

The Carrier's Perspective



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In the coming year our industry will face several developments

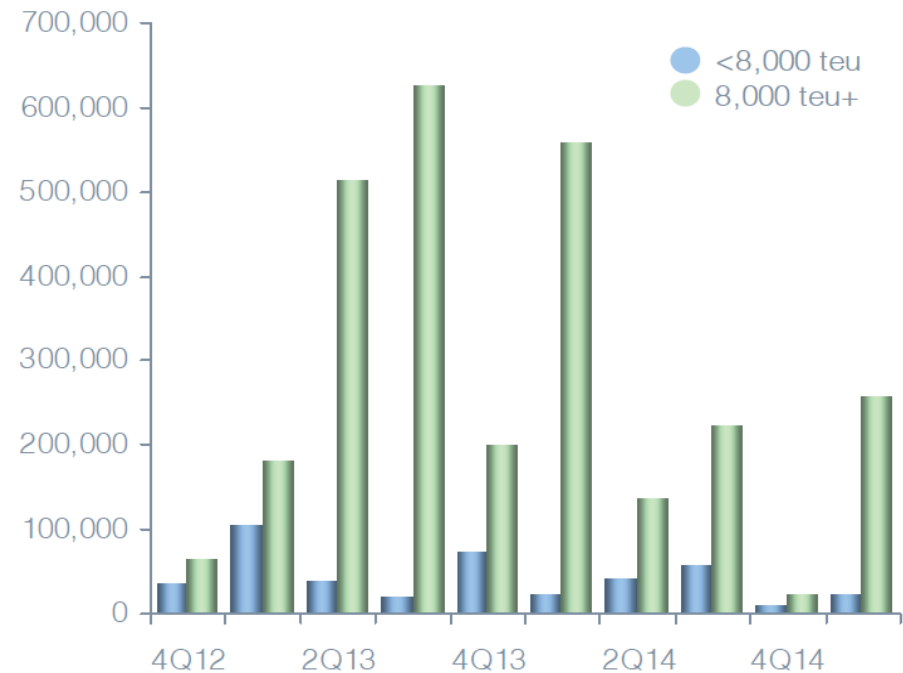
- More Mega Vessels
- Panama Canal expansion
- Alliances
- Refrigerated cargo developments

How does it impact AgTC exporters?
And how should they prepare?

Industry Overview: Main issues and Challenges

- **Overcapacity** remains a major issue
 - Scheduled delivery of 1.9 million TEU and 60 ULCVs in 2015:
- **Ships size** continue to grow
 - 18-20,000 TEU ships entering the market

Recent orders, split per vessel size (teu)



Mega Vessels Impact

- Thousands of containers need to be handled in short period of time
- Chassis shortages
- Increased service failures
- Increased Trucking rates
- Port and Rail Demurrage exposure
- As a secondary stage, drivers leaving intermodal drayage segment
- Increased terminal and rail ramp congestion
- Bigger boxships will strain back-office data processing

(Per LloydsList)



