

Director's Corner



Alison Leavitt
Managing Director

We are continuing to ride the rollercoaster of trade, and whether you love it or hate it, the turbulence has no end in sight. Here at WSSA, we have never had as many calls, emails, and web inquiries than in the past two years, and the work we are doing to communicate, advocate, and adjust to industry changes has never been more important. In this issue we will touch on the key topics affecting our industry. The most crucial issues involve trade, legislation and international legal cases. Less crucial, but still highly significant, are the shipping and logistics issues.

The critical nature of the changes in trade have brought us closer to other associations involved in our industry and in the broader regulatory scope. Every industry association has their focus and skill set. WSSA is known for our involvement in the nuts and bolts of logistics and regulations that affect importers and exporters. We bring this skillset to other groups, while they bring us expertise in lobbying (via our partnership with DISCUS), or directly in touch with CBP (through our relationship with the NCBFAA), or in touch with the craft beverage industry (through meetings with ACSA).

We need each other to navigate through the morass of changes in front of us, sharing information, ideas, best practices, and fighting for what the industry needs. We hope we have aided all of you during this past year of change, and, in this issue, we will report the latest news on the WTO case and retaliatory tariffs on EU products, updates on CBMA, USMCA, and IMO 2020, as well as managing risk in an unprecedented year of natural disasters.

Industry Update

The first pillar of the WSSA mission involves negotiating freight rates based on the volume of our members. This area has actually been one of relative stability in the last year. After two years of major consolidation and M&A in the steamship line world, 2019 has not seen dramatic changes. On a global basis in the alcoholic beverage trade lanes, rates have stabilized, fuel has not seen dramatic swings, and capacity has leveled out. The significant uptick in USA trucking and rail has also leveled out—primarily due to the China trade war and softening of import traffic. We are in a period of relative calm in ocean shipping and even the onset of the new low sulfur fuel requirement is not looking as dramatic as expected eight months ago. We await the impact of the EU tariffs and continued China trade war on overall trade volumes as we prepare for our next round of negotiations in early 2020. The early indicators point to continued stability in Q1 2020, and we will keep you all updated as the data comes in and we meet with all of our carriers early in the new year.

IMO 2020 – Rollout & Impact

Even though IMO 2020 will not be officially enforced until January 1, 2020, carriers are already introducing surcharges to cover for the regulation's expenses. The International Maritime Organization (IMO) 2020 regulation is the first in a series of steps to lower emissions in response to climate change and reduce marine pollution caused by the shipping industry. In practical terms, all vessels will be required to use fuel with only 0.5% Sulphur content. Carriers can choose one of three options to adhere to this regulation: 1. Use compliant fuels, 2. Use Liquefied Natural Gas, 3. Install exhaust gas cleaning systems (known as scrubbers). Until the regulation is enforced at the beginning of next year, it is not yet certain how each carrier will pass along the additional costs to their customers. Some will raise fuel prices; some will impose additional surcharges. What is certain is that costs will be going up, and importers and exporters should plan accordingly.

INSIDE THIS ISSUE

Page 1

Director's Corner

Industry Update

IMO 2020 – Rollout & Impact

Page 2

Natural Disasters & Political
Upheaval

EU Tariffs Impact

Page 3

CBMA Extension

DISCUS-ACSA Policy
Conference 2019

New Insurance Offering for
2020 - Container Coverage!

Page 4

NY/NJ Port Tour

WBWE 2019: Amsterdam
Dec 2-3, 2019

Winter Wine Program
2019-2020

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industry news!*



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Natural Disasters & Political Upheaval

More than ever, the shipping industry is being significantly impacted by events outside the scope of our control. Natural disasters and political uprisings are becoming more and more common throughout the world, which creates difficulties and breaches within the supply chain process. Just recently, we have experienced each of these incidents and witnessed the impact on trade.

For example, in California the Kincaid Fire caused massive power outages and evacuations, forcing businesses to shut down operations due to lack of power and staff. Many of those businesses were warehouses, and incoming product had to be re-directed or held which caused delays and increased costs.

Another example was seen in Chile as students protested increasing transport fees. Riots erupted in the Capitol, Santiago, causing the government to declare a state of emergency and the President of Chile to reshuffle key ministers of his Cabinet. The political and social upheaval stalled the flow of trade, and both San Antonio and Valparaiso terminals suspended operations for over two days.

