



How to Save Money on Bulk Oil Ingredients for Manufacturing

Without Changing Ingredient Quality



Centra Foods
Webinar

with Hannah Broaddus



Centra Foods

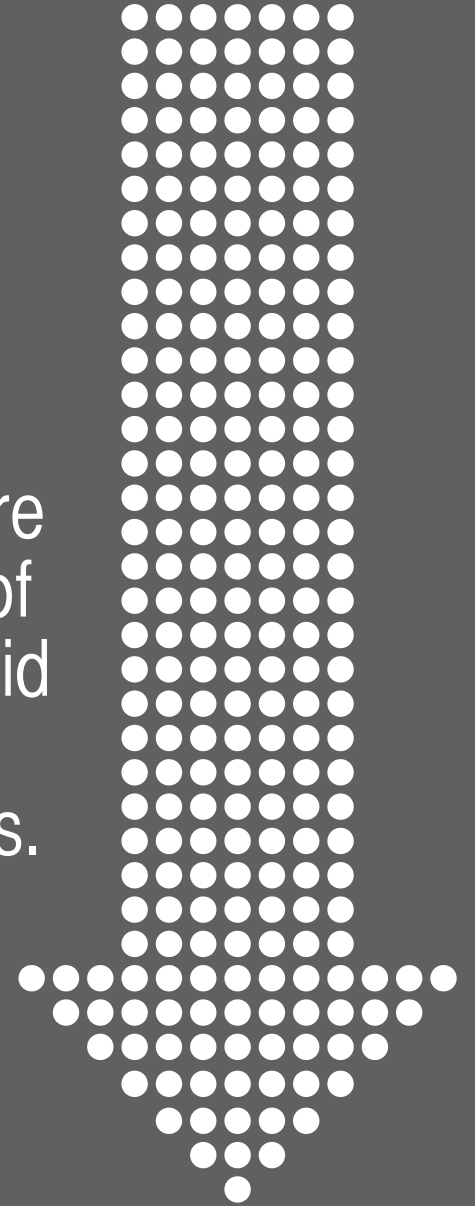
- Supplier of bulk olive oils and other edible oils to food and body care manufacturers.
- Specialize in analyzing how manufacturers buy ingredients to help them buy “smarter.” The result is:
 - Increased efficiency
 - Money saved





Increase in the demand for natural, high-quality and wholesome products usually means higher cost of ingredients for manufacturers

Continual internal pressure for lower cost of ingredients to aid in increased company profits.

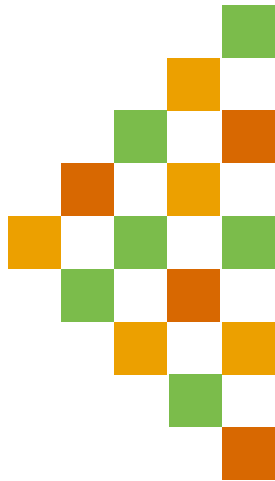


Why we're showing you how to save money *without changing the quality of the ingredient*

The given: In today's marketplace, your end consumer wants to buy your product at as low a cost as possible, without sacrificing quality.

The manufacturer's challenge:

