

IBC TOTE TANKS: RENT VS. BUY?

What do you use tote tanks for? If you are in the oil and gas industry, you use them for storing and transporting chemicals needed for oil recovery, flow rate maintenance, or oil water treatment. If you are in the food and beverage industry or pharmaceutical industry, you use IBCs to store raw materials, as process and blending tanks, or to keep products and ingredients safe while complying with processing standards. If you are in the paint & coatings industry you use IBCs in the formulation and manufacture of your product, to transport material between locations, or as the delivery method for your finished good. Regardless of how you use your IBCs, whether for storage, production, manufacture, transportation, or delivery you own these IBCs as a necessary part of your infrastructure, and allocate resources to your fleet accordingly. But as micro and macro economic conditions shift, you might ask yourself – would renting give your business greater flexibility to quickly address market needs?

RENTING PROVIDES PACKAGING COST FLEXIBILITY

The financial burden as well as the inflexible nature of IBC ownership leads more and more companies to renting IBCs as opposed to purchasing. A capex purchase of \$2-4k for an infrequently-used IBC much less a fleet of IBCs can be a tough hit on your ledger especially when that capital could be better utilized by investing in property, plant equipment and research and development. Alternatively, renting IBCs not only frees up cash by spreading rental payments out over the life of the contract, but in many instances the rental payments can be tax deductible. Finally, as opposed to other costs that can fluctuate widely, like raw materials, renting IBCs allows you to lock in your packaging costs providing easier and more accurate budgeting. Jim Fusilier with Gulf Coast Chemical, when asked why he prefers to rent IBCs, stated:

“AFTER 37 YEARS OF BEING IN THE CHEMICAL BUSINESS, WE HAVE FOUND THAT [RENTING] IS THE MOST EFFECTIVE AND AFFORDABLE WAY TO PROVIDE FLEXIBILITY FOR OUR OFFSHORE AND SEASONAL BUSINESS.”

In many instances, a business will need IBCs for a short-term project or a one-off opportunity. Renting IBCs allows a company to quickly and cost effectively ramp up to service the business and once completed to just as quickly and cost effectively ramp down, thereby avoiding a capital outlay for a non-integral asset(s). Real numbers: renting a 550 gallon IBC costs \$1.50 per day for 30 days, or \$0.08 per gallon.

RENTING PROVIDES PACKAGING RISK FLEXIBILITY

Purchasing an IBC means taking on financial risk. Will the business the IBCs were purchased for remain, will the IBCs be adequately utilized, or will the IBC specification stay consistent? These questions and other considerations are all valid when evaluating whether to rent or purchase an IBC or fleet of IBCs. Consider these two real-world examples.

The economy is booming, and business is growing requiring you to purchase more IBCs to meet the demand. Unfortunately, once the purchase is completed, the global economy slows down, much like it did in 2016 when the price of oil dropped to \$20 a barrel, and with it so does your business as well as your need for IBCs. Now you have a fleet of underutilized assets, representing a significant cash outlay and taking up space on your yard! Or, consider the example where you acquire a fleet of 550 gallon stainless steel tanks to service a piece of business. Your customer, the end user, was involved in determining the size and specification and there has been no issue with the tanks. However, when evaluating the business, the end user determines that the 550 gallon is too large and would prefer moving to a smaller stainless steel tank, or that the center discharge tank specified should instead be a side discharge. Now, to keep the business, you have to invest in a new fleet of IBCs to meet the new specification, and overnight, your existing fleet is obsolete!

Renting provides flexibility and acts as an overall risk mitigation strategy. If you own IBCs and the business is lost or the specification changes, you are left with a fleet of unutilized assets in your yard while you wait for the business to come back, or the specs to change. Renting allows you to quickly and easily match your IBC needs to your business requirements, giving you the flexibility to grow or shrink your fleet based upon market conditions.

WHAT'S NEXT?

Reach out to a qualified IBC rental company to discuss how renting can add flexibility and mitigate IBC risks. Precision IBC is headquartered in Alabama, has offices in Louisiana, Texas, and Illinois and ships nationally and internationally.



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