



KNOWING THE ROPES

Andromeda's facilities in Rotterdam.

Representatives of two freight-forwarding companies share their views on pirates, tobacco beetles and other issues facing the shipping industry.

By George Gay

If I allow myself a flight of fancy, I can imagine a situation where an enterprising illicit cigarette trader or manufacturer tries to team up with some organized pirates so as to obtain at bargain-basement prices tobacco products, cut rag, unmanufactured tobacco, manufacturing supplies, machinery or equipment.

Indeed, if he were really smart, he could perhaps intercept some of these items as they were bound for another illicit manufacturer and, in doing so, be involved in a hijacking, in the original sense of that word.

Hijacking, the interception by criminals of illicit goods in transport, presents its own risks, of course, because you are stealing from people who tend to lack empathy, even with their fellow criminals. But it has, too, its own appeal, since the "owner" of the goods in question is hardly in a position to go to the authorities and complain when those goods are diverted.

I'm not aware of any tobacco-related consignments having gone missing because a ship containing them has been

intercepted by pirates, and certainly, Klaus Henschen, of Joh.C. Henschen, the Bremen-based international freight forwarder that has specialized in leaf tobacco for 160 years, told me in March that his company did not expect to suffer such problems because it shipped its tobacco only on the big vessels of the major shipping lines.

But this doesn't mean to say that tobacco has been immune from the problems thrown up by piracy.

For instance, I asked Bart Brouwerens, director of Andromeda Forwarding & Logistics, whether he was concerned about piracy, and his answer was unequivocal: "Nope."

But when I pressed the point by asking him to confirm that it was not a problem, he was a little more hesitant. It wasn't a problem for Andromeda at the moment, he said, before adding that he hoped it would not become a problem. But it could not be ruled out altogether, he said.

In this case, I asked, are you taking any precautions against piracy?

"The shipping lines are taking the precautions needed,"

he said, before adding with a somewhat unconvincing laugh, “and they charge you for it.”

And this is the nub of the issue. While it is probably highly unlikely that tobacco-related shipments will be delayed or damaged (the pirates aren't really interested in the actual cargoes, only their values, of course) because the ship they are being carried on falls into the hands of pirates, piracy surcharges are applied in certain areas, such as the Malacca Straits and the waters around Somalia. And these surcharges can be high—to the point, in fact, where some are driven to ask: Just who are the pirates?

This may not be entirely fair. I guess such surcharges comprise a form of insurance, and all insurances seem like so much money down the drain until it comes time to make a claim.

Fumigation

The need for such surcharges is just one indication that we inhabit a world that is not entirely secure—a world in which, in respect of tobacco at least, ensuring security of supply has become a primary undertaking. Indeed, while it is a coincidence, it need come as no surprise that another story in this issue looks at the question of ensuring the sustainability of leaf production (See “Long-term vision,” page 28). And certainly, one aspect of sustainability has to do with transporting and storing tobacco in a secure and efficient manner.

In fact, though they get plenty of publicity, pirates are far less of a threat to tobacco security than are tobacco beetles. Tobacco beetles, like pirates, are difficult to locate and keep an eye on, and they are difficult to deal with once they have been located, but at least you can negotiate with pirates.

And, according to Klaus Henschen, the problem thrown up by tobacco beetles, along with that of excessive moisture, or mold, has become more acute in recent times. These problems were more noticeable on old-crop tobaccos, he added, and on tobaccos that had been stored for a relatively long time in the country of origin.

Before taking tobacco into its warehouse, Henschen checks it for tobacco beetles, opening about 3 percent of bales or cartons to look for dead or living beetles and signs of feeding damage. Suspect lots are then checked more closely.

During storage the lots are audited by traps.

Andromeda director Erik Van Nueten, meanwhile, told me that the tobacco beetle had been an issue for the past 10-15 years, though for a logistics company, it was not the main issue.

Having said that, Andromeda is involved in monitoring tobacco for beetles, especially at certain times of year, and fumigation with phosphine where necessary or requested, but this is largely a client-led activity.