With this increase in conflict comes an increasing need to protect your investments. The WSSA insurance program has never been such an asset to our members, and we strive to create a coverage solution to fit any conflict of loss or damage your cargo may sustain. Does your policy protect you from extended time at port during a port closure or strike? Or a natural disaster? Or general average? If you have not yet chosen to protect your cargo, contact us today, and we will find a solution for your needs. Below you will see a chart of the massive claims from natural causes over the past year.

Global Economic Losses

Exhibit 1: Top 10 Global Economic Loss Events

Date(s)	Event	Location	Deaths	Economic Loss (USD)	Insured Loss (USD)
October 10-12	Hurricane Michael	United States	32	17.0 billion	10.0 billion
September 13-18	Hurricane Florence	United States	53	15.0 billion	5.3 billion
November	Camp Fire	United States	88	15.0 billion	12.0 billion
September 4-5	Typhoon Jebi	Japan	17	13.0 billion	8.5 billion
July 2-8	Flooding	Japan	246	10.0 billion	2.7 billion
Spring & Summer	Drought	Central & Northern Europe	N/A	9.0 billion	0.3 billion
September 10-18	Typhoon Mangkhut	Oceania, East Asia	161	6.0 billion	1.3 billion
July – September	Flooding	China	89	5.8 billion	0.4 billion
November	Woolsey Fire	United States	3	5.8 billion	4.5 billion
August 16-19	Tropical Storm Rumbia	China	53	5.4 billion	0.3 billion
All Other Events				123 billion	45 billion
Totals				225 billion¹	90 billion^{1,2}

EU Tariffs Impact: WTO Airbus Decision and Section 301 Tariffs on Alcoholic Beverages

At the beginning of October, the WTO decided in favor of the USA in the long running Airbus subsidy case, confirming that the USA can impose tariffs on \$7.5 Billion worth of goods from the EU, the largest amount ever awarded in a WTO case. The USTR (U.S. Trade Representative) published the list of items slated for additional tariffs on October 9th; further updates were published October 29th, and the effective date was set at October 18th. While this seems sudden, the case has been going on for fifteen years, and the ruling was just finalized. It just so happens to hit during a period of multiple trade actions by the administration. For the alcoholic beverages on the list, the additional tariff is set at 25% ad valorem and proceeded to go into effect as scheduled on October 18th.

In practical terms, this means that on a container of product that is on the retaliatory list valued at \$50,000.00, importers now have to pay an additional \$12,500.00. This is a big hit on your bottom line, and the coalition of industry associations, including WSSA, is still fighting hard to remove these tariffs and get back to the negotiating table. Our stance is that this case involved civil aircrafts, yet aircraft parts are only paying 15% punitive duties and our industry is paying 25%. There is further speculation as to why certain types of alcohol were hit and others were spared, and the possibility of additional items added to the list is very real.

The full list of the products impacted can be found on the CBP website, but, in brief, the targeted items include single malt whisky/whiskey from Scotland and Ireland, still wine not over 14% from France, Germany, Spain, and the UK, and liqueurs and cordials from Germany, Ireland, Italy, Spain, and the UK.

Despite the best efforts of the industry to lobby against these tariffs, it is unlikely that the tariffs will be removed in the short term. Should you want to explore options to mitigate the impact, we are happy to discuss potential strategies.

CBMA Extension

The Craft Beverage Modernization and Tax Reform Act (CBMTRA) that was passed at the end of 2017 as part of the Tax Cuts and Jobs Act, was a two-year provision set to expire at the end of this year. The provision allowed for a decrease in the excise tax for wine, beer, and spirits producers and importers, and has been a major success for the industry. There is new legislation (S. 362, H.R. 1175) that is a verbatim repeat of the original legislation, but proposes permanence, and this legislation reached a peak of support after a recent call to action day, with 315 cosponsors in the House and 73 in the Senate. All of the industry associations are working hard to push this legislation forward. WSSA has been on Capitol Hill multiple times discussing this bill with various congressional staffers and has also done massive outreach to our members to help them understand the benefits from this very complex law.

If the CBMTRA is not passed by Congress before December 31, 2019, producers and importers of wine, beer, and spirits will see an increase in their federal excise taxes in 2020. We encourage all of you to contact your congressional representatives and urge them to push this legislation through—the ultimate goal being permanence, but a one-year extension the next best option.

