WSSA Grapevine
VOLUME 2, ISSUE 1 JAN/FEB 2012

WSSA Grapevine

INSIDE THIS ISSUE:

For up to the minute news, check the Members Only section at wssa.com!

Carriers in the News...

OOCL is bringing ships of 17% larger capacity into one of the Grand Alliance loops from North Europe to US Atlantic ports. Four 5,400 teu ships will replace smaller ships in the rotation from Rotterdam, Hamburg, Le Havre, Southampton, to New York/New Jersey, Norfolk, and Charleston.

Hamburg Süd and **Zim** share space on these ships with the Grand Alliance carriers (**OOCL, Hapag Lloyd & NYK**). Rumors are that other carriers will bring additional capacity into the transatlantic from North Europe to the USEC in the first half of 2012.

Hapag Lloyd has announced that its Grand Alliance service to Mexico service will add Baltimore as a first stop from North Europe, beginning in February. Rotation is Thamesport, Le Havre, Antwerp, Bremerhaven, Baltimore, then Mexican ports of Veracruz and Altamira.

OOCL and **ACL** share this vessel with Hapag. Transit time from Le Havre to Baltimore is 13 days.

Hapag Lloyd is increasing its frequency to weekly from the Mediterranean to USWC and adding Pacific Northwest ports of Portland and Seattle. Rotation is Leghorn, Genoa, Fos, Barcelona, Valencia, Tangier to Cartagena, Manzanillo MX, Los Angeles, Oakland, Seattle, Vancouver, Portland. Transit time from Barcelona to Los Angeles is 24 days.

MSC has joined the vessel-sharing group (**Hamburg Süd, Hapag Lloyd, Maersk & ANL/USL**) from Australia/New Zealand to the USWC. Weekly rotation is Melbourne, Sydney, Tauranga to Oakland and Long Beach. MSC has also joined the VSA's (**Hamburg Süd, Hapag Lloyd**, and **Maersk**) weekly service from Australia/NZ to Savannah and Philadelphia. **MSC** has become the provider of the most weekly vessel space for imports (from all world) to the United States, with a total of 60,555 teu's (twenty-foot equivalent units).

Maersk is second with just over 46,000 teu's, followed by **Hapag Lloyd** (32,000), **APL** (28,415) and **CMA-CGM** (27,010).

Maersk has dropped the Spanish port of Algeciras from its westbound service from the Mediterranean to the USEC in favor of adding Malaga. The new weekly rotation is Leghorn, Genoa, Fos, Valencia, Malaga, to Newark, Norfolk, Savannah. The service is operated jointly with **CMA-CGM**.

CMA-CGM has joined **MSC** from South America to the USA, cancelling its own service from Chile. The weekly MSC vessel rotation is Valparaiso, Balboa, Freeport to Philadelphia, New York, Charleston, Savannah, and Port Everglades. Transit time to NY is 16 days.

APL/MOL's joint service from Chile changed its port of loading from San Antonio to Valparaiso with their December 7 sailing. That leaves only the VSA vessel (**CCNI, CSAV, Hamburg Süd**) and **Maersk** as the only carriers sailing to the US from San Antonio. Albatrans' wine warehouse is at the port of San Antonio, serving several major wineries.

Brrr: Winter Wine Time Again!

Importers and distributors in the Midwest know that it's cold outside, and that wine doesn't do well when frozen. WSSA pioneered the Winter Wine Program in 1979: dry containers are customs-cleared and trans-loaded into heated trailers at warm-weather ports, for temperature-controlled transport to the destination.
Programs are running at Norfolk, Charleston, Savannah, and Oakland, to thirteen Midwestern states. Savings can average well over $1.50 per case, compared with shipping all the way with a temperature-controlled container. We also have other programs for the Northeastern destinations.

Contact Geraldine Zillurelo at WSSA for more information!

Wine and Spirits Shippers Association Inc.

WSSA in the News...

"It's a shame the FMC doesn't appear to be letting the market work."

"Stable rates make it much easier to plan for the future."

