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Director's Corner


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Managing Director

As I head into my 6th anniversary at WSSA, I would love to say that all is well in the world of international shipping and global trade, but smooth sailing has not been the case for many years now. The chaos is wide spread, from continued service issues in shipping - including blank sailings, discontinuation of routings, or equipment problems – to the looming issue of Brexit, the continued China trade war or the massive changes of the Craft Beverage Modernization Act. At WSSA, we have been tackling all of the trade issues that confront our members, and we are doing our best to keep all of you informed and on track.

In this issue, we will discuss all of these items, as well as feature a focus article on South America and an update on IMO 2020.

Shipping Industry Update

The first quarter of the year is the time when WSSA travels to every region to work directly with our carriers to negotiate our annual contracts. I say annual, but in all reality, the paradigm has shifted over the last few years, and we no longer sign on the dotted line for a year and walk away. The wine and spirits trade lanes used to be the "stable" routes, and it was the Transpacific and Asia to Europe lanes that were volatile. However, with the overall instability in the industry, mounting financial losses by the carriers, and consolidation of steamship lines, "annual" contracts have gone the way of the dodo bird. While we still may commit annual volume and have a contract valid for a year, it is virtually impossible to guarantee rate validity for that same period. Thus, it is our job to work with each carrier to find the best scenario with a combination of rates, service, allocations, and all of the additional benefits we try to gain by committing volume, forecasting, and sticking to our commitments. I believe the tipping point has come. Consolidation forced by continued losses has reduced the number of carriers, the pile of debt is high, and they need to start to be more rational in their approach to rates. While the market is still depressed, and shippers continue to pay rates at very low levels, we are seeing an upward creep, slow and steady, in almost all trade lanes. We are also seeing services cut or consolidated due to the unsustainably low or negative returns. For example, in the Mediterranean, the major carriers all combined forces, reducing two strings to one, to try to fill all slots and bring the rates to a level that makes sense for them. In South America, the direct service to the US East Coast is being cancelled—a service that existed for over 20 years but is no longer viable due to the rate levels. The carriers that previously were on the direct "Americas" service (Hamburg Sud, Hapag Lloyd, CMA) must now must rationalize and mix the Northbound cargo with the East-West cargo, connecting to vessels in Panama or Colombia. We are also seeing more blank sailings (steamship line language for cancelled) and skipped port calls. I have been writing about service deterioration for the last couple of years, and I keep hoping for a turn around, and I am not giving up hope. As carriers work through the industry consolidation of the last two years, they are reorganizing, integrating, looking at technology and finding ways to improve, but they need to be profitable to do so. While it is hard to say right now that if we pay more, we will get more, my hope is that improvements are in sight. Our job is to continue to work to obtain the best possible conditions with each carrier and cover every trade lane needed by our members. We cannot prevent blank sailings or carrier routing changes, but we can keep you informed.

INSIDE THIS ISSUE

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Fuel Increases Expected with IMO 2020

IMO 2020 is a new law going into effect on January 1, 2020, requiring all vessels to reduce pollutants discharged into the ocean. All ocean carriers are preparing for this change and must comply with the rules by the first of the new year. There are three strategies ocean carriers can choose from to adhere to this new law. The most common decision is to purchase and burn the low sulfur fuel (0.5%), but some carriers are choosing to install scrubbers to literally scrub the fuel prior to discharge, or they are choosing to build new LNG/natural gas vessels. The end result will be a combination of these three strategies, with the predominant choice to use the low sulfur fuel. All predictions indicate that this fuel will be significantly more expensive that the normal IMO fuel burned today. The positive outcome is, of course, a cleaner ocean. We also see a move toward a more rational approach to fuel pricing. Most of our members have seen a variety of fuel charges presented: BAF, EBAF, LSS etc. In our meetings with carriers, most indicate a move to one fuel charge based on actual cost of fuel for the route. We are already seeing a move to a single fuel cost in preparation for the new model. Carriers will start fueling the vessels with the new fuel in Q4 of 2019, and all predictions indicate a fairly significant bump in the cost.

Global Meeting 2019

Albatrans, our freight forwarding partner, held their bi-annual global meeting in Bangkok, Thailand, in January of 2019. WSSA was there with the Albatrans team reviewing all of the latest business updates and strategizing on new initiatives in the beverage market. The three newest offices, Cape Town, South Africa; Guangzhou, China; and Montreal, Canada, were highlighted at the meeting. The global growth of WSSA and Albatrans continues at a solid pace, and we are a recognized force in the beverage industry. Other highlights included the review of our groundbreaking action on the CBMA education, the development of new products and solutions in the bulk beverage arena, and the upgrades to the automated reporting capabilities and API integration project.

Congestion at the US-Mexico Border

In response to President Trump's push to halt immigration from Mexico into the United States, the US Customs and Border Protection has transferred many of their Customs officers to immigration duties, thus cutting freight processing at the US-Mexico border by nearly 30-40%. High volume border crossing ports like El Paso, Laredo and Nogales are experiencing significant slowdowns according to Border Trade Alliance. Truck times to cross the border have increased and delays ranging from four to seven hours have been reported.