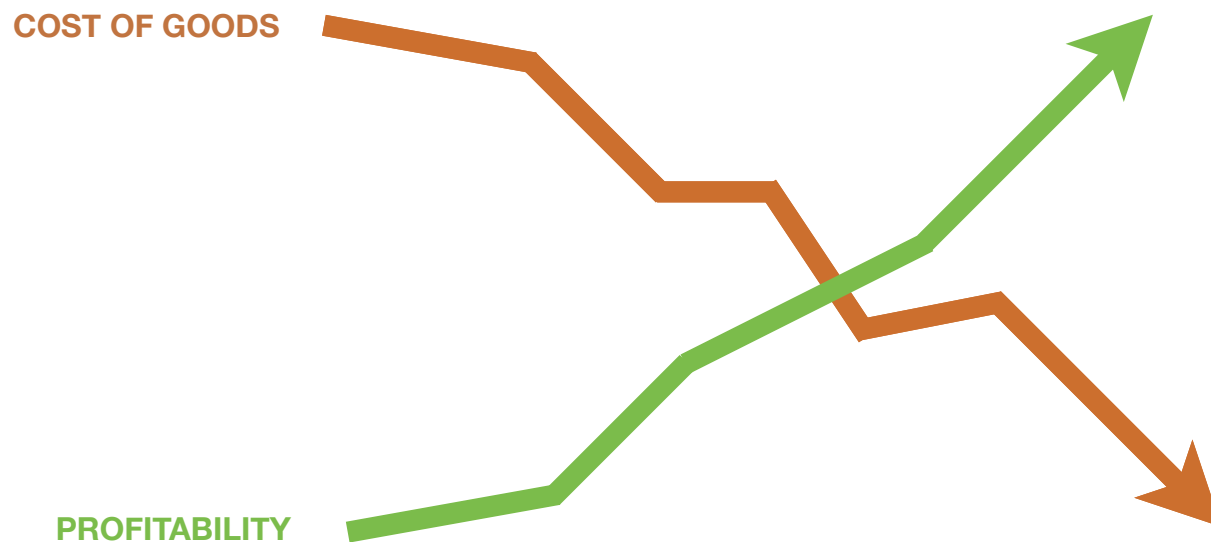
To lower your cost of goods without affecting the product's quality. This means finding creative ways to save money that doesn't involve using a cheaper or lower quality ingredient.



Surprisingly, we've found...

The majority of corporate manufacturers are not buying as efficiently as they could, or saving as much money as they could.

Making even minor changes can save a lot of money and help increase business profitability.



Before learning how to save, you'll need to decide on:

- The grade or quality of oil (or any ingredient) that you want to use.

Keep in mind: this is your baseline for all future price comparisons. If you find that you simply can't cut enough cost using our techniques, you'll need to come back to this point.

- The price point that you must be at to be profitable.

Keep in mind: be realistic based on the current commodity market

- The price point that you wish you could be at to optimize profitability.



Ways to Cut the Cost of Bulk Oil Ingredients

How do you do it? Increase efficiency.

Efficiency of what? Logistical factors that affect the price.

What types of logistical factors?

1. Packaging
2. Shipping
3. Direct Delivery Programs
4. Forward Commodity Contracts



PACKAGING

Drums

Most common manufacturing size!



