparation, and we are sure that – with DHL – she is in the right hands for the journey."

*(**STRETCHING** – continued from page 19)*

falter. Boeing's large twin-engine jets have hastened their demise by offering similar range and seating, ample cargo capacity and greater savings on fuel and maintenance.

Boeing's proposed plane could also help the U.S. planemaker counter a new stretched version of the A350 wide-body jetliner that Airbus has been discussing with prospective customers who don't need the engine thrust or the range of the 777-9.

Most Expensive

The -9, the best-selling member of the 777X family, seats between 400 and 425 passengers and has the range to fly 7,600 nautical miles (14,075 kilometers). It is the most expensive Boeing jetliner, and the first to bear a $400 million price tag.

Sales of the 777X have slowed since Boeing unveiled the plane amid a blitz for 235 orders at the Dubai Airshow in November 2013. The upgraded planes will feature Boeing's largest-ever wingspan, complete with tips that fold up while the plane taxis around airports.

Cathay Pacific Airways Ltd. and All Nippon Airways Co. are customers of the aircraft, along with the three-largest Persian Gulf carriers. Boeing's last sale came more than a year ago, when an unidentified customer ordered 10 of the planes.

Lufthansa Cargo greets Italy with *Buongiorno*

A Lufthansa Cargo MD-11 freighter will carry the name "Buongiorno Italy" ("Good day, Italy") around the world in the future. The aircraft with the official registration D-ALCM was named by Thomas Egenolf, Director Italy, Malta, UK and Ireland at Lufthansa Cargo during a special ceremony held at Milan Malpensa Airport in Milan, Italy. In keeping with tradition, the plane was welcomed by the airport fire brigade and with Italy's typical spumante sparkling wine. The name chosen for the aircraft, "Buongiorno Italy", symbolises Italy's importance as one of the key markets in Europe's air cargo industry. Thomas Egenolf said: "The greeting 'Buongiorno Italy' underlines the close link between Lufthansa Cargo and Italy. We are proud of being so well positioned in this important and highly competitive market with over 250 passenger and two freighter flights per week. With our active participation in the newly founded "Cluster Aereo" consisting of representatives from associations of forwarders, handing agents and airlines, we actively drive improvements in infrastructure, processes and recognition for the airfreight industry of Italy."

Lufthansa Cargo has been providing services to customers in Italy ever since Lufthansa Cargo began operating, and the country has been served by two weekly freighter connections between Milan and Frankfurt since 2014.

The "Buongiorno Italy" is already the ninth Lufthansa Cargo aircraft to be renamed. The names of the aircraft are based on the winning idea of an open creative competition organised by Lufthansa Cargo to rename its entire fleet in 2013. More than 40,000 potential aeroplane names were received by Lufthansa Cargo within six weeks, and the jury decided on the idea of "Say hello around the world". Accordingly, all freighters in the Lufthansa Cargo fleet will henceforth be named with greetings in around 20 languages.

Hyundai Merchant seeks to join 2M Alliance

Hyundai Merchant Marine Co. has recently gained the most in more than two decades in Seoul trading on optimism a restructuring plan for South Korea's second-biggest container liner will get a boost as it seeks to join the world's largest shipping alliance.

The company has started talks to join a grouping known as 2M, which is led by AP Moeller-Maersk A/S and Mediterranean Shipping Co., it said in a statement.

"The announcement is raising expectations that this will clear a big obstacle and help turn things around for Hyundai Merchant," said Park Moo Hyun, an analyst at Hana Daetoo Securities Co. in Seoul. "But there's still a way to go since talks just started and it remains uncertain how this will help Hyundai Merchant."

The company and bigger rival, Hanjin Shipping Co., are among unprofitable liners worldwide that are taking steps including debt restructuring and asset sales to improve their balance sheets as overcapacity and slowing trade lead to a prolonged downturn in rates.

