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For paper and pulp handlers, sometimes timing is everything

By Karen E. Thuermer, *AJOT*

B. W. (Bill) Franks, CEO and President, The CrossGlobe Group, headquartered in Glen Allen, VA, is feeling optimistic. Not only does he believe the market for pulp and certain paper products is going to rebound; he is convinced his company is well positioned to service the increased demand.

Like other businesses, break bulk has been down 20 to 30 percent during this global economic recession. "But we believe the break bulk business is going to dramatically change over the next 18 to 24 months, especially that coming from South America," Franks says.

CrossGlobe is positioning itself to make certain it has the facilities to handle those increases.

CrossGlobe, which was founded in 1951 as Lydall Transport, Ltd, is a supplier of distribution and transportation services to producers of specialized break bulk products such as paper and other forest products, base metals, beverages, and other goods and commodities. Its services include warehousing, truckload hauling, drayage, and customized value-added services. Currently, it has operations in Monson, MA; Newport News, VA; Portsmouth, VA; Pasadena, Texas; Savannah, GA; and Port Elizabeth, NJ.

Exports encompass 60 percent of CrossGlobe's business, with many of those exports going to Europe, China, South America, and Mexico.

"The Far East business is driven by one of our customers," he says. "It's one of their largest markets. But we are also seeing new opportunities for Europe." Franks mentions Italy in particular.

Research Indicators Already, research indicates a surge of imports to China, with price improvements beginning in the second half of 2009. Researchers say the worldwide pulp market will also rise throughout the next decade.

Franks contends that the greatest growth opportunities exist on the import side. South America is projected to exhibit the fastest growth, he says.

One reason is planted forests there grow faster than anywhere else in the world and yields of eucalyptus plantations are at least 10 to 20 times higher than native hardwood forest in the Nordic region, a traditional wood pulp producing area. But pulp machines are also coming on line over the next three years in South America, adding significant tonnage to world market, including North America. Researchers project that new, large scale factories will increase pulp capacity throughout the next decade.

Franks reveals that most of the new pulp machines are planned for Brazil, with Uruguay also being cited for a plant.

"Each machine will produce somewhere in the neighborhood of 1.5 million tons of wood pulp a year," he says. "We think markets will see 3 million to 5 million tons of product over the next four years."

Eldorado Celulose is planning a pulp mill to be built in the Brazilian state of Mato Grosso do Sul. Other intelligence reports point to possible projects that include 12 million tons to start up by 2015. However, no confirmed major new pulp lines are scheduled for start-up in the region before 2013.

One forecast shows market pulp capacity growth will average 5.7 percent annually between 2010 and 2014, hitting roughly 21 million tons in 2014.

Strategic Planning Franks is positioning CrossGlobe for the market expansion. CrossGlobe already operates from 450,000+ square feet of distribution space within the Port of Virginia at their Newport News Marine Terminal (NNMT) and Portsmouth locations. The Virginia Port Authority (VPA) and Virginia International Terminals (VIT) have publically announced their commitment to diversify to bring more break bulk and bulk commodities to the port.

VPA officials reveal that NNMT is seeing break bulk lines call there after a couple of tough years.

In addition, CrossGlobe also has plans for a 200,000 square foot building that would expand its facilities within the Port of Virginia over nine months to a year.

“That would give the company added capacity by the end 2011 just when pulp markets should be beginning their expansion,” Franks emphasizes. “Our plan is to be in position to handle this growth as capacity comes on board.”

Already the Port of Virginia and NNMT offer CrossGlobe advantages. Its NNMT facility has dock access to CSX rail. With VPA taking over operations at the APM Terminals in Portsmouth means VPA will be changing the Portsmouth Marine Terminal (PMT) over to a dedicated break bulk facility.

“There will be 270+ acres that will be used and developed for break bulk commodities,” Franks points out.

This also gives the port and CrossGlobe additional access to two of the East Coast’s Class I railroads -- Norfolk Southern (NS) and CSX.

Franks believes this puts CrossGlobe in a unique position to compete with the Port of Baltimore and the Port of Wilmington in North Carolina. Up until VPA and VIT’s recent commitment to bring more break bulk capacity to the Port of Virginia, these two ports to the north and south of Virginia presented enormous competition.

“The challenges we face today are simply the result that the Port of Virginia has always been known as a world class container port,” says Franks.

But now that the emphasis is changing, the Port of Virginia’s rail infrastructure provides a particular plus.

“That is a huge selling point, particularly with the opening of the Heartland Corridor on September 9,” comments Joe Harris, VPA spokesman.

The Heartland Corridor, a private-public partnership between NS, three states, and the Federal Highway Administration, has been one of the largest railroad engineering projects in the country. In that project, Southern raised the height of 28 tunnels in the Appalachian Mountains over a rail line that covers nearly 250 miles. This saves shippers up to two days transit time for shipments between Norfolk and places in the Midwest.

“The Heartland Corridor gives us access into the Midwest,” comments Franks. “We can now access Chicago quicker from Norfolk than we can from New York.”

It also means CrossGlobe can service the entire US East Coast and Midwest from its operations in both Newport News and Portsmouth.

Another big advantage for CrossGlobe’s operations at the Port of Virginia is the recently negotiated labor agreement with the International Longshoremen’s Association at the Port of Virginia that now offers extremely competitive wages to employees than handle break bulk shipments.

Franks asserts: "This new wage package will create opportunities and allow us to create jobs. We are excited about that. I believe this will give us a much more competitive break bulk position at the Port of Virginia."

Other Locations Other CrossGlobe operations play an important role in the company's business. Its domestic distribution facility in New England near Springfield, MA, operates as a trans load facility that handles all types of commodities from bulk paper, to wood pellets, lumber, and steel.

"We do some business out of that facility for exports to Canada," Franks says. "We also load rail cars back to Canada."

Canada is a target market for the company. "We are always trying to find ways to bring commodities into that facility," he says.

CrossGlobe operates a 100,000 square foot facility nearby the Port of Houston where it provides its own equipment and chassis pool. Currently, the company is looking to expand that operation by another 100,000 square feet in next 12 to 18 months. The reason, Franks reveals is the 2014 expansion of the Panama Canal.

"When that opens up, the Port of Houston will be in a great position to take advantage of that growth," he adds.

While Mexico would appear to also be an obvious market, Franks emphasizes how current problems there have caused its cross border business drop off.

"For now we see our greatest growth opportunities on import side," he says.

The company recently expanded its operations at Port Elizabeth where it opened a new Container Drayage Operation in September.

"We think that location has great potential given the fact that business always finds its way to the right port based on cost to market," he says. "Obviously, the New York/New Jersey area is one of the largest consuming markets in the U.S.A."

Franks is also looking to expand his company's business with a new distribution facility at the Port of Savannah. In fact, Franks was en route to Savannah while speaking with this AJOT reporter.

"We are trying to find the right facility with the right opportunity," he says.

For the meantime, however, Franks asserts that the Port of Virginia continues to offer opportunities because it a great work force, deep water, no bridges, and is only 18 miles to the open ocean.

"The Port of Houston is in the same situation," he says. "And the widening of Panama Canal will dramatically change the shipping landscape."