Movement of Identity-Preserved Products

Heidi Reichert • Shipper & Exporter Assistance • U.S. Department of Agriculture
Kimberly Vachal • Upper Great Plains Transportation Institute • North Dakota State University

Commodity producers can increase profitability through marketing identity-preserved (IP) products from farm to consumer. While identity preservation of crops and produce covers an array of options, producers, shippers, and exporters all share in creating optimum service to consumers worldwide.

How can this happen? As producers enter the Internet age, they realize a control of their products much further into marketing than ever before. IP products are attaining a high market value. This means huge bulk shipments may not meet the consumer demand. Smaller amounts of specialized, high-value grains, soybeans, and pulses can be moved in containers, preserving farm-fresh quality.

Containerized shipping developed as a result of the need to transport cargo in lots too small for the traditional bulk system as well as the need to move high-value and delicate cargo. Thirty years ago, shippers lost profit with the special care needed for specialty shipping in smaller quantities. With the advent of pallets and containers, costs were reduced for general cargo.

Since 1966, container shipping has become a common way to move all types of products, especially high-value cargo. Due to increased costs and lower rates, customer demand, and increasingly cost-efficient processes, the use of containers for seaborne cargo has seen a steady increase.

Agricultural exports parallel the trend. As specialty grain markets continue to emerge, containerized shipping should also grow. Intermodal transportation models include on-farm trucks and trailers, commercial trucking, rail, and ship, all using containers.

As consumer tastes become more sophisticated and processing plants more automated and as technology continues to produce characteristics that need to be preserved for different uses and users, shippers will find it imperative to preserve grain identity from farm to consumer. Products cannot be contaminated from other cultivated varieties.

- Bulk shipping could require handling of products three or four times. Containerized shipping enhances IP because containers can be loaded and unloaded anywhere truck or rail has access and sealed until reaching their destination. The container is sealed storage anywhere along the route. The farm or intermodal station can easily store the grain in the container until it is purchased.
- Customers who want just-in-time service are better served because a shipment of grain can be harvested and stored in a container, shipped immediately upon purchase, and delivered to its destination in as little as 3 weeks. The bulk system is much more time-intensive.
- Containerized grain movements of specialty grains is a way to diversify markets in order to increase profits.
- Costs for containerized shipping are being streamlined as the fledgling option takes hold.
- Vessels being constructed can carry as many as 6,000 TEU's (20-foot equivalent units equal to one 20-foot container). A 6,000-TEU ship is equivalent to the number of containers in 15 double stack container trains. As vessel space improves, the number of available slots for a given trade lane on a give day also increases. Ocean freight rates continue to decrease.
- The initial producer may choose to outsource the logistical management to a freight forwarder who knows foreign import requirements, export documentation, various shipping methods, and how to find the lowest rates for an export shipment. Many agricultural exporters take advantage of these services.
- Pooling cargo in a shippers' association uses volume-based service contracts and reduces cost.

Producers can attain higher profits from containerized movements of IP grain by reducing inventory holds, decreasing transit times, marketing directly to the importer, and charging premiums for a higher quality, better handled product.

Containerization may also provide a way for grain producers to even out seasonal fluctuations by storing containers directly on the farm or at a nearby facility. While the actual price of shipping by container may be higher than by traditional bulk systems, the logistics process of containerized shipping offer ways to reduce costs by using many services available to shippers.

Collectively, this means identity preservation and containerized shipping can meet the interests of producers who want to diversify or specialize, sophisticated customer demands, and refined consumer expectations. The technological advancements in communication, production, processing, and marketing, along with low "commodity" grain prices, have also encouraged IP marketing.

www.ams.usda.gov/tmd/IPGrain/index.htm