Product Specs

Size: 55 Gallon

Gross Weight: 419 lbs

Net Weight: ~500 lbs

Requires Forklift: Yes, or pallet jack

Oil Removal: Pumps through top hole

Pallet: 4 drums

PACKAGING

Totes



Product Specs

Size: 264, 275 or 330 Gallon

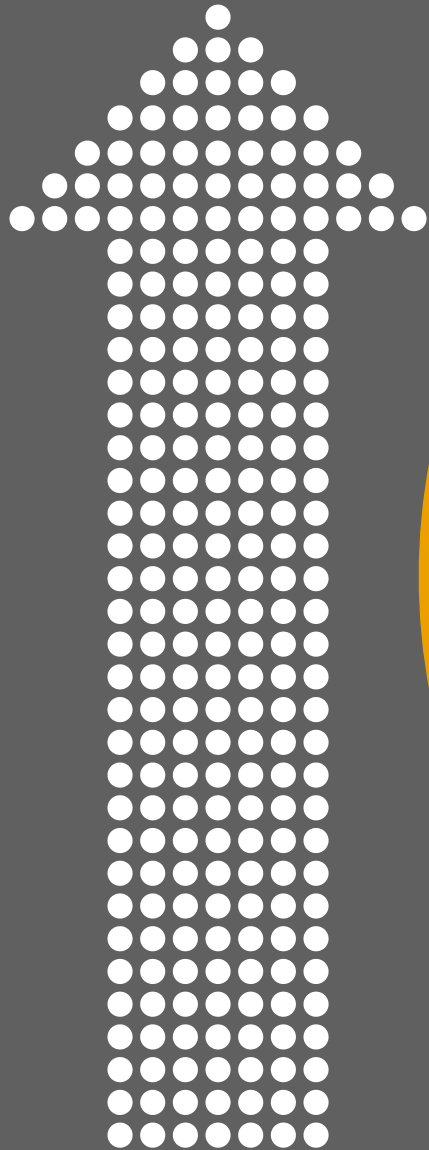
Gross Weight: 2009, 2098, 2511 lbs

Pallet: 1 tote

Requires Forklift: Yes

Oil Removal: Bottom spigot or top hole

Advantages of Totes over Drums



1. Lower oil cost (\$0.02-0.03 /lb)
2. 330 gallon size saves 33% on shipping by packing 50% more oil into same shipping cost.
3. Takes up same amount of floor space in your warehouse.
4. Simple to transition from drums to totes. No expensive purchases or extensive planning required.



How 330 Gallon Totes Save on Shipping

Let's review an example...

1 Pallet = \$300 to ship

1 Pallet = 4 Drums (4 x 419# = 1,676#)

VS

1 Pallet = \$300 to ship

1 Pallet = 1 Tote (2511# = ~6 drums)

\$300.00 Shipping (\$75/drum)

÷ 1,676 Total Lbs of Oil

\$ 0.178 Shipping Cost per Pound

\$300.00 Shipping (\$50/"drum")

÷ 2,511 Total Lbs of Oil

\$ 0.119 Shipping Cost per Pound

\$ 0.05+ Savings per Pound

Total 330 Gallon Tote Savings

\$0.05 /Lb on Shipping

\$0.02 /Lb on Oil

\$0.07 /Lb Savings Total

PACKAGING

Flexitank / Tanker with in-house storage tank



Product Specs

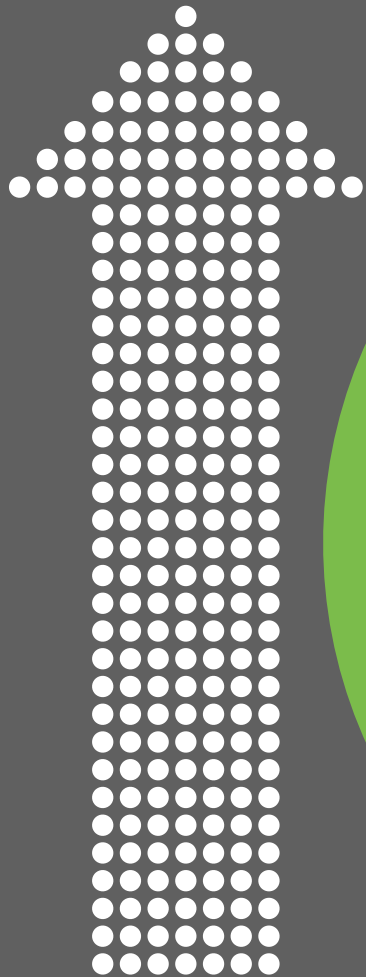
Size: 6,000 Gallons

Annual Usage Required: 250,000 lbs /grade

Gross Weight: 45,000 Lbs

Oil Removal: Requires special pump (about \$1,000 - one time purchase)

Advantages & Requirements of FlexiTanks & in-house storage tanks



Advantages

1. Lower oil cost (\$0.10-\$0.30 /lb)
2. No additional domestic shipping costs.
3. No packaging left over in warehouse after use
4. Price contracts available

Requirements

1. In-house storage tank set up cost is ~\$30,000 (one time cost)
2. Requires pump to get oil out of FlexiTank (~\$1,000)
3. 6-8 week delivery time or direct delivery program timeline

How Much FlexiTanks Save Over Totes

Let's review some examples...

Example Annual Usage = 700,000 lbs /yr
If flexitanks saved \$0.10 /lb on their oil, here's how much they'd save...

SAVE \$70,000 on an ongoing annual basis
SAVE \$40,000 first year only (-\$30,000 set up cost)

Example Annual Usage = 250,000 lbs /yr
If flexitanks saved \$0.10 /lb on their oil, here's how much they'd save...

SAVE \$25,000 on an ongoing annual basis
INVEST \$5,000 first year only (-\$30,000 set up cost)

How to do your own analysis:

1. Find your annual usage in pounds
2. Multiply usage by \$0.10 = ongoing annual savings
3. Annual Savings - \$30,000 to find your first-year savings or investment

SHIPPING

Ship smart. Increase efficiency.