Rival Grouping

Joining the alliance will help Hyundai Merchant reduce costs and improve its competitiveness, the Seoul-based company said the statement. It will also enable Maersk and Mediterranean Shipping to bolster their services on trans-Pacific routes, said the Korean company, which ended talks to join The Alliance, whose members include Hapag-Lloyd AG and Hanjin Shipping.

The 2M alliance is positively reviewing the proposition by Hyundai Merchant, Soren Toft, chief operating officer of Maersk Line, said in an e-mailed response to a Bloomberg News. "The inclusion of Hyundai Merchant Marine in 2M would, for example, provide us with extended coverage and a stronger product in the trans-Pacific trade," he said, adding that it's still early days to comment further.

Hapag-Lloyd agrees to buy UASC as container carriers consolidate

Hapag-Lloyd AG approved a plan to acquire all shares of United Arab Shipping Co., paving the way for the second merger in two years to bolster the position of Germany's biggest container-shipping line in an industry plagued by excess capacity.

The main investors of both companies still need to agree to commitments in a business-combination agreement to proceed with the deal, the Hamburg-based carrier said in a statement, without specifying a transaction value or other terms. UASC's shareholders are scheduled to meet in Dubai to clear the deal, the German company said. Hapag-Lloyd shares surged the most in two months.

Shipping lines worldwide have been plagued by depressed freight rates as trade slowed following the global recession of 2008, and as larger vessels ordered before the crisis enter companies' fleets. That's prompted deals ranging from route-sharing to full-fledged takeovers as container shippers struggle to survive.

Hapag-Lloyd, which counts German billionaire Klaus-Michael Kuehne as one of its biggest owners, bought the container business of Chilean rival Cia. Sud Americana de Vapores SA in 2014. The UASC deal would boost Hapag-Lloyd's global industry ranking by capacity to fifth-largest from sixth.

Following the UASC takeover, Hapag-Lloyd will account for 72 percent of the combined entity's value and the Dubai-based shipper for the remaining 28 percent, the German company said in April. A Hapag-Lloyd spokesman declined to give an update on the shareholder structure.

UASC is owned by several sovereign wealth funds in the Middle East, including majority shareholder Qatar Investment Authority, which holds 51 percent of the company. Smaller investors include Saudi Arabia's Public Investment Fund with 36 percent. The company is run by Danish managers. It has 200 million shares issued in Egypt, with 97.7 million trading in Cairo, for a market capitalization of 144 million Egyptian pounds ($16.3 million).

Maersk Chairman says strategic options include company split

A.P. Moeller-Maersk A/S replaced its chief executive officer as the owner of the world's biggest shipping company explores a number of "strategic options" that may include splitting up its operations.

"Our business units are self-running so now it's time to see where we go next," Chairman Michael Pram Rasmussen said by phone. "We want to review whether the group should stay as it is, or whether it should be split up."

Maersk named Soren Skou, 51, as its new CEO, to replace Nils Smedegaard Andersen, 57, starting July 1. "It's a decision that the board has taken, not one that Nils has taken," Rasmussen said. "Nils understands the decision, so it's been calm and orderly."

The chairman said that the steps the company is now "considering could potentially be major changes." Maersk hasn't hired any banks to advise it through the process. "It's something we're looking at ourselves," he said. "We're looking at the group's structure and will see if, for example, some units will be in a better position if they're standing outside the group."

For now, Skou will continue to run Maersk Line, the company's shipping transport unit. Rasmussen said the board isn't planning to hire a replacement. However, it's "reviewing whether the group CEO position is something that the company will need, going forward," he said.

"It makes sense to streamline operations and sell non-core assets, making it easier for investors to see what they are buying," said Espen Landmark Fjermestad, an analyst at Fearnley Securities. "Asset values today are low, but given the current trading of the share, sales could still unlock value."