And similarly with the question of changing over to controlled-atmosphere (CA) treatment, it depended on what the industry and individual customers requested, and at the moment they weren't requesting such treatment, added Brouwerens.

This may change, however. Coresta was expected to issue guidelines for a CA method as early as this month, when it



Founded in 1849, Henschen remains a family business.

was due to hold a pest control meeting in Cape Town, South Africa. But even if the guidelines are delayed, there seems to be a momentum building that will probably see some manufacturers embracing the new-to-tobacco technology using their own guidelines.

The question of CA has been raised because phosphine fumigation has not always been properly applied in the past, especially in more remote locations, allowing the development of phosphine-tolerant beetles, the so-called super-beetles.

Also, CA offers a safety advantage over phosphine, and that is expected to appeal to tobacco manufacturers, which are constantly under scrutiny and eager to fulfill their social responsibility roles.

One security matter that is an issue concerns a new European customs certificate, the Authorized Economic Operators' (AEO) certificate.

The AEO, which has to do with warehousing in general, certifies that the company possessing it, and the companies that company works with, have the procedures in place to ensure that they are complying with all of the regulations pertaining to the movement and storage of goods. So, for instance, it would ensure as far as is possible that the company concerned wasn't being, and could not be, used for the handling of illicit or banned goods.

The advantage of this system for port authorities is that it allows them to concentrate their checks on the smaller group of uncertified, and usually smaller, companies. And the advantage for tobacco manufacturers and warehouse owners/freight forwarders is that this is yet another weapon in the armory of those battling to prevent the huge, international trade in illicit tobacco.

But there is a slight disadvantage, too, for the warehouse owners/freight forwarders, because there is a cost involved in putting the procedures in place and keeping them active, and this, Van Nueten told me, was not something that could be translated into higher rates. The costs, he said, had to be absorbed and viewed as a sort of investment.

Riding the tides

It is interesting to note at this point that while the two companies featured in this report, Andromeda and Henschen,

provide similar services, in the sense that both provide warehousing and freight forwarding services to the tobacco industry, they are very different companies.

Henschen, which was formed in 1849 by Johann Conrad Henschen, is still a family business owned by Johann Heinrich Henschen and operating with Johann Henschen Jr., Klaus Henschen and Thomas Henschen as executive directors.

Its two tobacco-dedicated warehouses are in Bremen, where it specializes in Indonesian cigar wrapper tobacco, though it also handles and stores tobacco from Brazil, Peru, Ecuador, Mexico, Cuba, Cameroon and some other countries.

Its clients are the Indonesian tobacco plantations, tobacco dealers and exporters, and cigar manufacturers.

Both of the companies' forwarding and warehousing services include bonded transport and storage. But this is where the similarities end.

Andromeda is a relatively young company that handles all types of tobacco-related and other goods, from drilling platforms to small airfreight cargoes. On the tobacco front it moves everything from tobacco to tobacco products to tobacco factories, at least one of which it handles every year.

Headquartered in Rotterdam, it offers tobacco-specialized storage in Antwerp, through which a lot of the world's tobacco passes, Dubai, Durban and Manila, in warehouses

that it owns and leases. These are the ports requested by Andromeda's tobacco clients, which tend to be tobacco merchants.

Additionally, Brouwerens told me, Andromeda is part of the Global Transport Organization, which means that it has access to offices and agencies in more than 100 countries. "We have representation in virtually every port in the world, which is necessary these days because clients are demanding more for less," he said.

Unsurprisingly, given the state of the world's cigar markets and the conservative nature of this sector of the tobacco industry, Henschen said that the shipping and warehousing business had remained fairly stable during the past five years.

Andromeda, on the other hand, working across the tobacco board, reports that its tobacco business has been rising. The company has benefited, it said, from a tendency by some tobacco merchants to outsource more of their forwarding services.

And while its business has remained stable, Henschen has benefited from the integration that has occurred in the cigar industry, and that has meant that shipping consignments have increased in size.

Shipping rates, meanwhile, which normally roller-coast on a seven-year cycle, were forced down for a while because of the economic downturn, but they have since recovered. **TR**