Logistic Co-ordination

Here on the southern tip of Africa industrious people have carved out a fruit industry of significant proportions. Despite this rather remote location South African fruit is enjoyed in every corner of the world – from Hanoi, Vietnam to New York, USA one finds well known South African brands in supermarkets and at street corners. It is not surprising then that transport accounts for the highest cost in getting this produce to the final consumer.

Within South Africa produce can travel great distances to get to the port, and thereafter shipping adds on a good few weeks and many kilometres before reaching its final destination (most southern hemisphere fruit exports travel long distances to market). It is estimated that in the citrus supply chain transport costs account for in excess of 40% of the total costs. When oil prices skyrocketed in 2007 many exporters felt that that was the end of the road for them, as a sustained oil price at those levels would have made exporting uneconomical. Although the oil price has come down, the long term trend in prices is still upwards, and as such transport costs continue to climb. It is becoming a strategic imperative to ensure that our transport systems are mega efficient.

An engineering firm has developed software that allows one to simulate a journey. So you enter your start and end point, route, type of vehicle and other relevant parameters, and then set the vehicle off on its journey. The program then spits out the estimated time for the round trip, costs of the trip, amount of fuel used etc etc. It assumes reasonable turnaround times at the destination point for the cargo. This program was used on a farm to see what the costs should be. The computer spat out a number far lower than what was being charged – even after adding a generous margin the amount the grower paid was still much higher than the model predicted. But... when a six hour delay at the destination (in this instance Durban port) was added the computer spat out a number very close to the actual rate charged. What this illustrates is that most road hauliers are factoring into their rate extensive delays at the port – at the exporter’s expense. In fact many haulage companies are not keen to haul citrus at all due to the delays experienced at the port. For the citrus industry alone congestion delays in Durban port are estimated to cost in excess of R100 million!!

The good news is that there is a solution. It will require a paradigm shift as the “free for all” that is presently in place will need to be replaced with a disciplined and well structured system, a system that requires all parties to plan ahead, follow certain rules and procedures and be responsible for their actions. It will require the sharing of information, and will require funding. The industry will be introduced to this system over the next few months, strong leadership will be required to ensure that we capture the efficiency gains available and ensure that we remain THE fruit supplier of choice to demanding consumers around the world.

The initiative to move cargo from road to rail would also reduce congestion on the road, and is receiving a lot of attention. It has many challenges, and needs to show a high degree of efficiency before growers will commit perishable products to rail. Capital investment is also needed to make rail an attractive alternative.

JUSTIN CHADWICK