The Panama Canal Expansion



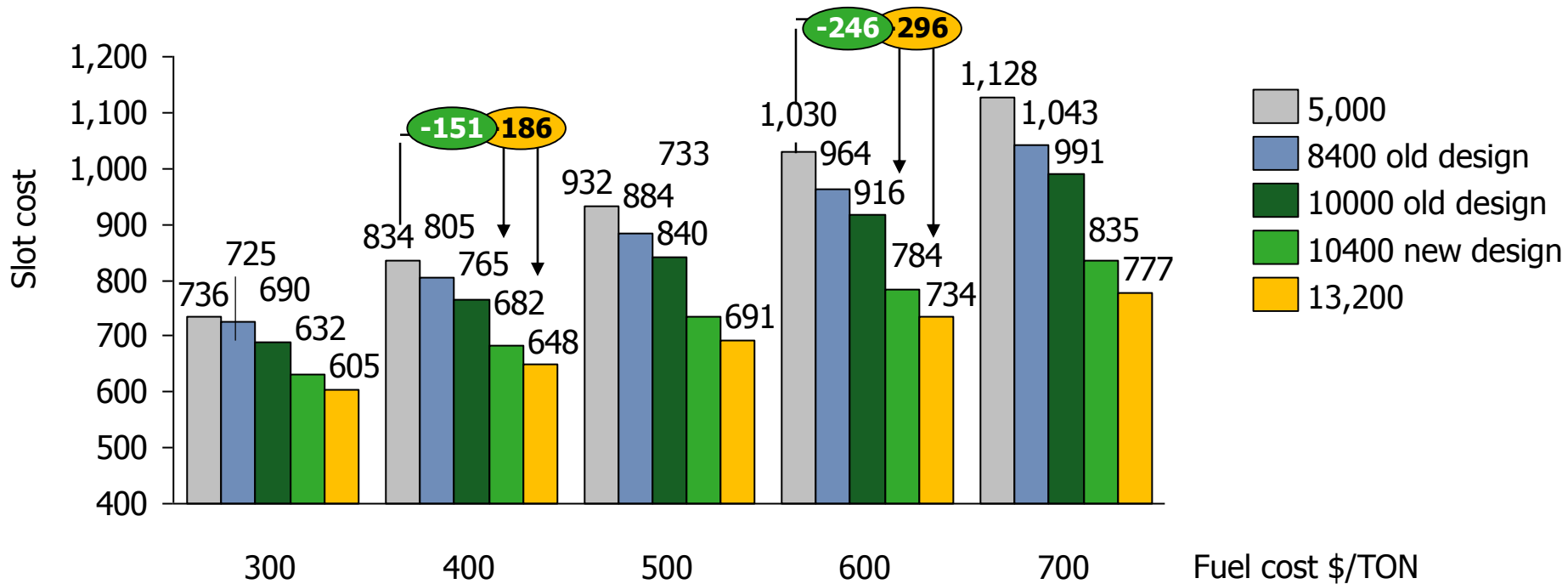
USEC ports are preparing for Canal expansion



Port	NPX vessels' draft	Development projects			LT infrastructure	Comments
		Scope	Budget	Scheduled completion		
Norfolk	✓				Good rail connectivity (NS, CSX)	Many distribution centers
Baltimore	✓				To be improved with CSX	
Miami	2015		\$2 B		Tunnel connecting port with highway	
New York	Summer 2016	<ul style="list-style-type: none"> Elevating Bayonne Bridge Cargo handling equipment 	\$1 B	Roadway bridge to be raised by summer 2016. Entire project to be completed by 2018.		Global terminal not restricted
Charleston	2018-19 Awaiting approval		\$500 M			
Savannah	2017	Dredging to 14.3m	\$706 M			
Jacksonville	Awaiting approval	New intermodal container facility	\$30 M	2015		

Larger vessels → lower slot cost

Size advantage reduced at lower fuel price



- 5000 TEU slot cost – based on new locks (increased capacity). Existing locks slot cost: \$400/ton fuel - \$936/TEU, \$600/ton fuel - \$1,164/TEU → +\$100/TEU increase in slot cost difference

The Alliances Dilemma



■ Pros

- Efficiency, better offers, more Frequency
- Increased reliability & stability
- Carriers are still able to differentiate their brand

■ Cons

- Less choice
- Less flexibility and diversity, monolithic market
- May increase rates
- **Regulators** concerned about new alliances and may act against it

- 1st Quarter 2015 Total U.S. Refrigerated Exports were down 12% compared to 2014 (1st QTR).

Main Reasons:



- Over 30 Countries have either total or partial bans on U.S. Poultry imports. This has affected 30 - 40% of the total flock
- U.S. West Coast Port disruptions
- Strong U.S. Dollar

New Requirements in Refrigerated Trade

Milestone
data
collection

Technology

Visibility

Temperature
Monitoring

Proactive
Service

SHIPPER NEEDS

Greater
responsibility
for the cargo



- Global middle class keeps growing:
 - By 2030 the global middle class will more than double from 2 Billion(today) to 4.9 Billion
 - India's middle class alone will grow over 200% by 2020 to 200 million people!
 - Increased livestock production in developing countries will increase coarse grain imports by 22 percent and account for 82 percent of the gain in world coarse grain consumption over the next decade.
- This will represent a stark increase in global disposable income & the need for imported agricultural goods and services

How do we Cope?

