



Master Brewers Association of the Americas
Rocky Mountain District

MBAA-Rocky Mountain Out-of-Towner Meeting • September 19-21, 2014



samskip
ICEPAK LOGISTICS



From Craft Brewery to overseas Markets

**PRESENTED BY PAUL DEAN
DIRECTOR – SAMSKIP ICEPAK LOGISTICS**

Please ship responsibly



Paul Dean

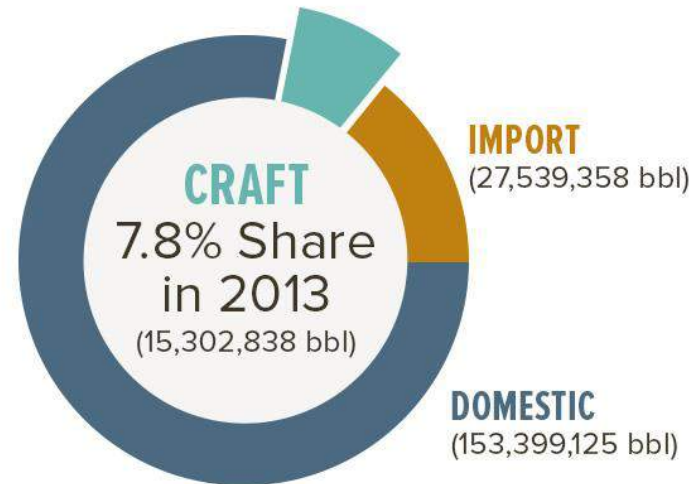
- Director – Samskip Icepak Logistics, Inc
- Born in Birmingham, England
- 30+ Years in International Logistics
 - 15 Years in UK, 17 years in USA
 - In 1994 opened Icepak – Specializing in temperature controlled logistics.
- Today Icepak , now merged with the Samskip Group, is a leading logistics provider for multiple companies shipping an annual volume of 65,000 containers of perishable & time sensitive products, to & from all major international trade lanes.
- We presently work with 20 Overseas craft importers, arranging full service logistics from 49 USA craft Brewers, shipping to 15 countries on 4 continents.

U.S. BEER SALES 2013



OVERALL BEER MARKET
\$100 BILLION

CRAFT BEER MARKET
\$14.3 BILLION
20% DOLLAR SALES GROWTH



Source: Brewers Association, Boulder, CO



Brewers Association reported craft beer export volume increased by 49 percent in 2013, representing 282,526 barrels and an estimated \$73 million.

Canada remained the industry's largest export market, with shipments increasing 92 percent by volume (up to 131,511 barrels) in 2013.

Sweden (15.5 percent) and the United Kingdom (7.9 percent) remained the next two largest markets, with Australia (5.4 percent) and Japan (3.2 percent) following.

In total, shipments to Asia Pacific (non-Japan) increased by 73 percent and accounted for 44,228 barrels. largely due to emerging markets such as Singapore (up 379 percent), Hong Kong (up 150 percent) and Thailand (up 99 percent).

