

A large container ship is docked at a port. A large orange crane is positioned on the left side of the ship. The ship's deck is covered with stacks of colorful shipping containers in shades of yellow, red, blue, and green. The ship is sailing on a body of water with a greenish-blue hue. The sky is a pale blue with some light clouds.

A DISTRIBUTOR'S ADVICE FOR NAVIGATING THE FREIGHT CONTAINER SHORTAGE

You've probably seen the stories about congested ports and delayed shipments. Maybe you're also seeing price increases and new surcharges on your packaging orders. What's going on? How long will these issues last? How will it impact you at bottling season? We've got you covered. While no one has all the answers, we've identified four steps you can take today to ensure the continuity of your bottle supply.

WHAT'S HAPPENING?

The global problem impacting glass supplies.

The Coronavirus has significantly disrupted the global supply chain—perhaps nowhere more deeply than the freight trade between Asia and the U.S. That's because China was the point of origin for COVID-19, leading to a shutdown of almost all manufacturing and shipping in early 2020. As the virus made its way across the Pacific, the U.S. started shutting down too. By the time China was back up and running mid-year, the U.S. was in a full-blown health crisis. Yet Chinese goods kept coming to U.S. shores to meet demand. Inbound ocean shipments to the Port of Los Angeles and Long Beach were up 20% in 2020 compared to the year before.

As a result, freight containers kept coming to the U.S.—but not enough empty containers were making it back across the Pacific to keep up with demand.

There are several reasons for this, starting with congested ports. According to the *Journal of Commerce*:

"Southern California's entire international supply chain has been stressed since imports began to increase rapidly in late June. The problems included vessel bunching at the ports, congested marine terminals, shortages of skilled equipment operators on the docks, lengthy truck queues at the gates, chassis shortages, and distribution warehouses filled to capacity."ⁱ





With empty freight containers at a premium, Asian exporters have added new freight surcharges. This is a short-term charge for a temporary problem. It will get better. Right now, however, the empty freight container shortage is creating supply uncertainty and cost increases across the wine industry.

HERE'S HOW TO PREPARE FOR CONTINUITY OF SUPPLY.

1. Plan ahead.

Ask how your supplier is forecasting demand and managing supplies. When you partner with WinePak, for example, you're partnering with our entire integrated supply chain. We start with sophisticated forecasting to continually assess the economic landscape. We monitor the labor market, the movement of freight at U.S. ports, and the repositioning of freight containers in order to understand the nuances of the current shortage and when that shortage might ease. Our forecasting prowess enables us to spot shipping bottlenecks early and stock up on inventory.

Our current assessment: We can get your bottles for you, but we need more lead time than ever. **We're advising our customers to get their glass orders in at least 90–120 days in advance.**

2. Choose a distributor with global reach.

Not every company has access to the same vendors, so be sure to ask about available options. At WinePak, we source globally from a wide range of domestic and overseas vendors to ensure your bottles are there when you need them. Our relationships span the globe: from South America to Asia to Europe and the Middle East. We're also the exclusive Texas and West Coast distributor of Ardagh domestic glass, giving us access to their domestic supply. That said, see No. 1, above. Domestic supplies are tight—and long lead times are essential whether you're sourcing from the U.S. or overseas.



3. Choose a partner with stable shipping connections.

Because TricorBraun operates around the world (and we buy and ship a lot of packaging), WinePak has contractual relationships with the freight container companies and shipping brokers where we do business. Being in good standing with both has given us preferential treatment in getting supplies shipped promptly. With so much freight moving one-way these days, it's reassuring not to worry about whether your bottles are on the way.

4. Beware of hidden fees.

At WinePak, we practice something called "live unload." This means that every shipment we receive is unloaded at our warehouse immediately—and the empty freight container is returned to the port the same day. Not only does this help keep us in good standing with our shipping partners, but it also means no freight container rental fees for us or passed along to you.

Ask your vendor about hidden costs and fees. While overseas shipping surcharges are unavoidable, at WinePak we're only passing along those surcharges that impact your shipment. And we'll always have the conversation with you first so that you understand what you're paying for and can plan accordingly.

WE'LL STEER YOU THROUGH THIS UNCERTAINTY.

We might not see the end yet, but there is an end in sight. COVID-19 vaccine distribution is set to accelerate, meaning fewer infections and a return to more-normal shipping operations. As that happens and the domestic economic slowdown eases, we expect to see freight containers moving back and forth across the Pacific at a more normal pace. In the interim, your WinePak packaging consultant is here to help you navigate in this uncertain time.

Have questions about your glass supply? We'll walk you through your options. Contact us at marketing@tricorbraun.com or call 1-800-DRINKWINE anytime.

¹Outlook 2021: No Relief in Sight for LA-LB Congestion Problems. January 4, 2021. Journal of Commerce Annual Review and Outlook.