WSSA in the news...
Geoff Giovanetti, WSSA's Managing Director, shared concerns over using Prince Rupert, Canada, as a gateway to the US Midwest for Asian imports,, which were published in the November 21 edition of *The Journal of Commerce.* He said that today's concerns are virtually identical with those of almost 30 years ago, when carriers from Europe calling at New York/ Baltimore fought carriers discharging at Montreal for access to the Midwest. Even Richard J Lidinsky, now Chairman of the Federal Maritime Commission (FMC), is raising the same complaints about "diversion" through Canadian ports being unfair as he did 30 years ago when he worked for the Port of Baltimore. Giovanetti concluded, "The resolution might not be in favor of U.S. ports if pricing and transit times are truly superior via Canada, but that's the way the market works. The United States has recommitted itself to free trade on this continent through NAFTA, so it's a shame the FMC doesn't appear to be letting the market work."

Giovanetti was quoted in November's *Containerisation International* in several places in conjunction with CI's 2011 Shippers' Survey: "...we do not need the absolute lowest rate—particularly if that means we suffer with the highest rate when market conditions turn. We seek economies with freight rates that are stable. Stable rates make it much easier to plan for the future." and "We completely agree with the philosophy that ocean carriers need to pay more attention to their business by meeting customer requirements and maintaining schedule integrity..." More details on the survey elsewhere in this newsletter.

The Journal of Commerce solicits opinions and predictions from several leading figures in the international transportation industry, which are published in their annual "Review and Outlook" issue in January. We're proud to say that Geoff Giovanetti has again been asked to contribute his thoughts.
Giovanetti indicated that his main concern for 2012 was the potential of individual steamship lines failing. He sees a repeat of 2009's calamitous financial losses, the difference being that not many carriers have rebuilt sufficient reserves to sustain themselves. He concluded that fair pricing which doesn't jeopardize either the importer's or the carrier's business future is the only way to ensure a stable steamship industry.

Ocean Fuel Surcharges ("BAF")

Fuel surcharges have not changed much for Dec-Jan-Feb, as indicated by the following Bunker Adjustment Factors from North Europe. All figures are for 20' containers, so 40' are double:

Carrier	December	January	February
APL to USEC/Gulf	NA	$320	NA
APL to USWC	NA	$480	NA
Hamburg Süd to USEC/Gulf	$450	$450	$450
Hamburg Süd to USWC	$621	$621	$621
Hapag Lloyd to USEC/Gulf	$212	$234	NA
Hapag Lloyd to USWC	$358	$407	NA
ICL to USEC/Gulf	$436	$450	$436
Maersk to USEC/Gulf	$235	$245	$230
MSC to USEC/Gulf	$220	NA	NA
MSC to USWC	$332	NA	NA
OOCL to USEC/Gulf	$294	$320	$320
OOCL to USWC	$453	$481	$481
Zim to USEC/Gulf	$215	NA	NA

NA = Not Available at time of publication

Thus, the above fuel surcharges are for the purpose of post-freight auditing and to reflect trends in bunker fuel prices. Despite major differences among the BAF amounts, the total all-inclusive rates for the above carriers rarely vary by more than $100.

Lots of Space Available

The "Piers Capacity Utilization Report" for the first half of 2011 uncovered some startling figures, particularly when considering that there are a couple million teu's of additional vessel capacity scheduled for delivery in 2012 and 2013.

The report looked at load factors: the percentage of full, revenue generating containers (not empties being repositioned) compared with the rated full capacity of the ships. Overall import load factors (from all world origins) were 67%. That is, only 2/3 of the ship capacity is being used for carrying paying cargo. Exports were below 60%. The load factor for imports from Europe was about the same as the overall ratio, at 66%. From East Coast South America (Argentina and Brazil), the import load was only 56%, which was higher than in 2010. Load factor from West Coast South America (including Chile) was 69% in the first half of 2011. Astonishingly, the import load factor from Oceania (Australia/NZ) was only 34%, meaning that just a third of the vessel carried paying cargo.

The wake-up call is that there will be much more vessel capacity coming into the market, without a matching demand—a recipe for keeping rates low. The only thing which would change this rate outlook would be if revenue falls so much that carriers simply go out of business.

