



Supply Chain Challenges

How the spirits industry in the U.S. is being impacted by supply chain disturbances



Rob Maron

Distilled Spirits Council of the U.S.

Vice President, International Trade



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Supply Chain Challenges: The Perfect Storm

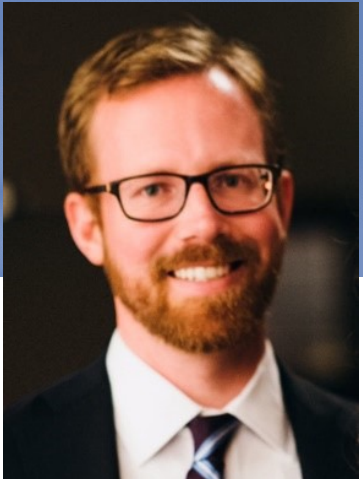


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- Collapse of shipping in Q1-Q2 2020
- Vessels scrapped; China re-opened as rest of the world locked down
- Everyone started buying
- Port Worker Shortage
- Container Dislocation
- Trucking Issues
- Congestion on the Rails
- Warehouses at Capacity

Presenters



Rob Maron
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Vice President, International Trade



Peter Friedmann
**Agriculture
Transportation Coalition**
Executive Director



Scott Moorad
Hillebrand
*Chief Operating Officer of
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Chrissy Beaudette Tinelli
MHW, Ltd.
*Director of Client
Development*



Lisa Cloutier
Whistling Andy
Founder



Peter Friedmann

Agriculture Transportation Coalition

Executive Director



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Supply Chain Challenges: AgTC Updates



- **The Agriculture Transportation Coalition (AgTC)** was founded in 1987 with the objective of assuring transportation service which allows U.S. ag exporters to be competitive in the international market
- AgTC handles many other issues of concern to ag exporters, ocean shipping issues continue to be priority
- Monitors government and commercial activity on ocean, truck, rail, port shipping and other transportation developments
- How has the pandemic impacted/is still impacting supply chain shortages?
- Background on Ocean Shippers Reform Act of 2021
- More Info: <https://agtrans.org/>
- Questions: info@agtrans.org



Scott Moorad

Hillebrand

COO North America



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Who is Hillebrand?



- Logistics of wines, spirits, beer, kegs, bulk liquids, products that require special care
- All transport modes (sea, air, road)
- Supply chain management
- Digital customer platform



2,700
people



90
countries



Connecting
25,000
companies



Shipping over
+665,000
TEUs



€1,3Bn.
turnover

What's different about alcoholic beverage transport?

It's alcohol!

- Controlled production capacity (Bourbon, Tequila, Wine, etc.)
- Three-tier distribution framework
- Alcohol transport permits / hazmat / bond & FTZ requirements

It's expensive, heavy, and unique!

- High value commodities
- Shipping weight (ocean / rail / road)
- Temperature control protection from extreme heat / cold
- Bulk liquid transport compliance and expertise

Specialized transport compounded by current market volatility...



...requires deeper engagement in transport decisions



Working through the supply chain reality

- Delays will continue → adjust lead time expectations
- Rush or high-value → consider airfreight or fixed LCL sailings
- Services disruptions → rethink routing, demand points, modalities
- Increased cost of shipping to continue → plan for it
- Carriers are capitalizing on demand → be an advocate (OSRA)

Risk management matters more

- Longer transit, trans-shipments, dwell → use reefer and VinLiner
- Higher exposure → evaluate insurance coverage
- Damaged or expired goods → develop product disposal strategy



Chrissy Beaudette Tinelli

MHW, Ltd.

Director of Client Development



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As a national importer for over 400 different clients/suppliers with representation across all categories (80+ countries), we have seen a significant impact on both our clients' businesses as well as our own:

- Significant strain on our team's bandwidth due to an increase in effort and time across the following major categories:
 - Communication and negotiation for containers with steam ship lines/carriers
 - Coordination and urgency when containers arrive in the US (for international shipments)
 - Coordination with warehouses to secure delivery appointments and inbound priority
 - Prioritization for orders to be picked and staged for pickup by US truckers
 - Communication with client brands/suppliers regarding updated timelines on order availability, trucker/distributor prioritization (for wholesale orders)



- Freight rate increases as high as 2-4x regular rate
 - Due to shortages of vessels, shipping delays, and port congestion
- Increase in demurrage charges
 - Queues of up to three weeks in the port make it impossible to avoid fees
- Lack of warehousing space
 - Frontloading by many players as well as other industries taking up more warehousing space near common ports
- Componentry shortages
 - Inclusive of closures, glass, labels and liquid rising to meet demand
 - Longer timelines to get on the production schedule for producing new components

Proactive Steps for Brands / Suppliers

MHW >>>

- Assume that supply chain challenges will continue well into the 2nd half of 2022
 - Consider this when creating your budget for 2022 and 2023
- Decide if you will opt for less risk in your supply chain at premium cost (larger inventory at current high shipping rates)
 - Other option is to ship at need, but risk:
 - Costs continuing to rise
 - Running out of inventory
 - Inability to secure warehouse space
- Project longer lead times for all parts of your supply chain
 - At minimum, an additional 8 – 10 weeks in total
- Diversify your sources for components
 - Option to consider utilizing a third party with multiple componentry vendors to manage your supply chain





Supply chain challenges in 2021 and onward will have impact on the consumer especially now as we near the holiday season.

- The consumer should expect limited stock on high demand items, particularly gifting items that come in unique packaging for the holiday season.
- Due to these shortages, the consumer should start the shopping process early this year as it will be difficult to predict which brands will have shortages.
- The consumer may want to branch out to more than just their local store if they cannot find their favorite brand or gift on the shelf.
- Expect record setting sales activity on e-commerce platforms both owned by the retailer as well as third-party.
- Keep in mind that there are so many new and exciting products that have hit the shelves during this time that the consumer could take the opportunity to broaden their horizons.



Lisa Cloutier

Whistling Andy

Founder



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U.S. Distiller Perspective: Whistling Andy



What are we seeing at the distillery?

- Price increases varying from 20%-60% due to the supply chain shortages

How does it impact the larger restaurant/hospitality industry?

- With major price increases across the globe, restaurants are not able to bring in new products and they must be more price conscious than ever before

What about the tariffs?

- Now that the Retaliatory Tariffs have now been lifted, we hope to be able to start recovering and be in a better spot moving forward

Question & Answer

Please use Q&A feature in Zoom

Reach out to press@distilledspirits.org if you have additional questions to ask the group



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