Berth right: NOL-APL acquisition's domino effect on alliances

By Matt Guasco, AJOT

With last month's EC (European Commission) approval the remaining step in the privatization of NOL-APL is now for CMA CGM to buy outstanding shares (up to 90%) of NOL's total stock.

Recently, the French shipping conglomerate purchased 78% of NOL in a $2.4 billion cash deal with state-controlled Temasek Holdings of Singapore. Pledging to move its Southeast Asian operations from Port Kelang and Tanjung Pelepas Malaysia to new mega berths at PSA's Pasir Panjang Terminal, CMA CGM has also agreed to relocate its Asian headquarters from Hong Kong to Singapore. The joint venture called CMA CGM-PSA Lion Terminal Pte. Ltd. (CPLT) will begin operating later this year as containers and equipment is transferred over. As part of its concession to the EC and Chinese regulatory bodies CMA CGM has withdrawn APL from the G-6 alliance and plans to form the new "Ocean Alliance" in 2017 with COSCO, OOCL and Evergreen.

Together the Ocean Alliance would control 1,123 container ships with 5,485,483 TEU of capacity and an additional 104 vessels and 1,290,174 TEU on order (extrapolation of Alpha Liner data for June 2016).

OOCL will also be forced to withdraw from the G-6 all but destroying the alliance's infrastructure. Reformation of the remaining 4 carriers with the addition of K Line, Yang Ming, Hanjin and possibly UASC will form "The Alliance" which is scheduled to begin operations in 2017.

It's interesting to note that APL no longer appears on the Alpha Liner register of container carriers in their June 2016 calculation of tonnage and ranking. What does this mean for the brand identity of the line going forward?

Prior to the actual purchase (December of 2015) Reuters reported that CMA CGM would consider listing APL shares on the Singapore exchange at some future point but current plans to delist the line after the July 18th deadline for share purchase will remove the carrier from public trading. The APL website heralds news of its new structure and CMA CGM executives indicate there is no plan to consolidate operations or move the U.S. headquarters from Scottsdale, Az. Currently APL strives for 100% on time performance (against a Q-1-16 average of 88%) for all Asian services calling GGS (Global Gateway South

*(**EFFECT** – continued on page 22)*

CaroTrans enhances Italy-US service network

CaroTrans, a leading global NVOCC (non-vessel operating common carrier) and ocean freight consolidator, has announced the addition of a second direct, weekly LCL service between Milan and New York providing greater scheduling flexibility for global supply chains. Milan is a key hub for goods manufactured in the northern industrial area and all of Italy, as well as cargo moving from Switzerland, Austria and Slovenia. The twice weekly service begins the first week of July.

Both services have 14-day transits enabling consistent, fluid delivery of LCL freight to North American markets for timely local distribution.

CaroTrans offers these reliable import products in cooperation with strategic partner, Euro Italian Freight Systems in Milan. Together they offer direct, twice weekly services from Milan to New York and Milan to Chicago. In North America, CaroTrans has 13 local offices and 25 strategically positioned CFS (container freight stations) to serve the transportation needs of shippers in local markets.

"Direct services and frequent sailings provide the service alternatives logistics providers require to serve their customers' time-focused supply chains. CaroTrans, in partnership with Euro Italian Freight Systems, provides the highest level of customer-focused services and reliable, secure freight delivery," said Greg Howard, CaroTrans, CEO.

Carmen Ronzoni, Director, Euro Italian Freight Systems, said "An additional weekly service is a significant service advantage. It enhances the timely movement of cargo and delivery to final destination. In addition, we offer an efficient truck service network throughout Italy providing reliable pick-up and transits."

US loses crown as world's top grain shipper to Black Sea

The Black Sea, a burgeoning source of grain exports, has probably overtaken the U.S. for the first time to become the largest shipper on the global market.

Exports from Russia, Ukraine and Kazakhstan probably rose to 80 million metric tons in the 12 months through June as crops expanded while local currencies weakened, making overseas sales priced in U.S. dollars more attractive, according to UkrAgroConsult. Shipments rose 14 percent from a year earlier and were about 10 percent higher than those from the U.S., data from the Kiev-based researcher and the International Grains Council showed.

