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COVER STORY

Cover Story: Inside South Florida's push to become a pharma hub

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Rodolfo Marré, of LATAM Cargo, monitors the temperature in the refrigerated warehouses where pharmaceutical shipments are stored at Miami International Airport. MIA is the first U.S. airport to be recognized as a Pharma Hub by the IATA.

Inside a small refrigerated warehouse at Miami International Airport, lies an array of pharmaceutical products that consumers rely on everyday.

From here, the drugs will be moved onto a LATAM Cargo plane and eventually distributed throughout the world.

Pharmaceutical products are increasingly making a stop at Miami International Airport (MIA) before reaching pharmacies or consumers. In 2016 alone, over \$4.3 billion worth of pharmaceutical cargo was transported through MIA, an increase of 48 percent since 2015.

This surge in shipments is no random occurrence. In 2015, MIA became the first airport in the U.S. and the second in the world to snare a pharma hub designation by the International Aviation Transport Association (IATA).

MIA's status could be a catalyst for bringing various segments of the lucrative pharmaceutical industry to South Florida – from shipping, to packaging, to manufacturing. The hope is that the airport's designation will lead to millions of dollars in economic impact to the region.

While the designation applies specifically to MIA, it has the potential to benefit the entire tri-county area as drug companies in Broward and Palm Beach counties also can transport their cargo from Miami.

Hub origins

The idea behind MIA seeking a pharma hub designation was very logical, according to [Joe Napoli](#), the chief of staff for the Miami International Airport.

Cargo shipments at the airport and throughout the airline industry as a whole have declined over the past few decades due to improvements in maritime shipping as well as increasing fuel costs.

Even though MIA ranked as the No. 1 airport in the U.S. for international cargo, in 2016, total cargo shipments increased by only 1 percent.

This has led the airport to become more focused on a few areas of cargo shipments where it already had a strong presence, such as flowers, perishables and more recently pharmaceuticals, to compensate for the global decline in air cargo shipments.

Although the airport was already transporting pharmaceutical products before it received the designation, Napoli said officials knew that obtaining certification as a pharma hub would position MIA for a larger share of the market.

“From a business perspective, we said ‘We got to get on this and we got to get on it quickly,’” Napoli said.

Additionally, the airport already had over 445,000 square feet of refrigerated warehouse space for temperature-controlled products, making the move into pharmaceuticals an easy transition. As such, cargo carriers could use existing warehouses to store the drugs, rather than build new facilities.

Andrea Gruber, the senior manager of special cargo for IATA, said MIA made a smart move by encouraging local cargo businesses, including airlines and logistics companies, to complete the IATA Center of Excellence for Independent Validators (CEIV) Pharma Certification Program.

The program prepares logistics companies to properly handle sensitive drug products shipped by air.

So far, nine members of the MIA cargo industry are going through or have completed the certification program: four airline carriers, two ground-handling companies, one trucking company, one risk management logistics company, and one international freight forwarder.

Recently, Fort Lauderdale-based [Amerijet](#) International Inc., which uses MIA as a hub, became the first all-cargo U.S. airline to earn the CEIV certification.

“We’ve always moved specialty products, but recently pharmaceutical manufacturers have been very concerned with the movement of pharmaceuticals,” said Rasheme Richardson, vice president of airport operations for [Amerijet](#). “It is our hope and trust that it will yield profitability [for Amerijet].”

MIA’s Napoli said despite the pharma industry being highly regulated in the U.S., prior to the CEIV certification, there were fewer regulations and guidelines for transporting pharmaceuticals.

According to the IATA, more than 50 percent of improper temperature deviations in drug products occur while they are in the hands of airports and airlines. This has cost the air cargo industry \$2.5 billion to \$12.5 billion in annual product losses, the IATA said.

To help solve this problem, the certification program set a strict set of guidelines for the handling of pharmaceuticals, with one of the biggest areas of focus being temperature control of products.

“Eventually it’s going to become an expectation that whoever is handling pharmaceuticals is certified,” Napoli said. “Shippers are going to want to know that it’s safe and they are not going to lose their products.”

Growing industry

The airport’s focus on pharmaceutical logistics is part of a larger strategy to become an important pharma gateway as demand for drugs grows internationally, especially in Latin America.

According to trade magazine *Pharmaceutical Commerce*, overall global biopharma sales are projected to grow to \$1.42 trillion by 2020, a jump of 41 percent since 2014.

Specifically, cold chain sales, or pharma products that are required to be temperature controlled, are projected to hit \$260 billion, an increase of 65 percent since 2014.