INTERNATIONAL GROWTH OF CRAFT BEER

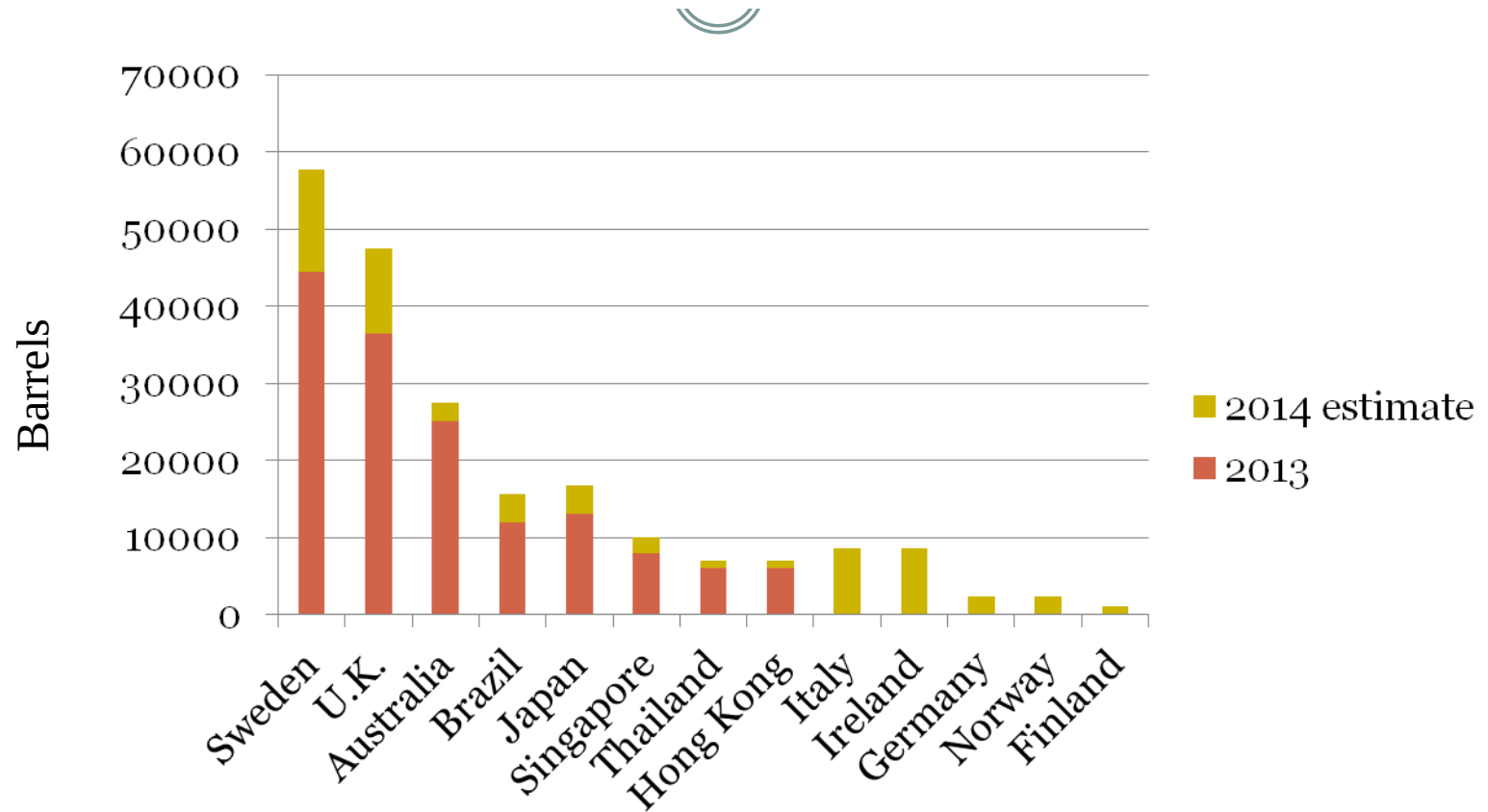
When the Brewers Association first gave presentations overseas about the American craft beer scene about 10 years ago, people would laugh aloud. They'd even quote a Monty Python skit comparing American beer to water.

BA EXPORT DEVELOPMENT PROGRAM GROWTH 2012 - 2013



TOTAL EXPORT GROWTH: 50%
(All figures refer to growth by volume)

Overseas destinations



When you're hot...you're hot.



Over the past decade, the headline news about British beer has been grim: 31 pubs close every week; UK alcohol consumption is falling; we are drinking less beer. But among a new generation of grassroots beer fanatics, the story could not be more different. The past few years have seen a huge upsurge of excitement around creative brewing and radical new beer styles. Britain is now firmly in the grip of a craft beer revolution.

