VGM
US Export Challenges
February 18, 2016
The Current US Export Supply Chain Process is Working

- We support SOLAS as adopted in 1994.
- Our current method of reporting weights to the carriers has been accepted by the Industry and compliant with SOLAS for the past 22++ years.
- Today shippers send to carriers, Shippers Letters of Instructions (SLI) and carriers release bills of lading which declare gross and net weights, cargo description, piece count and all critical data elements for contract of carriage.
- A shipper should only be responsible for their gross cargo weight.
- The introduction of the term (VGM) Verified Gross Mass does not clarify the regulation it complicates it and will require redesign of the supply chain.
- US Ag Shippers are compliant with SOLAS and what we are doing is working. There is no need for change.
Amended SOLAS Poses the Following Challenges to US Exporters and Further Complicates the US Export Supply Chain

1. Causes Significant Competitive Disadvantage to US Exporters
2. Imposes Shipper Liability to Certify Carrier Owned/Leased Equipment
3. Tare Weights Printed on the sides of the Container may not be Accurate
4. Does not Account for Container or Weight Variance
5. The Unique US Supply Chain Means that the SOLAS Documentation Requirements Will Disrupt the Flow of Cargo Through the Ports
6. Cost of Implementation Imposes New Costs on All Participants in US Export Supply Chain and will impact US export sales and disadvantage the US exporter in the global market
7. Currently, no fixed data fields in EDI STD for communicating container tare weight nor fixed formatting on STD Ocean B/L
US Exporter Disadvantaged

US agriculture and forest products compete with global markets. SOLAS as amended poses disadvantages to the US Exporter. Timing is impossible and there is no confirmation of global VGM acceptance of changes.
Amended SOLAS mandates a change whereby Shipper must use one of two Methods for VGM

Method One

Packed container must be weighed using certified scales.

Where are the scales?
Method Two

Shipper weighs cargo, dunnage, and the tare weight of the container.

What’s different with VGM vs Current process of reporting weights?

* Currently, we send to the carrier gross and net weights. Amended SOLAS requires the addition of tare weight.

New Requirement:
Container tare weight variable is now the responsibility of the shipper as written in SOLAS.

We do not own or lease this equipment...ocean carriers do.
Variance

- SOLAS amendment does not provide for a VGM weight tolerance as written.

- AG products and reefer equipment retain moisture.

- Equipment often does not match stenciled weights.

- A variance must be recognized.
Grain Exporter Transload Operation

Wando Welch TERMINAL LAYOUT

- Container Handling
- Refrigerated Handling
- Transload Warehouse
- Container Interchange
- Chassis Interchange Yard

Guard Gate
RPM Radiation Portal Monitor
Maintenance
Office

SCOUAR TRANSLOAD SITE

Crane Outreach IN ROWS
- ZPMC Super Post Panamax: 23
- Pascific/Heundal Super Post Panamax: 22
- Morris Post Panamax: 17
Timeline for Doc Submission

24 hours prior to vessel arrival
48 hours prior to port cut
24 hrs. prior to port cut
Port Cut - Last date for terminal entry
Required AES Filing and updates - 24hrs prior to loading
Vessel loading
Vessel Sails

No Doc No Load Cut-off

SLI sent to carrier here
Ag products may not final tallies and container number

Will shippers lose another day to export goods?

VGM

According to SOLAS amendment no further updates allowed to US exporter

How long will it take for the carrier to transmit VGM to the terminal?
**Method Two: SOLAS Amendment**

**DELAYS/Added Steps**

- **Product Received from Supplier**
- **Export Order Scheduled for Loading**
- **Container Secured from Steamship Lines / Port**
- **Warehouse Loads Container**

**BOL Sent to Freight Forwarder**

**Freight Forwarder Prepare Docs**

**EDI Docs to U.S. Customs and SS Lines**

**SS Lines Transmit to Port**

**Port Updates System to Allow Container Receiving**

**Added Steps Delays Return of Loaded Container**

**Drayman Checks with Port for O.K. to Return**

**Loaded Container Return to Port**

**FDA Same Day C/O or 1-2 Days Before C/O**

**Available 1-2 Days Prior to ERD**
Method One: SOLAS Amendment
Delays/added steps

1. PRODUCT RECEIVED FROM SUPPLIER
2. EXPORT ORDER SCHEDULED FOR LOADING
3. CONTAINER SECURED FROM STEAMSHIP LINES / PORT
4. WAREHOUSE LOADS CONTAINER

- DRAYMAN BRINGS TO CERTIFIED SCALE TO WEIGH
  - AVAILABLE 1-2 DAYS PRIOR TO ERD

5. BOL SENT TO FREIGHT FORWARDER

6. FREIGHT FORWARDER PREPARE DOCS

7. EDI DOCS TO U.S. CUSTOMS AND SS LINES

8. SS LINES TRANSMIT TO PORT

9. PORT UPDATES SYSTEM TO ALLOW CONTAINER RECEIVING

- ADDED STEPS DELAYS RETURN OF LOADED CONTAINER

10. LOADED CONTAINER RETURN TO PORT

- DRAYMAN CHECKS WITH PORT FOR O.K. TO RETURN

- ERD SAME DAY C/O OR 1-2 DAYS BEFORE C/O
Cost of implementation imposes new costs on all participants in US export supply chain

$ EDI programming
$ Resources for double keying of data
$ Cost of scaling
$ Cost of less shelf life/ delayed sailings
$ Cost USDA Health Certificates/ Issued In-Lieu of
$ Driver detention
$ Missed letters of credit/missed sailings
VGM is a New Data Field for Shippers

Carriers currently receive US shipper Gross Weight and Net Weight in our SI’s and noted on the Ocean Bill of Lading. Amended SOLAS requires shippers to report ocean equipment tare weight

- New Database to house new weight reporting including container tare
- New Database will house certification
- Do we transmit via Web site? EDI?

Challenges

- There is no industry standard or information flow from shipper > carrier or carrier > terminal for VGM today.
US Ag Shippers Suggested Solutions

1. Continue the current method of providing gross and net weights to the ocean carriers.

2. Exporter shall be responsible for certifying accurate weight of their cargo, the carrier will submit the weight of the container it owns or leases from third parties.

3. A recognition of the industry practice of a weight variance to account for changes due to moisture and humidity content in agriculture and forest products as the container travels through the supply chain.
4. The carriers should be responsible for container tare weights must be added to create a new VGM field, the carriers will be responsible for adding an industry accepted tare weight assigned per size and type of equipment.

5. If the current method of sending weights to the carriers is not recognized and new VGM requirements are enforced, then this must go through the Legislative Process. If approved, this rule should be implemented in the United States only after implementation by the United States’ top 15 trading partner countries to limit US Competitive Disadvantage.

6. Delay enforcement until all parties can agree on industry best practices.