

OPEN LETTER

TO WHOM IT MAY CONCERN,

Why RFID in the horticultural industry?

The CC Container and the CC Pool System

Since its launch in 1976, the CC Container and the CC Pool System have gained importance in the transportation of pot plants in Europe. In 1980, Container Centralen (CC) was founded to manage the pool of CC Containers and in this way support the horticultural industry. The CC Pool System is unique. It is the only system to unite companies within the horticultural industry around a single transportation standard.

CC – Owned by the Users

CC is a limited company, owned by Dutch and Danish flower & plant organisations, the main shareholders being the Dutch wholesaler organisation VGB, and CC AmbA owned by GASA Group, GASA Kolding, Agrova and Bøg Madsen. Even though the company itself is owned by these organisations, the CC Containers in the pool are owned by the pool participants via sales or long-term hire contracts with CC.

Protect the Joint Investment

Unfortunately the popularity of the CC Container and the CC Pool System has tempted some players in the market to infiltrate the system with fake low-quality containers, having a negative impact on costs, resources and administration for the pool members.

To protect the pool of CC Containers against fake low-quality containers, it has proven necessary to attach an identification label to the CC Containers. However, as this label is also illegally copied, it is regularly exchanged. To provide a unique protection against fake copies of the identification label, an RFID tag – electronic code – will be incorporated in the new label, which will be implemented by January 10, 2011.

What is RFID?

The RFID Tag

The RFID tag is passive, meaning that it only sends a signal when it is activated by a scanner. Only genuine CC tags will send back the right signal to the scanner. All containers that do not have the genuine tag will be rejected in the pool system.

The RFID tag is protected with a unique security code developed by IBM. To ensure that the RFID tag can be used all over the world and in all supply chains, the solution uses an international standard (GS1 and EPC Global).

RFID Is Supported by FloraHolland, Landgard, GASA Group, VGB and CC

The RFID project is a further development of the CC Pool System, and is a joint project in the industry, which some of the larger organisations from Holland, Germany and Denmark are supporting and participating in. The success of the implementation of this joint industry project is therefore assured by 5 partners, namely, FloraHolland, Landgard, GASA Group, VGB and CC.

An Open Door to All Supply Chains

RFID is increasingly a requirement from many retailers. As the CC Container will be equipped with a common and internationally acknowledged RFID tag, you do not risk to be kept out of any supply chain due to the lack of RFID tagging.

What will it cost, and what will you save?

A Necessary Protection of your Investment

By far the majority of the containers in the CC pool are on so-called 'Long-Term hire' contracts, which means that the pool participants have made a significant investment in the shared system: If we just estimate that every CC Container – old or new and regardless the number of shelves – represents a value of €70, it means that the entire pool is worth more than €250 million! The users and CC want - and must - protect this investment. We do that best with RFID.

The RFID Investment

The investment in the RFID tags and the label operation is paid up front by CC, and will, like in former label operations, be paid back over the coming years via the license fee and pool fee from the CC Containers which are obtained in the pool during the operation.

Your Savings on the Pool Fee

If we don't protect the system against fake low-quality containers, the annual pool fee will keep increasing from now, both due to free riders in the system and to increased repair and maintenance costs on fake low-quality containers.

No one knows the exact amount of fake low-quality containers. However, if we assume that there are up to approx. 1 Mio. fake low-quality containers in the system, it then means that pool participants are paying up to 30 % too much in the annual pool fee, because they also have to pay for the illegal containers. With RFID, these free riders will in the future be excluded from the pool, which means that everyone who has joined the system is also paying their share of the shared CC Pool System

When the repair costs are reduced, the annual pool fee will be decreased accordingly, Euro by Euro. As mentioned above our expectation is to be able to reduce it up to 30 % over the coming years. Anyway, we have decided up front not to increase the pool fee with the inflation rate in 2011, and furthermore we have decided to reduce the pool fee with at least 0.50 Euro in both 2012 and 2013.

The more pool participants that help safeguard the CC Pool System and observe the importance of the RFID tags, the quicker we will be able to close the pool and exclude the free riders - and the quicker the cost savings will be given back to the pool members.

RFID Padlocks

All CC Container customers will receive the new padlocks with RFID tags for free.

Furthermore, the customers will be compensated financially, at a rate of €0.20 per CC Container, for attaching the tags to the containers on the next pool fee invoice that they receive from CC.

Scanning of RFID

It is up to each individual CC Container user to decide how much he / she wants to invest and to what degree they will take advantage of the benefits available with the new RFID tags. You can buy a basic scanner for approx. 400 Euros to just check if the CC Container label is genuine or not, or you can buy a more advanced scanner and integrate data into your logistic or ERP system to enjoy a range of benefits. The time needed for scanning compared with the time used today for manual control will have a minimum impact in the daily operation.