President Trump's threat to shut down the border has many shippers attempting to move more goods across in case of such an event. However, the higher volume is causing even more slowdowns and delays for cross border processing. Importers and shippers should expect to experience significant wait times for their crossing goods and should plan accordingly. Unfortunately, this cross-border capacity crunch will likely not improve, at least not until the number of immigrants trying to cross the border diminishes. Until the immigration decreases, President Trump has stated, "we will be focusing on Border Security, not Ports of Entry."

We are happy to offer all-water service when viable, and please let us know if you would like us to provide any information to enable you to avoid the land border delays.

CBMA Update

The passage of the Jobs Act and Tax Cut bill at the end of 2017 included the Craft Beverage Modernization Act (CBMA) legislation. The unexpected inclusion of imported product brought about a slew of messages and updates from the CBP regarding how to document and obtain the allocated tax credits. The bill, which had an original expiration date set for the end of 2019, was recently reintroduced in the US Senate, with the aim to extend the tax legislation or even make it permanent. As requirements and procedures have now been published, now is the time to make sure that you are set up to obtain your tax credits and reduced rates on your current 2019 shipments and any retroactive claims from January 1st, 2018. Please keep in mind that there are thousands of claims being submitted to US Customs which has been overwhelmed and pushed further behind during the 2019 government shutdown. As a result, we cannot provide accurate information on the speed of the processing the refunds, but we will continue to work diligently to help our members process their CBMA claims. WSSA has been keeping track of the new tax reform bill since its inception, and we have prepared a complete summary of the impact and guidelines for obtaining the credits, along with a program to assist our members in the analysis and processing. If you need assistance in this area, we are happy to help.

California Dreaming

One of our favorite events of the year is our annual Napa Member Event in May. For four years running, we have held an evening event in Napa with expert industry updates followed by food, drink, and networking. California is a huge hub for both exports and imports, and this year we will feature a segment on hot tips for exporters, a CBMA update, industry outlook, and, new this year, an Oakland port tour prior to the event! We look forward to seeing you there, and please contact us should you want more info on this event.

Reminder: GSP/Duty Free Status for Some Argentinian Wines

For those of you who missed it last year, Argentina was reinstated as eligible for GSP (Generalized System of Preferences) status as a less developed country as of January 1, 2018. GSP status grants duty free or lower duty rates for designated commodities shipped to the United States. Certain classifications of wine are eligible for duty free status if the origin is Argentina including sparkling wine (HTS 2204.10) and wine over 14% alcohol (HTS 2204.2180).

If you have not been taking advantage of the duty free status on Argentinian wines in the above categories, we suggest that you review your eligibility. Should you have shipments from 2018 that are eligible but paid at the "normal" rate of duty, these entries can potentially still be adjusted to reflect the correct GSP rate. Should you need any assistance or guidance, please let us know.

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The Wine and Spirits Shippers Association (WSSA) negotiates shipping contracts on behalf of importers and distributors in the beverage industry. Our dedication to providing efficient and economical transportation by land, sea, or air, enables our members to tap into a marketplace efficiently and affordably.

WSSA was founded by the Wine and Spirits Wholesalers of America (WSWA) and the National Association of Beverage Importers (NABI) in 1976 as a shipping cooperative. Today, WSSA serves as a not-for profit shippers' association that is managed by a board of industry executives.WSSA combines the total volume of its member shipments to achieve preferential rates and service from each of its carriers and vendors. These rates improve the opportunities for our members to compete in the global wine and spirits marketplace.

Together with Albatrans, WSSA provides complete logistics management from door to door. WSSA also provides a comprehensive marine insurance program unmatched by any others in the industry. Our members can quantify the savings with each shipment and our commitment to personal service makes WSSA unique.

For more information on the benefits of a WSSA membership, contact us at info@wssa.com or 800-368-3167

Review of WSSA's Annual Marine Insurance Webinar

To kick off 2019, WSSA's Managing Director, Alison Leavitt, and Marine Insurance Expert, Rick Bridges, hosted the WSSA annual marine insurance webinar in which they discussed the difficult and often confusing topic of marine cargo insurance.

Highlights of this year's presentation included temperature damage and how to prove it, how to decipher your coverage needs in the unpredictable logistics market, and an overview of Customs bonds and why they are important. The webinar was attended by over 20 companies, and was a huge success. If you would like a copy of this year's presentation, please feel free to contact us.

WSSA at ProWein and WSWA

WSSA and Albatrans attended and exhibited at ProWein and WSWA once again this year! ProWein is the World's No. 1 International Trade Fair for Wines and Spirits and Alison Leavitt of WSSA conducted seminars at our stand overviewing the intricacies of the Craft Beverage Modernization and Tax Reform Act and its impact on suppliers. WSWA was also a hit, and we welcomed many visitors to our booth, some that grabbed a sweet treat and some that wanted to learn more about pertinent industry topics. WSSA's CBMA specialist also attended the convention and was happy to provide consulting services on many of our clients' CBMA needs. Thanks to all those who stopped by our booth at both events. See you next year!

We make shipping affordable, efficient, and possible for all members!