Countries in the Black Sea have become a powerhouse in grains in recent years. Russian exports of wheat more than doubled in the past decade while Ukrainian corn shipments surged 17-fold, according to the U.S. Department of Agriculture. The biggest traders, such as Cargill Inc. and Louis Dreyfus Co., have offices in the region, and international commodity exchanges are considering how to introduce Black Sea futures that attract trading.

"It's a milestone for the Black Sea," Matt Ammermann, a commodity risk manager at futures and options broker INTL FCStone Inc., said by e-mail, referring to the latest estimated exports. The region "has always been susceptible to weather risk, a bit more than Western Europe and the U.S. due to farming practices. As these practices become more efficient, yields should become more stable."

Wheat Futures

The Black Sea's ascendancy over the U.S. may not last into the current season, as dry weather cuts the size of the crop in Ukraine. Exports from the three Black Sea countries, which were 4.8 million tons bigger than the U.S. in 2015-16, will probably be 2.2 million tons smaller in 2016-17, the London-based IGC predicted.

As the Black Sea becomes more important for global grains trading, commodity exchanges are paying close attention.

NC Ports welcomes largest-ever containership to the Port of Wilmington

The North Carolina State Ports Authority welcomed the largest containership to call the Port of Wilmington. The Hanjin Baltimore, measuring 984 feet in length and 140 feet in width, is the first of many post-Panamax vessels to be served at the recently updated container port in North Carolina.

"This is an important day for our Ports and for the State of North Carolina," said Executive Director Paul J. Cozza. "We've been working diligently on modernizing our ports and to see our plans come to fruition by proving that the Port of Wilmington is big ship ready is a great feeling."

Built in 2005 by Hyundai Heavy Industries, the Hanjin Baltimore has served various Far East trade lanes in its tenure. Holding 7,500 twenty-foot equivalent units (TEUs), the vessel has approximately 63% more capacity than any ship that has ever called the Port of Wilmington.

"This vessel not only signifies improving global trade but it also represents the future," said Chief Commercial Officer Greg Fennell. "If there was ever a doubt that we could not accept a post-Panamax vessel, this ship puts that debate to rest."

Recent infrastructure advancements allow North Carolina's Ports to improve upon its operational efficiencies, to keep cargo moving and to remain congestion free. The Port of Wilmington will be prepared to handle even larger post-Panamax vessels, up to the 10,000 TEU class, by later this summer.

"This landmark event is the product of a North Carolina Ports infrastructure investment plan to meet shipping industry requirements," said Tom Adams, Chairman of the Board of Directors. "With the expansion of the Panama Canal taking place last weekend, the Port of Wilmington is adding new cranes, an enhanced berth, a wider turning basin and will have further expansion in the future."

MSC's Bozzo joins the World Shipping Council Board of Directors

Claudio Bozzo, Chief Operating Officer of Mediterranean Shipping Company (MSC), has joined the World Shipping Council (WSC) Board.

Other WSC board members are: Randy Chen, Wan Hai Lines; Thomas Crowley, Jr., Crowley Maritime Corporation; Dr. Ottmar Gast, Hamburg Sud; Rolf Habben Jansen, Hapag-Lloyd AG; Hidetoshi Maruyama, NYK Group; Tai Soo Suk, Hanjin Shipping; Soren Toft, Maersk Group; Andy Tung, Orient Overseas Container Line (OOCL); Wang Haimin, China COSCO Shipping Container Lines Co., Ltd. and Board Chairman Ron Widdows, Ronald D. Widdows & Associates Pte Ltd. Bozzo's appointment fills the vacancy created by the resignation of YC Ng of NOL.