RFID Scanners

CC has in cooperation with IBM, who supplies the RFID system and security, certified suppliers to offer a range of scanners and options for the industry.

See more details about the solutions and the partners at www.operation-chip-it.com

What should you do?

'Operation Chip It'

In December 2010 and January 2011, as part of 'Operation Chip It', all CC customers will receive the new RFID tags for the number of CC Containers that they have under contract with CC. The tags must be attached to the CC Containers just before January 10, 2011.

Checking the container's authenticity is actually not something new. Ever since the first labelling operation in 1986, everybody has a responsibility to check whether the containers have the correct CC metal plate and black padlock. With RFID we now have an additional method of verifying the authenticity. The policies and responsibilities of users of the CC Pool System remain the same.

If you want to be sure to avoid receiving fake low-quality containers you should acquire a scanner. By not checking them you otherwise run a risk similar to that of receiving false money. They have no value and will be refused when you try to pass them on in the CC Pool System. You might make arrangements with your partner or transporter to ensure that they scan the containers and only deliver the genuine ones to you. Many transporters are already using RFID in their business.

Your Guarantee Against CC Container Losses

When your CC Containers are always scanned – by you or your partner / transporter – you do not risk losing containers by receiving fake low-quality containers that will not be accepted in the system.

Less Handling Due to Defect CC Containers

Fake low-quality containers cost extra man-hours in handling, and also you risk that they collapse while carrying your plants. These fake low-quality containers will now be weeded out.

Benefits in Your Flow

It is entirely up to you to which extent you want to use the RFID technology in your daily operations. You can choose to just check the authenticity of the containers – or you can set up system integration and use the information about the RFID tags for automated order registration, Track & Trace etc. CC will be happy to advise you about the best solution for your company.

CC regrets very much that some extra efforts have to be done and extra costs to be spent by all loyal CC Pool members to prohibit the illegal copyists from infringing the CC pool. The sooner we stand together to close the pool, the quicker we come back to an increased quality and lowering of the pool fee to the benefit of the loyal CC pool members.

How much will the quality of the CC pool improve?

Improved Quality of the CC Container Pool

When over time the fake low-quality containers are excluded and removed from the pool, the general quality of the CC Container pool will improve. Of course it will take time before all bad containers have been removed from the pool, but already after a short period the effect should start showing. Based on our experiences from former label operations we expect to exchange / repair more than 325,000 low quality

containers during the first season. When we at the same time stop the inflow of low-quality containers, the improvement will be visible to us all in our daily operations.

The RFID labelling of the bases is only the first step to improve the quality of the CC Container pool. The next step will be the shelves. We are presently investigating different possibilities, and will let you know when we have a good operational solution.

Apart from improving the pool quality by weeding out fake low-quality shelves, this will also mean additional possibilities for automated handling.

Further development of the CC Container – to the benefit of all pool members

Despite the fact that the CC Container is unique and fulfils its role, we do have some ongoing development projects. We are, however, holding back the launch of these until the pool has been closed. We have e.g. a pilot project running with new noise-reduced wheels, shelves in a new, lighter material that are also less noisy and have been prepared for automatic processes – all to the benefit of the working environment. We are very much looking forward to offer these improvements to all pool participants when the pool has been closed. All CC Container users will benefit from these improvements whether they wish to take advantage of the RFID technology or not.

Global use

Through a widespread international CC depot network, CC offers a wide range of services beside the rental of the CC Container, e.g. it is possible to hand in empty CC Containers at one depot, and collect the corresponding (or needed) quantity of CC Containers at another depot for a modest transfer fee. Therefore the total number of units in use in a company's supply chain can be reduced, and administration kept at a minimum. Or even simpler: You have the possibility to swap empty CC Containers for full – or the other way around – all the way through the supply chain. This is what we call 1-for-1 exchange. This simplifies administration and therefore reduces costs further.

You don't have to worry about damaged containers. Through the annual pool fee, both the pool system costs and the repair and maintenance costs - and including replacement of material that is broken beyond repair – are covered.

The CC Container is proven successful even outside of Europe, as CC today is active in the USA, Central America and Asia. In Central America and Asia, the CC Containers are used for export of young plants and plants to Europe. In the USA, CC is setting up a similar pool system as in Europe in agreed cooperation with the larger stakeholders in the US horticultural industry.

As a natural further development of the CC Pool System, electronic labelling, RFID, is now being introduced. In the USA, RFID tags were introduced in February 2010, and after just a few months, the results have exceeded the expectations.

Best regards,

*Tonny Vangsgaard Gravesen
CEO, Container Centralen A/S*

Read more about the RFID implementation on www.cc-rfid.com and www.operation-chip-it.com.