Because the CBMA guidelines for importers were so long unpublished, Customs is still working to sort through the claims submitted for 2018 shipments. The review process has begun, but Customs has thousands of claims to examine. The process is manual and the errors are abundant. Many of you ask us about the status of refunds, and we can only ask for your patience as it is an incredibly cumbersome process. Should the legislation be extended for only one year, it is unlikely that we will have a change in the process, so we suggest you start preparing your allocation letters for 2020.

DISCUS-ACSA Policy Conference 2019

The Distilled Spirits Council of the United States (DISCUS) and the American Craft Spirits Association (ACSA) cohosted their annual Public Policy Conference for their members July 22-24, 2019, in Washington DC with the prime focus to “Make CBMA (the Craft Beverage Modernization Act) Permanent.”

WSSA is a Partner Member of DISCUS and was a sponsor for the second year running of the Public Policy Conference. Alison Leavitt was a speaker at the conference and brought the wider voice of the industry to the forum. WSSA was an active participant in the group sessions and meetings on the Hill to discuss the CBMA and other key trade issues. Top management of TTB was in attendance as well hundreds of companies involved in production or import of spirits. Other topics discussed at the conference included stemming the tide of retaliatory tariffs on alcoholic beverages, the USMCA changes, and updates on the impact of Cannabis on the alcohol industry.

WSSA will also be participating in the DISCUS Inaugural Conference in February where we are excited to convene with America’s spirits industry leaders, decision makers and supply chain partners to forge the future of our sector and learn strategies to help businesses thrive in the modern distilled spirits marketplace. We hope to see many of you in Louisville!

New Insurance Offering for 2020 Container Coverage!

WSSA is now offering coverage on damage to containers beginning in 2020! If a container experiences bulging, punctures, crushing, flooring scrapes or any damage that compromises its integrity, you no longer have to worry! WSSA will cover the damage to the container and recoup your loss. We especially recommend selecting this coverage for shipping flexis to protect against the possibility of a bulging container. For one low rate, you can obtain coverage for your containers and ship worry-free.



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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.

NY/NJ Port Tour

WSSA, in conjunction with the Port of NY/NJ hosted a fall Port Tour and briefing for our northeast regional members. The day began with networking and introductory words over breakfast, continued with an overview of port operations, and concluded with a physical tour of two terminals – APMT and PNCT. We were joined by Port of NY/NJ officials and enjoyed viewing the on-dock terminal operations as well as seeing first-hand how cargo is transferred from vessel to truck or rail toward final destination.

For many, this was their first visit to a port that showcased the distinctly different operations at each terminal. At APMT, large stacks of containers moved via RTGs (Rubber Tire Gantry cranes) onto truck chassis. In contrast, at PNCT, the low stack model was used, with trucks waiting in slots while containers are delivered to them via straddle carriers. Virtually all of the terminals in the country have been investing in upgrades, and this was apparent at both of the terminals visited in NY, with thirteen brand new gates opening soon at APMT and additional land acquired by PNCT for expansion. APMT has been plagued by congestion issues in the past year and is doing their best to combat the congestion, including staying open on holidays, such as Election Day and Veteran's Day. This was our third port tour in 2019, and we are happy to accommodate requests for port tours in any region of the world.

WBWE 2019: Amsterdam Dec 2-3, 2019

WSSA and Albatrans staff from across the globe will be participating in the World Bulk Wine Exhibition (WBWE) taking place in Amsterdam, December 2-3, 2019. We will be located at stand B14 and WSSA's Managing Director, Alison Leavitt, will be conducting a conference on Risk Management. The seminar, entitled "Risk Management: Protect Your Investment and Acquire Cargo Insurance" will take place at the event conference room on December 3rd at 11:45am. If you would like to schedule a meeting at WBWE, or register for Alison's Risk Management conference, please contact us!

Winter Wine Program 2019-2020

Cold weather is on its way! If you are interested in finding an economical way to ship your wine through the winter months, let WSSA assist. Protect your cargo from the temperature extremes with WSSA's Winter Wine Program. Through the program, your cargo will be shipped in a standard or insulated container to a warm weather US port then loaded into a heated container for transport to your door. Contact us today for more info or to start shipping!

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