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Seaboard Marine improves cargo space at Port of Miami

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Whether you're buying a cantaloupe in Miami or a toaster oven in Nicaragua, there's a good chance the goods arrived in the store via a cargo container loaded aboard a Seaboard Marine vessel.

The Miami shipping company, which has operated at the Port of Miami since 1987, has grown over the years to be the port's largest cargo line. And with a new lease signed in May that will bring up to \$26 million in much-needed port-funded capital improvements to its space, the company is poised to expand further.

PLATFORM FOR GROWTH

"The crux of this deal is we will be able to be much more efficient and productive," said Bruce Brecheisen, Seaboard Marine's executive vice president. It "will create a platform on which we can grow."

Unlike many shipping lines whose scope is global, Seaboard Marine's focus is regional -- principally the Caribbean basin, including Central America, Venezuela and Colombia, as well as other South American countries.

"What we tend to do is have fast, direct sailings and frequent sailings," Brecheisen said. "The emphasis is on vessel turnaround, trucker turnaround and customer service."

Founded in 1983, Seaboard Marine began with two ships, running weekly service to Central America from the Port of Palm Beach. The line transferred to the Port of Miami in 1987 and today it has 41 ships, including 25 Miami-home-ported vessels, serving more than 40 ports in 25 countries. The line has 70 sailings monthly from the Port of Miami, with another 15-20 sailings from Houston and eight from New Orleans, he said.

NO. 1 IN FLORIDA

Port of Miami figures show that Seaboard carried 3.1 million tons of cargo in 2007, accounting for 40.3 percent of the port's total cargo. That's up from 2.3 million tons or 28 percent of the port's cargo in 2000.

In fact, Seaboard ranked as the No. 1 container carrier in international trade (excluding trade with Puerto Rico) via Florida ports, with a 14.8 percent market share from April 2007 through March 2008, according to PIERS Global Intelligence Solutions.

And Seaboard Marine, which occupies one of three cargo terminals at the Port of Miami, serves only its own vessels -- not third-party ships.

'A WORKHORSE'

"They are a workhorse. They are incredibly productive, incredibly efficient. They work hard and they also work smart," Port of Miami Director Bill Johnson said. "These guys are straight up. They call it the

way it is. They don't pull any punches. They don't play games. You couldn't ask for a better partner."

Seaboard carries mostly containerized cargo, though it also loads cars, buses, fire trucks, ambulances and concrete mixers. Its main competitors are Crowley Liner and Tropical Shipping, Brecheisen said.

Because of its regional focus, much of Seaboard's cargo includes construction materials; apparel sewn in Central America, the Dominican Republic, Haiti or Colombia; grocery items, including imported fruit such as cantaloupes, honeydews and mangoes and vegetables; and exported general consumer goods and department store merchandise.

Among Seaboard's customers are Hanes Brands, Gildan, Fruit of the Loom and Caterpillar, Brecheisen said.

"In general, our customers are hundreds of freight forwarders and consolidators that are largely based in the Greater Miami area," he said. "Those customers have been the heart of the company for 25 years."

Miami-based Perez Trading Co. spends \$3 million a year with Seaboard Marine, to ship "easily 75 containers a week" of paper to Central America, said José Antonio Arenas, Perez Trading's vice president of logistics.

"The service is excellent, the lines of communication with them are No. 1, and they are always willing to help you," said Arenas, who has used Seaboard for more than 20 years.

FUEL UNCERTAINTY

Still, Seaboard is not immune from the current economic downturn and the disastrous effects that rising fuel prices are having on U.S. businesses.

"Cargo liftings continue to be steady. However, it's uncertain as to how much additional transportation costs some customers can continue to absorb," Brecheisen said. "Some companies are suffering because of high energy costs."

Seaboard customers must pay a fuel surcharge. And the line has increased the fuel surcharge paid to its local truckers three times so far this year, said Carlos Arocha, Seaboard's vice president of operations.

"In today's market, we are always one step behind in fuel surcharges," he said.

Seaboard is a subsidiary of publicly owned, Shawnee Mission, Kansas-based Seaboard Corp. And while the company does not separate Seaboard Marine's financial results, it does report its "marine segment," which is primarily Seaboard Marine's operations. In 2007, the segment generated \$104.2 million in operating income on \$822.2 million in revenue, Seaboard Corp.'s financial statements show.

Overall, Seaboard has more than 500 employees at the port and at its 166,400-square-foot facility in Medley, Brecheisen said.

HIGHER AND DENSER

Yet it has been hampered by poor ground surface conditions at the Port of Miami, which has limited its ability to efficiently stack containers.

Seaboard's new lease -- effective May 30 and replacing one that would be expiring Oct 1 -- will allow the company to increase its berthing capacity by more than 20 percent, said Brecheisen, who, along with Arocha, spent a year negotiating the lease with the port. The lease extends 20 years, with two five-year extensions.

"We will be able to stack containers higher and denser, with a goal to be able to have the capacity to double our volume over the life of the agreement," Brecheisen said.

Under the deal, Seaboard will generate an estimated \$13 million in annual revenue for the port -- up from \$9 million a year -- in exchange for up to \$26 million in capital improvements to its 80-acre cargo space.

Seaboard is also guaranteeing 4,000 TEUs (20-foot equivalent units -- a container measurement used in the industry) per acre, with 2 percent yearly growth, except for years six through 15.

"They are in the oldest part of our cargo area, in the area most in need of repair," Johnson said. Under the company's previous 1998 lease, the port was already obligated to do much of the capital improvements, he said.

Work will begin this fall, starting with improving drainage in low-lying areas and paving. Following that will be construction of a new truck gate complex; extending a concrete bulkhead to increase berthing capacity; and the demolition of five outdated buildings, by 2011.

"The next three or four years will be a challenge to maintain a highly efficient terminal operation while improvements are ongoing," Brecheisen said. "However, the long-term result will be an outstanding, efficient facility with unmatched berthing, at a port that has proven successful for us."