The Railcar and Warehouse Connection
The Importance of Rail in Todays Supply Chain
A Discussion on How to Make It Work Better
Thanks for Having Us

Mark Swensen
Real Job
North America Transportation
*Kraft Heinz*

Herman Haksteen
Real Job
CEO
*Cryo-Trans, Inc.*

Connected By
PRFBA
Private Rail Car Food and Beverage Shippers Association
Who is PRFBA?

Member Companies

PRFBA Member Companies
Why PRFBA?

- Try to balance the scale with the RR
- Share best Rail practices between members
- Communicate with the Surface Transportation Board
- Communicate with Washington – help our policy makers understand shippers rail issues
- Communicate the value of rail to others
The North American Rail Network is the single most important transportation infrastructure asset that America has!

Every week in 2018 over 730,000 railcars were loaded in the North American rail network – an equivalent of 2.2 million truckloads

We Need To Make Rail Work in Today’s Supply Chains
TRUCKS ARE NOT AN OPTION

We have infrastructure concerns, congestion issues, and.......
Identify the **PROS** and **CONS** of using Rail In the Food and Beverage Industry To Help us Manage the Opportunity

**PROS**

- Safety
- Second most efficient form of transportation after water for cost/environment
- Runs on its own infrastructure
- Adds capacity
- Reduces cost
- Modal diversification (strategy and risk management)
- No drivers

**CONS**

- Railroads are tough to negotiate with
- More transportation damage
- Slower, requires more inventory in a pipeline
- Inconsistent service
- Loading and unloading requires more Labor
- Regulated industry, cumbersome to deal with rules, regulations, tariff etc.
- Equipment availability
- Cost to other industries
Benefits of Rail to KHC

• Cost/LB Advantage

• Inventory Control – Warehouse Management
  • Extended transit helps prevent over filling down stream warehouses

• Protection from surging trucking market
  • Constant rail volume helps reduce peaks and valleys in truck volume

• Healthy Supply Chain
Would Have Added over $12MM in Additional Linehaul Spend

Additional TL without Rail

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional TL</td>
<td>630</td>
<td>825</td>
<td>1,024</td>
<td>1,150</td>
<td>1,120</td>
<td>974</td>
<td>894</td>
<td>1,052</td>
<td>988</td>
<td>1,485</td>
<td>794</td>
<td>903</td>
</tr>
</tbody>
</table>
Kraft Heinz Rail LBs
Shipped since 2015:

<table>
<thead>
<tr>
<th>Year</th>
<th>LBs</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>283,467,911</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>284,443,027</td>
<td>0.34%</td>
</tr>
<tr>
<td>2017</td>
<td>291,798,824</td>
<td>2.59%</td>
</tr>
<tr>
<td>2018</td>
<td>349,363,175</td>
<td>19.73%</td>
</tr>
</tbody>
</table>
97% Growth in Rail over the Last Decade

Kraft Heinz Rail Shipments
2009 vs 2018

Pounds Shipped

2009: 176,933,012
2018: 349,363,175
The next slides represent your organization’s survey about rail.

We want this opportunity to talk about the issues raised and have an open discussion about what we can do together to make Rail work better for everyone -

WHEN IT MAKES SENSE
Does your facility currently have a functional rail spur or rail access?

147 Responses

- Yes 62.59%
- No 37.41%
Of the 80 respondents who have access to a functional rail spur:

56% said they load zero rail cars per month
Of the 80 respondents who have access to a functional rail spur:

# of rail cars **UNLOADED** per month

- Zero: 33%
- One to Five: 22%
- Six to Ten: 16%
- Eleven to Thirty: 21%
- Thirty-one to Seventy-Five: 16%
- Seventy Six or Greater: 22%

33% said they load **zero** rail cars per month.
Would having a rail spur or rail access enhance your business?

51.85% No
48.15% YES
How would you describe your overall satisfaction shipping and/or receiving via rail?

- Extremely satisfied: 7.50%
- Somewhat satisfied: 27.50%
- Neither satisfied nor dissatisfied: 28.75%
- Somewhat dissatisfied: 23.75%
- Extremely dissatisfied: 12.50%

Satisfaction: 35%
I would pursue adding rail access to my building if:

“We had a customer that made it financially feasible.”

“It might be an added benefit, but the service of the railroads is not very good.”

“I owned the property.”

“We are looking for rail access sites for future facilities.”

“Financing was available.”

“We are adding rail access to our cold storage facility currently under construction. It will be available 3Q of 2019.”
When you experience issues with rail shipments, which of the following are the most common? Please select up to three.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demurrage/detention charges</td>
<td>25.00%</td>
</tr>
<tr>
<td>Poor service from rail companies</td>
<td>20.00%</td>
</tr>
<tr>
<td>Labor challenges of loading/unloading rail cars</td>
<td>15.00%</td>
</tr>
<tr>
<td>Availability of rail car assets</td>
<td>15.00%</td>
</tr>
<tr>
<td>Speed/transit time</td>
<td>10.00%</td>
</tr>
<tr>
<td>Other</td>
<td>5.00%</td>
</tr>
<tr>
<td>Costs</td>
<td>5.00%</td>
</tr>
<tr>
<td>Customer or manufacturer does not request it</td>
<td>5.00%</td>
</tr>
<tr>
<td>Quality of rail spur at my facility</td>
<td>5.00%</td>
</tr>
<tr>
<td>Equipment not compliant with STF requirements (design,...)</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
Thanks For Your Time, Attention and Valuable Feedback
Tell us what you think!

Complete the short keynote, Cool Innovator and Peer to Peer evaluation on the homepage of the Convention app!
Learn more!

2019 Rail Survey results out now!

IARW Rail Survey

Working group focused on rail at the 2019 Global Cold Chain Expo

GLOBAL COLD CHAIN EXPO

IARW-WFLO Convention
April 7–10, 2019
Santa Ana Pueblo, New Mexico