CI 2011 Shippers' Survey: Rate Volatility is a Problem

Containerisation International, a British maritime monthly, annually publishes results of a survey of exporters/importers, focused on trade to and from Europe. Almost 40% of the respondents were large shippers, at volumes over 5,000 teu's per year, some conclusions: "The majority of shippers have highlighted freight rate volatility as an issue-with 90% blaming ocean carriers for this by loading trades with excess tonnage and by chasing market share." Other problems indicated were schedule reliability (80% thought reliability was more than a limited problem), 58% still saw problems in customer service, yet only 45% still felt inaccurate invoicing was a problem. About 80% of those responding felt the greatest impacts of the very large ships coming into the [Asia-Europe] trade were squeezing out of smaller carriers, forcing carriers to work more closely together, and creating more transshipment services. Over 80% felt the big ships would lead to more pricing differentiation. WSSA contributed to this survey, and was quoted in the article (see "WSSA in the news...").

South America is Booming

Argentina is now the fifth largest wine producing nation in the world, with much of its production coming from around a thousand bodegas in the Mendoza area. Chilean wines are also growing in both value and volume, demonstrating a 13% leap in value and 7% rise in volume in the first few months of 2011.

WSSA and Albatrans are well positioned to handle all logistics needs from either Argentina or Chile, and have grown actually ahead of the market. Albatrans offices in Santiago, Buenos Aires, and Mendoza maintain contact with wineries, and much of the cargo flows into Albatrans' warehouse at the Chilean port of San Antonio. In 2009, Albatrans introduced its own *Conto Deposito* service to the trade. *Conto Deposito* literally means "consignment sale", and in function it permits a winery to deposit goods with the assumption of sale or purchase. Albatrans has excelled at managing all the details to the paperwork details of *Conto Deposito* beginning with offering it in Italy and Spain. It provides strong financial benefits for wineries and sellers in Argentina and Chile, as well.

Albatrans' warehouse is also used for consolidating shipments from various wineries (even mixing Chilean and Argentine cases), which offers excellent economies and efficiencies when wines are shipped in full truckloads from the wineries. Protecting the wine is paramount, including completely insulated facilities to maintain the proper temperature. The San Antonio warehouse is in the port area, so containers can be stuffed and delivered to the vessel right away.

Wine and Spirits Shippers Association Inc.

11800 Sunrise Valley Drive
Suite 425
Reston, VA 20191

Phone: 800-368-3167, 703-860-2300
Fax: 703-860-2422
E-mail: info@wssa.com

Managing Director: Geoffrey Giovanetti
Office Manager: Heather Randolph
Contract & Rate Manager: Geraldine Zilleruelo
Marine Insurance Program Manager: Fay Bazri
Program Coordinator: Cat Jennings

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

We're on the web!
wssa.com

Spotlight on Geraldine Zilleruelo

Geraldine is WSSA's Contracts & Rates Manager and this January she celebrates her 4th anniversary as part of the WSSA team.

She was born in Virginia, but spent much of her earlier years in Costa Rica. She earned a BA in International Affairs from the University of Mary Washington in Virginia. She also studied at the University of Deusto in Spain. Her fluency in English and Spanish along with her international studies background, has proven very useful for developing relationships with ocean carriers around the world.

Geraldine has participated in WSSA contract negotiations in South America and in Europe and spends much of her time analyzing contract rates and conditions, evaluating amendments, and preparing cost spreadsheets and proposals.

In her leisure time, Geraldine likes to travel, read, practice yoga and spend time with friends and family.

"Freight at Rest is Freight at Risk"

Felicia Stratton, Editor of *Inbound Logistics*, said that "today's stressful economic conditions were driving thieves to steal everything that's not nailed down." in the September edition of IL. To address this, she indicated that motor carriers were employing enhanced strategies to thwart theft, such as adding armed guards, checking driver backgrounds more thoroughly, providing continuous security training, and equipping trucks with panic alarms. Some motor carriers went to extremes, such as "stop soliciting high-value cargo" and "only take freight that is too big to steal". Maybe ideas like that were why some other carriers asked her not to publish security steps they were taking.
WSSA's marine insurance covers hijacking, theft, pilferage, and "mysterious disappearances", but you should keep cargo security in mind when assigning your beverages to a motor carrier. A basic requirement is that all truckers should carry insurance limits at least as high as the value of your cargo. Next, you should not permit a stopover for distances less than 300 miles. Check the seal wit the shipment is should match what is on the ocean B/L.

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