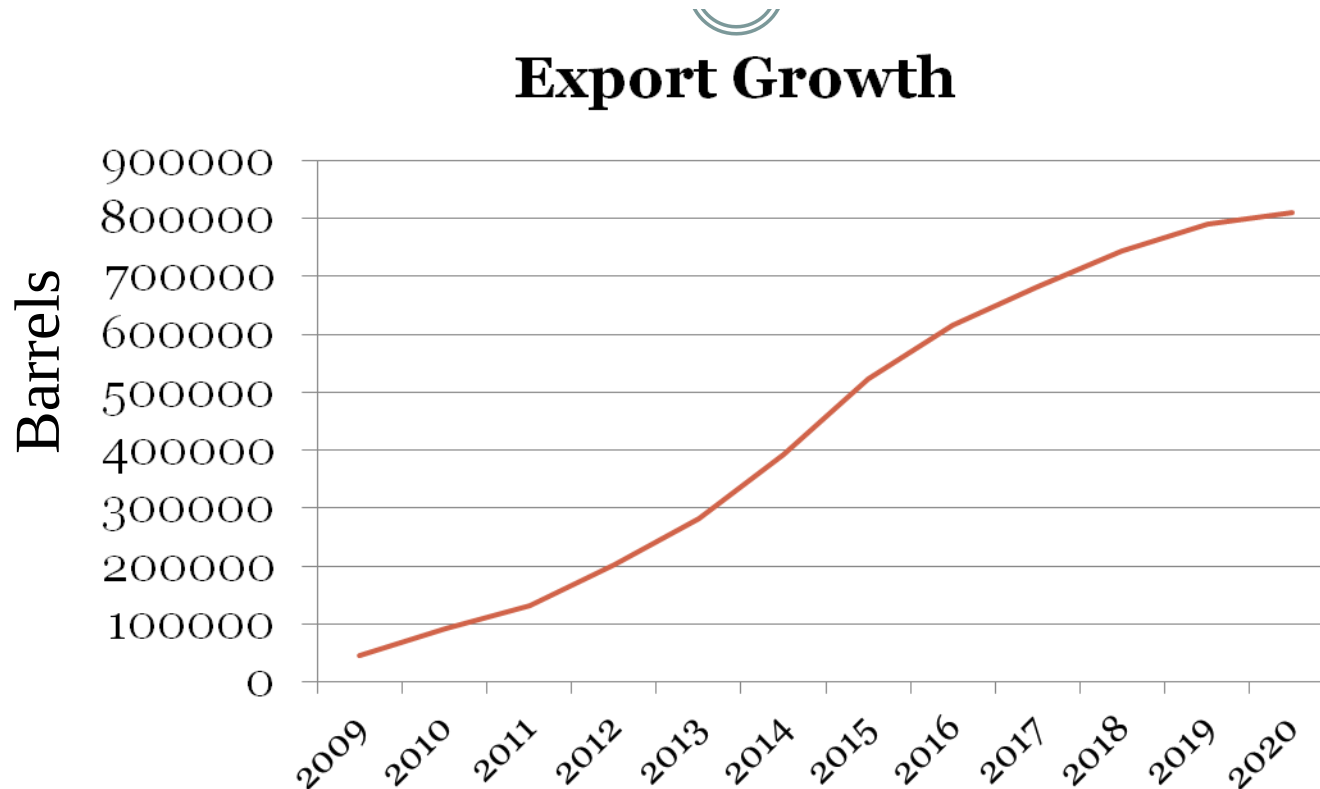
But it is not only traditional aficionados of ale who have been won over by this American born revolution.

Somehow, beer from the United States has become not just widely respected, but achingly fashionable.

By Jon Kelly BBC News Magazine,

"There's a hipster cachet to it," says Melissa Cole, ale expert and author of *Let Me Tell You About Beer*. "Craft beer is seen as sexy right now, there's no doubt about it."

Export growth projections



Current rate of export growth is expected to continue for next 2-3 years & then tail off, as U.S Craft Brewers set up shop, overseas.

New Trends to satisfy USA craft beer in Europe



Just last month, **Green Flash** became the first U.S. craft brewery to begin making and selling fresh beer in the European market under a deal with **Brasserie St-Feuillien**, a Belgian brewery founded in 1873. Under the watchful eye of Green Flash brewmaster Chuck Silva, the brewery is making and selling fresh West Coast IPA for distribution in the U.K., Belgium, France, the Netherlands and Italy.

