The Need For Reliable Transportation Infrastructure - A Food Company Perspective

Red Gold Supply Chain
March 25, 2008

Red Gold

- Privately owned company
- Manufacturer of tomato based products
- Markets products under branded and corporate branded labels to multiple business segments
- Competition includes Heinz, Hunts and Campbell's
- Red Gold's major focus is domestic distribution but does sell to 10 countries outside US borders
- Three Indiana manufacturing sites
- Red Gold sources tomatoes for fresh pack production from three states: Indiana, Ohio and Michigan (across 28 counties)
- Bulk tomato paste is sourced from California
- Distribution from Indiana and 12 regional 3PL warehouses
- Over 2.5 million square feet of warehouse space in Indiana
Simple Supply Chain Flow
Red Gold continued

- RG Transport – separate subsidiary owned by Red Gold
- RG Transport maintains a fleet of the following:
  - 170 tractors
  - 400 trailers
  - 30 flatbeds
  - 7 refrigerated trailers
  - 3 dump trucks
- RG Transport delivers to 46 states, DC and 2 Canadian provinces.
- RG Transport maintains brokerage arrangements with 50 carriers routinely and 150 active carriers in system
- RG Transport handles Red Gold’s over the road freight not handled by intermodal means

Banner Fleet-Ready to Roll
Red Gold Transportation Requirements

- Red Gold’s transportation needs fall into several categories:
  - Raw Materials
    - Truck and rail shipments from multiple vendors coast-to-coast
    - Harvested tomatoes for fresh pack production once a year – requires specialized equipment
  - 3PL warehouse replenishment
    - Primary mode - rail
    - Intermodal
    - Some truck
  - Customer Shipments – multiple modes
    - Customer pick-up
    - Customer directed freight
    - Intermodal and truck
    - Rail
    - Containers for export
    - LTL
    - 3 PL pick–up and truck
Red Gold Rail – Enclosed Facilities
Red Gold Transportation Requirements –continued

- Shuttles
  - Dedicated operation: tractors, trailers and drivers
  - Satellite tracking
  - Movement of materials and product between facilities in Indiana
- Fresh Pack
  - Specialized equipment
    - Flat bed trailers, tubs, dump trucks
  - Additional tractors, trailers and drivers required due to volume
  - In excess of 19,000 loads of tomatoes
- Rail
  - Receive 50’,52’, 60’ and tanker cars
  - Ship loads on pallets and slip sheets
  - Inbound and outbound volume exceeds 3,500 cars per year

Factors Impacting Red Gold

- Higher raw material prices
- Escalating fuel costs
- Increases in road use fees i.e. tolls and taxes
- Trucking capacity and pricing impact
- Higher rail costs due to fuel and railroad capacity
- Railroad track infrastructure
- Ageing rail equipment – need for reinvestment
- Limited access to intermodal yards in Indiana
- These factors add up to costs that a supply chain must minimize to remain competitive!
Addressing the Challenges

- Find the lowest cost mode of distribution to customers:
  - Direct plant
  - Customer pick-up
  - Two step 3PL
- Coordinate programs with customer and suppliers that reduce costs in the supply chain
- Coordination of backhaul loads for inbound materials for equipment utilized on outbound orders – reduce deadhead miles
- Monitor legislation for bills that impact the organization.
- Increase cube utilization on rail shipments
- Optimization of shuttle movements
- Driver recruitment and driver retention
- Adequate supply of intermodal equipment
- Focus on “Green” initiatives

Summary Comments

- Transportation is a critical component of any business
- Adequate access to rail, intermodal and truck capacity is a continuous necessity
- Ready access to a quality road system benefits the state and all of its business entities
- The demands on our roads, trucking system and rail infrastructure are increasing
- Cost effective and timely plans and solutions to these requirements are our challenges