*(**RAILPASS** – continued from page 18)*

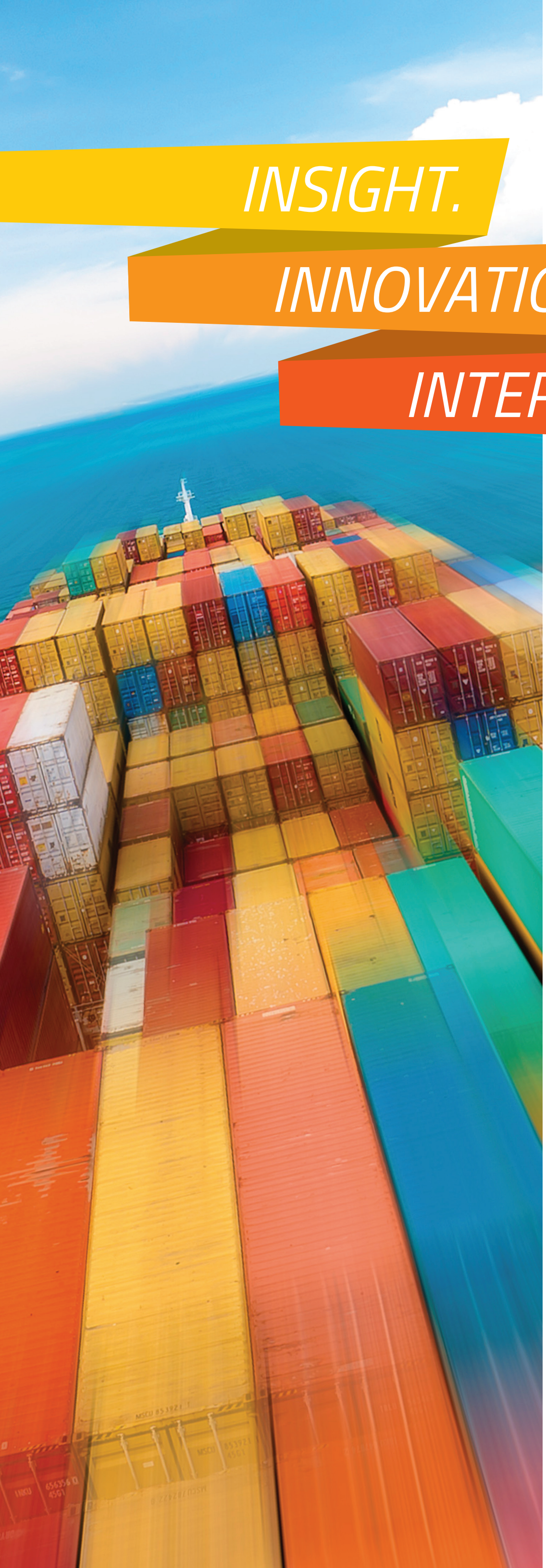
regarding the SCIG and Intermodal activity. Quick Response technology could improve turn times and speed the flow of "Off Dock" rail, which would also improve throughput at area ocean terminals. The Southern California Intermodal Rail Analysis projects the BN to move 4,109,247 ocean and or domestic containers across their facilities in Commerce and San Bernardino both of which accept RailPass. Regional truckers noted the application is beginning to gain interest but might have more value if other railroads had similar applications or there was an integrated system throughout all Class 1 carriers. As ocean terminals and rail yards seek to speed the flow of equipment through their gates, it'll be interesting to see what other applications can be found for "Quick Response."

*(**EFFECT** – continued from page 21)*

Los Angeles) They also claim that timely cargo availability at GGS is at 98% for the same period. CMA CGM expects great things from its purchase of APL with improvements in ocean transit, terminal velocity and the combined strength of brand recognition for both carriers.

The formation of new consortiums in the coming year will bring challenges to both the "Ocean Alliance" and "The Alliance".

Trading partners, all of whom have their own joint ventures in ships, terminals and equipment will have to work together to share resources and draw on each other's strengths to survive.



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