Meanwhile, 500 miles away in Berlin, **Stone Brewing Co.** is taking a different approach to meeting overseas demand -- spending about \$25 million to renovate a historic gas works building into a brewery, packaging and distribution center, restaurant and garden set to open late next year or early 2016. Escondido, California-based Stone -- one of the top 10 biggest craft breweries in the U.S. -- will make beer for its bistro and distribution throughout Germany and Europe

In the spring, New York's **Brooklyn Brewery** and **Carlsberg** Sweden opened a craft brewery and restaurant making new beers that are being distributed throughout Scandinavia. The staff of Nya Carnegie in Stockholm was hired by Brooklyn Brewery and trained by its brewmaster. Brooklyn Brewery is still exporting its own beers to more than 20 countries in addition to its joint venture and also is looking at similar projects in other European capitals, South America and Asia. Around 30 percent of its business is exports

Where to start



The BA Export Development Program (EDP) provides the following opportunities for breweries.

Trade shows – Brand exposure through shows in Europe, Asia, North America and South America

Competitions – Participation in European Beer Star, Australian International Beer Awards, Brussels Beer Challenge and Stockholm Beer and Whisky Festival Competition

Seminars – Export receptions and seminars at GABF and CBC

Reverse trade missions – Key buyers brought to BA events in the U.S.

Export Resources– Market research studies and dedicated export guidance.

Promotion of American craft beer – International media exposure and education.

Keeping it Cool



“Problem is, these flavors don’t always travel so well. The most popular style—IPA—is also the most fragile, as the intense aromatics rapidly diminish. “It’s not the best idea to focus on beers that start to show it when they get a bit of heat and age on them,” says Wallace, who mainly limits his overseas exports to sturdier beers like his porter and milk stout. The solution, he says, is for American brewers to ship refrigerated beer and instruct distributors, bars, and shops to also store it cold. “Quality is paramount for long-term American craft beer exports to be successful”.

Left Hand president and cofounder Eric Wallace”

“Temperature extremes during shipping, warehousing and at the retail store you purchase your beer from can double the "aging" of the beer for each increase of 10 deg. F. That means beer with a "shelf life" of 6 months at 40 F will have a "shelf life" of 3 months at 50 F and 6 weeks at 60 F."

Mark Ruedrich, brewmaster, North Coast Brewing Company (in reply to an old BA forum question)

Shipping equipment options

20' Dry Van Container



40' Dry Van Container



20' Reefer Container



40' Reefer Container



Container Chassis



Gen set



Ryan recorders



Thermal blankets / Liners

Container Vessels



The Triple-E class vessels are 400 m long and 59 m wide
(The length of 3.5 x Football fields)

Holds 18,000 containers (teu's)

Mega ship capacity increased by 100% in just 15 years

The “Reefer” container



A reefer is a type of *intermodal* or shipping container used in the import, export of freight or cargo where cold temperatures need to be maintained.

In the shipping industry, the reefer or refrigerated container sector is a very specialist area where utilization of the latest cooling technology is critical.

These days, few people are aware of the benefits that reefers have brought to society in general. Without such technology, the fresh produce that is exported around the world would not be a possibility.

Markets for Seafood, tropical fruits, lamb, beef & poultry, for example, would be significantly smaller.

Many small countries, therefore, have come to depend upon the reefer container for a significant portion of their national income.



Tank Containers

Tanks containers tend to be used by large volume shippers, on a round trip basis. Very specialized equipment, offering temperature & pressure to be controlled & maintained.

Usually leased on a 12 month contract basis.



Insulation



Thermal blankets & liners provide protection from extreme external temperatures & are ideal for shipments with shorter transit times.



