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By Mike Knowles

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Shifting supply lines in the global fruit trade



Mandarins making their way through one of LCL's packhouse facilities in Ovalle, Chile

Chain reaction: Ole Schack Petersen comments on the latest trends in the international fresh produce business

One of the fresh produce industry's most experienced service providers, Ole Schack Petersen has spent more than 35 years working in the business, notably for shipping firms J Lauritzen, NYK and Maersk Line, as well as for AP Møller Mærsk's logistics division Damco. Having helped to establish perishable logistics provider LCL back in 2003, he recently returned to the company – now owned by Chile's Broom Group – as senior vice-president and chief strategy officer. Here, in the second part of a far-reaching interview, he talks to Fruitnet.com managing editor Mike Knowles about some of the most important trends in the global fruit trade today.

Ole, as you alluded to in the first half of our interview, containerisation has clearly been a massive trend as far as changing the way in which fresh

produce moves between supply countries and destination markets around the globe. Do you think there have been other less obvious changes in the way fruit and vegetables are distributed worldwide?

Ole Schack Petersen: I think what's very important to understand with reefer ships and containerships is that you went from having to ship four or five thousands pallets at a time to only 20 pallets or so. The change in the logistics chain itself, however, is that very little volume is stored at destination. It goes right the way through to the retail outlet, or in the worst case to its distribution centre for repacking or to a logistics service facility working on behalf of the retailer to repack it. But the produce is not stored there for very long; it just comes in, is repacked and then goes off to the shop and sold. So it moves much faster in the chain today.

So once the journey begins, you're seeing much more streamlined supply chains that deliver the produce to market?

OSP: Yes. Of course, it requires a lot more on our side because there can be no hiccups in the chain. That's especially true if you're using an airline that leaves this afternoon and arrives tomorrow morning and the cargo needs to be unloaded. It's going to be on the shop floor for sale by the following afternoon.

As a service provider, are you not at the mercy of many different factors outside your control? How do you ensure that you can do a better job than other players in the chain?

OSP: Obviously when we depend on somebody's hardware then we are at their mercy, but if you hand over the cargo to an airline on time, that goes in your favour. Then you have a maximum

of six-seven hours to deliver documentation and that's on an EDI

OSP: Yes, that's absolutely correct. Storage is only needed to store the fruit on a daily

I think it probably remains to be seen, but I think what you see is that the very

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(electronic digital interchange), so it's not that there are physical documents flying around the world. You have to be absolutely sure that your interface with the receivers in Asia and their agents is working flawlessly.

So this idea that the produce isn't stored in the market as much as it used be, does this by definition mean there is more fruit staying at the start of the chain, or are you seeing far more efficient supply flows across the board?

OSP: I think what we all see between import and export markets is that we are now dealing in commodities that all require fast handling and ready-to-eat, quick consumption. So it moves much, much faster compared to the past, when for example you would store apples from the Southern Hemisphere for maybe up to three or four months. Today, the window in Europe for selling Southern Hemisphere apples is down to three months and it needs to get in and be sold the minute it arrives because the next lot is en route and will be ready for distribution even the day after. You also see that, if you compare the old fruit terminal facilities in Rotterdam, they hardly exist any longer. If they do have fruit sitting there, that's because it's there for a week between one vessel and another.

That change in Rotterdam has been rapid, hasn't it? And so presumably plenty of operators in the area will now be finding that demand for storage is far lower than it was before?

or up to a weekly basis if you need to handle, repack or resort it, or label it. There are many importers who have built value-added service facilities, but you also have independent logistics service providers operating such facilities that are able to work on behalf of the shipper at origin as well as the retailer at destination.

In that context, what does the future hold for your own operations in the Netherlands?

OSP: What we are also looking to do in terms of future investment is to offer an independent, value-added service facility in Rotterdam. We are offering a third-party facility where we are repacking and washing fruit, like for instance pineapples, but going forward there is no doubt that we will also be packing berries into trays and clamshells, and labelling and ripening avocados for instance.

Just going back to the first part of our interview, you talked about the fact that exporters in the north-west of the US and in Latin America are sending their fruit increasingly to Asia and much less to the UK, which was historically a primary export destination. You noted that, following the recent referendum on Brexit, the value of the British pound has weakened against the US dollar and you suggested this had, to a certain extent, sped up that trend. How big an impact do you think Brexit will have overall?

OSP:

premium, expensive fruit that was going into the UK is shifting to other places. Yes, those other markets' new purchasing power is definitely part of the reason for this shift, but the exchange rate is definitely also an accelerating factor because of what has happened in the UK with Brexit.

What would you say has been the most unusual shift in fresh produce supply lines over the past couple of years?

OSP: It sounds strange but now we're even handling avocados from Spain to South Africa. People there are eating more avocados but there's a two or three month gap in the local supply.

That's really interesting. Are you seeing that happening anywhere else in your traditional origin countries?

OSP: Yes, there's a lot more intra-Latin America trade as well. Apples and pears from Argentina and Chile to Peru and Colombia. Grapes too, and also even some Californian grapes going to Chile. Consumers in these countries increasingly want the same things year round.

[Click here to read part one of Ole's interview: Keeping supply in touch with demand](#)