Important Note!

Always order a full pallet.

Shipping one drum on a freight truck will often cost the same as a full pallet of 4 drums.



Let's review...

Customer Example #1

Usage: 1 drum /mo.

Orders: 1 drum /mo.

Example Shipping: ~\$130-169

Shipping Cost (4 mo): **\$520-\$676**

VS

Customer Example #2

Usage: 1 drum /mo.

Orders: 4 drums / 4 mos.

Example Shipping: ~\$169

Shipping Cost (4 mo): **\$169**

DIRECT DELIVERY PROGRAM

What is a direct delivery?

- Full container order
- Shipped direct from manufacturer overseas
- Cuts out all LTL or TL domestic shipping costs
- Requires warehouse space for 20+ pallets
- Delivery timeline is 6-8 weeks

What is a direct delivery program?

- Repeat direct deliveries pre-scheduled with your supplier on a regular basis
- May set up a *local supply program* that utilizes a local warehouse for customers with limited in-house storage space
- Price contract may be available



20ft / 40ft Containers

80 / 100 Drums

20 / 25 Totes

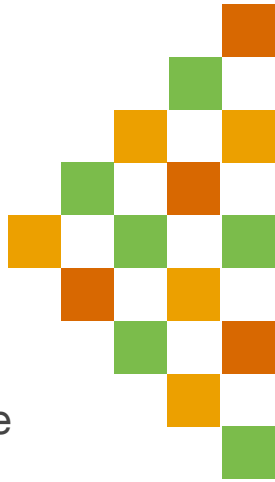
Flexitank

LOCAL SUPPLY PROGRAM



A local supply program utilizes a local fulfillment warehouse in your town to store your olive oil.

- Inventory available locally
- Ideal for customers with limited in-house storage space that use 1+ pallet /week
- Saves a LOT on shipping
- All storage costs and coordination built in (oil cost is only \$0.03-0.05 /lb higher than delivering full containers and letting you store the material)
- With all costs included, still much cheaper than shipping from a supplier location across the country
- Automatic deliveries or pick-up available
- Supply contract required



How Local Supply Programs Save Money

Let's review an example...

STANDARD DELIVERY (Supplier's Facility → My Facility)

Delivery Schedule: 4 drums, delivering once per week. 52 deliveries per year.

Example Oil Costs	\$2.00 /Lb. x 419 Lbs = \$838.00 /Drum
Example Delivery Costs	\$350 /Pallet
Landed Cost	\$2.20 /Lb = \$921.80 / Drum

TRUCKLOAD DIRECT DELIVERY (Mediterranean → My Facility)

Delivery Schedule: 80 drums, delivering once every 5 months. 2-3 deliveries per year.

Example Oil Costs	\$1.80 /Lb. x 419 Lbs = \$754.20 /Drum
Example Delivery Costs	\$0.00 /Pallet
Landed Cost	\$1.80 /Lb = \$754.20 /Drum

LOCAL DELIVERY PROGRAM (Local Warehouse → My Facility)

Delivery Schedule: 4 drums, delivering once per week. 52 deliveries per year. Contract required.

Example Oil Costs	\$1.85 /Lb. x 419 Lbs = \$775.15 /Drum
Example Delivery Costs	\$75.00 /Pallet
Landed Cost	\$1.89 /Lb = \$791.91 /Drum

FORWARD COMMODITY CONTRACTS

Commodity contracts lock in a olive oil price for a particular volume or time period.

- Pricing is based on current global market
- Contracts usually based on oil volume, and requires a delivery timeline estimate or indication of your typical ordering patterns
- Contract time period varies between 1-12 months or longer, and is strongly affected by the current global market
- Must be using at least 3-4 containers per year



Your next steps...

- Share this webinar with your operations team or discuss these ideas with them
- Request a consult to receive a cost analysis specific to your business.



Other education available...

- Download eBook: The Ultimate Guide to Buying Bulk Olive Oil for Manufacturing
- Subscribe to our blog



(800) 689-7510
info@centrafoods.com
www.centrafoods.com
webinar with Hannah Broaddus