Pallet Blanket



Container Liner in dry van container

Thermal liners are used extensively in the international wine trade

Container Specs

Containers

20 Ft. Container



9 - 10 Standard Pallets 1000 x 1200



11 Europallets 800 x 1200
* Millimeters

40 Ft. Container



20 to 21 Standard Pallets 1000 x 1200



23 to 24 Europallets 800 x 1200
* Millimeters



40' container can hold:

- 270 x 50L Kegs
- 1400 cases
- 20-24 pallets

Measure	Length	Width	Height
Millimeters	11,580	2,290	2,402
Feet	39' 11 7/8"	7' 6 1/8"	7' 10 1/2"

Allow space between pallets to allow air flow.

Do not block vents.

Do not stow above the red line.

Challenges for Rocky Mountain Brewers



Located 1200 miles from nearest port

Shipping companies do not keep supplies of empty reefer containers at inland points. (Rail in / Rail out)

Round trip trucking cost. (\$5k)

Longer transit times.

Alternatives to truck & trans-load are just as expensive.

(Truck refrigerated from brewery to chilled, licensed & bonded cold store at port. Trans load to reefer containers, dray to port).

Keg returns:

Shipping Cost Comparisons



From Door Fort Collins,
To Door UK Cold storage.

Estimated Shipping costs as of Sept 2014

20' Dry	40' Dry	20' Dry w/Blanket	40' Dry W/Blanket	20' Refer	40' Refer
\$5100	\$6200	\$5800	\$6800	\$8900	\$9800 (\$7 per case)
82%		85%		\$91%	

Conclusions:

- Refer rates are 50% higher than ambient
- 40' containers are most economical

Comparative rate for 40' reefer ex
Brooklyn, NY = \$5200
(\$3.70 per case)

Consolidations



When first starting any export program it is likely first orders will be small..... 1-2 Pallets
Freight costs to ship a full container would not be viable.
The most cost effective way to ship smaller orders is via “Consolidations”

Freight company will arrange pick up from Several Brewers & consolidate via a central freight facility & trans-load into full containers, on behalf of the importer(s).



Transit time examples



<u>Destination</u>	<u>Door /Port Transit</u>	<u>Trans-shipment</u>
Brazil	35 days	No
Sweden/Norway	42 days	Yes
U.K.	35 days	No
Ireland	42 days	Yes
Japan	22 days	No
Australia	32 days	No

Selling Ex Works



In the main, exports of U.S craft beer are shipped on an ex works basis:

Meaning the buyer is responsible to arrange & pay for transportation from U.S. brewery.

It is important that the exporting brewery ensures that shipping arrangements include proper temperature controls all the way through the logistics chain.

The difference in shipping costs between reefer & non reefer might be tempting to buyers to take risks that result in shorter shelf life.

Document requirements



To expedite an export shipment, & to comply fully with Federal & Overseas regulations, detailed information is required.

An Export declaration is required to be filed with U.S Customs, by the exporter of record (Product owner).

- An Ocean Freight forwarder such as Samskip, can handle this, but require power of attorney & detailed information, Full cargo description (pallets/Cases/Bottle or Can or Keg capacity/ Cargo Value & weight).
- Vessels owners are not able to load cargo to vessel, without the Customs filing confirmation reference.
- This data also feeds destination Customs & security services of pending arrival, as well as feeds Bill of Lading & Manifest data.

Accuracy of data is key to prevent costly & lengthy delays at destination.

Upon pick up at Brewery, it is vital that Brewer check the integrity of the container (No holes/leaks/damage).

It is also vital, when loading into refer containers, that the temperature setting is correct & generator is running.

Place a Door seal on container & report same to Freight forwarder.

Inaccurate seal information will cause rejection & investigation at destination.

Upon sailing, Brewery will be issued with a copy Bill of Lading.

This document, together with commercial invoice, can be used to reclaim excise taxes.

(See TTB - Alcohol and Tobacco Tax and Trade Bureau)

Conclusions



- Overseas Markets for craft beer are growing fast.
- Join the B.A. Export program (Contacts / advice)
- Attend Overseas Trade shows (Marketing).
- Insist on refrigerated throughout the export process to protect taste & freshness of beer.
- Work with a reliable freight forwarder to handle the Paperwork & logistics process.

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