- Constant effort for efficiency & savings for customer
- Creative Solutions and Flexible approach
- Improve customer service
- Optimizing trade coverage
- Alliances

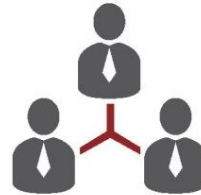


Improving Interface with Customers



Customer Service Transformation

- Introduce a single point of entry to our customers and equip our teams with the right processes
- Invest in a new communication system for call centers in order to achieve a unified and improved level of service in all countries



Shared Services Implementation

- Achieve customer service standardization
- Additional countries to join shared services process



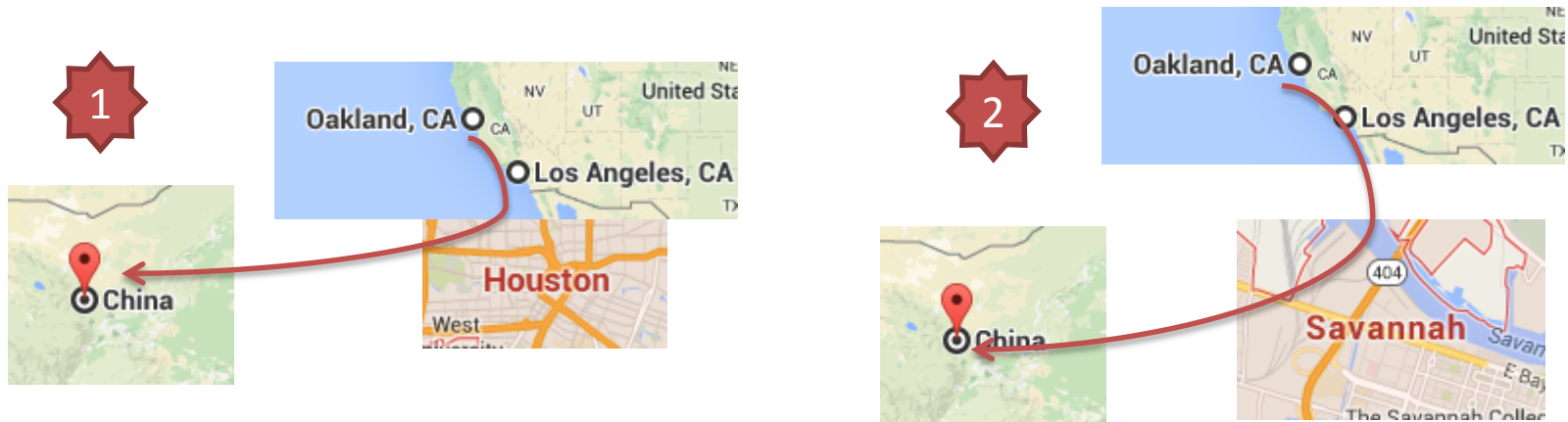
Customer Service Focus

- Train our people
- Measure and track service performance

Creative Solutions



- Add-hoc solutions to burning issues
 - (example: Extra Loaders to East Coast to cope with WC congestions)
- Creating new alternatives and markets
- Using the existing network to find alternative gateways in the case of port strikes and weather impacts





- Cooperation and joint ventures with vendors along supply chain
- Flexibility and fast response
 - Since we don't know where the next problem will occur, we need to be ready with options and juggle skillfully according to needs



AgTC shippers should consider



Diversify the carrier choice to reduce risks and dependency

Longer rate validity in exchange for guaranteed/consistent volumes most specific for Peak Season with “guaranteed” commitments on both ends

Encourage cooperation and support among all supply chain providers

Prepare Plan B

Clear service needs and transparency

React to obstacles as new opportunities



Thank you!