Additionally, spending on global biopharma logistics is expected to reach \$93.8 billion in 2020 with \$16.7 billion related to the cold chain logistics, according to *Pharmaceutical Commerce* magazine.

Jaap Donath, senior vice president of research and strategic planning at the Miami-Dade Beacon Council, said the life science sector, including pharmaceuticals, is a targeted industry for the organization.

“We have a lot of medical device and pharma companies with a Latin American headquarters here,” Donath said. “It gives them an opportunity where they can distribute those products from here based on the fact that we can move those goods in an appropriate way because of the designation.”

Ron Drew, of the Greater Fort Lauderdale Alliance, said while he hasn’t heard specifically from any pharmaceutical companies in Broward County that have asked about MIA’s recent pharma hub designation, it could be a catalyst for more growth in the industry.

“It’s definitely a plus,” Drew said. “We’re so close to Miami that it is definitely an option for Broward companies.”

For the airport, and for cargo carriers such as [Amerijet](#), the transportation of drugs also makes sense not just because of the growing demand, but because pharmaceuticals are a “high- yield product.”

This means airport and shippers are transporting a product that has a higher value, but takes up little space inside of planes as compared to other products, making it very efficient.

An expanding sector

Pharmaceuticals and life sciences likely aren’t the first things that come to mind when thinking about South Florida’s economy. But the industry has grown, especially as a center for pharmaceutical logistics due to its point of entry to Latin America and, in part, due to Florida’s low tax rates. More broadly, logistics is one of South Florida’s most promising industries.

The payroll for pharma and bio-manufacturing companies totaled \$59.8 million in Broward County, \$92 million in Miami-Dade County and \$29.6 million in Palm Beach County in 2015, according to Enterprise Florida, the state’s economic development agency. The jobs also are regarded as higher skilled and higher paying.

Adam Runsdorf, president of Boca Raton pharmaceutical logistics provider WDSrx, said South Florida is an attractive location for his company to do business because of its access to the ports.

“We import a lot of products,” said Runsdorf, whose company delivers products to 533 ZIP codes every day. “A good portion of products are imported from the U.S. from PortMiami and Port Everglades, and having a customs clearance facility in Boca Raton is an added benefit.”

With logistics companies located in South Florida, the idea is that large pharmaceutical producers will want to relocate here, so that the companies can allocate their resources more toward research and development as opposed to distribution.

Perhaps the most notable pharmaceutical company to recently relocate its operations to South Florida is Apotex.

Apotex, the largest pharmaceutical company in Canada and the seventh largest general pharmaceutical company in the world, is developing a new research and development center and an advanced manufacturing and packaging facility in Miramar. The facility will serve as the company’s U.S. headquarters with 150 new jobs, as part of its \$184 million U.S. expansion.

“We have an existing operation and we have a number of scientists down there,” said Steve Liberty, Apotex’s executive vice president of global supply operation. “From our standpoint, it made a lot of sense to go further down there since we can leverage our investment that is already there.”

Liberty said that MIA wasn’t a factor in the company’s decision to move to South Florida but that it’s an “added bonus.”

Additionally, Liberty said the area is attractive because it is an “active hub for Latin America,” where the company could expand its business.

But moving large pharmaceutical manufacturing companies to South Florida remains a challenge.

Many of the large pharma companies have their manufacturing facilities in New Jersey and no matter what tax advantages exist in Florida, they have already invested heavy capital costs in their current locations. Building a new facility in South Florida would mean they would have to justify to shareholders and investors that the cost savings of coming to Florida are greater than the benefits of staying where they are.

“Its an expensive proposition to open up a new facility,” Donath said. “Eventually we would like to get more pharma producers, but that’s a long-term play.”

BY THE NUMBERS: Pharmaceutical demand is growing globally

Overall global biopharma sales projections

\$1.42 trillion by 2020

An increase of 41% since 2014

Cold-chain pharma sales projections

\$260 billion by 2020

An increase of 65% since 2014

Total global spending pharma logistics

\$93.8-billion industry by 2020

An increase of 30% since 2014

Source: Pharmaceutical Commerce Magazine, a trade magazine for pharmaceutical industry executives

BY THE NUMBERS: MIA sees increase in pharma cargo

Total pharma cargo in 2016: \$4.37 billion

Export: \$3.3 billion

Import: \$1 billion

Total pharma cargo in 2015: \$2.9 billion

Export: \$2.5 billion

Import: \$404 million

Total pharma cargo in 2010: \$1.8 billion

Export: \$1.6 billion

Import: \$178 million

MIA SEES INCREASE IN PHARMA CARGO



Keith Larsen

Reporter

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