

ADDRESSING FREIGHT CONCERNS DURING COVID-19

WESGRO WEBINAR

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11 June 2020

DHL – Excellence. Simply delivered.





Agenda

- 1** Introduction to DHL
- 2** Impact of level 3 to the trading of goods and logistics
- 3** South Africa infrastructure update
- 4** Export markets update
- 5** Freight update
- 6** Wine export markets
- 7** Q&A



Organizational setup of the Group

Deutsche Post DHL
Group

Post & Paket
Deutschland

Deutsche Post 

eCommerce
Solutions



Express



Global Forwarding, Freight



A DHL company
GORI
Wine and spirits logistics

Supply Chain



Available in South Africa

Gori was founded in **1947**. Since 1962 the company evolved to become **the leader in the supply of integrated logistics solutions for the Wine & Spirits market**. Since 1989, it is controlled by **DHL Global Forwarding** (former Danzas). Gori is the Wine & Spirits fully owned by **DHL Global Forwarding** since end of 2014.



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Guideline to Alert Level 3 – major restrictions related to business

Most import/export activities are now permitted, but...

- VAT Certificates for **VAT exemption** on import of essential goods expired on June 5 (midnight)
- **Movement of persons**: International travels not possible
- **Sale of tobacco** products only allowed for export
- Certain **services not possible**
- **Certain precautions** need to be taken depending on the size of business (>100 employees, >500 employees)
- COVID-19 **Compliance officer** to be appointed

Source: Government notice 43364 issued by the minister of Corporate Governance and Traditional Affairs on 28 May 2020; DTI notice 305 of 2020



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Sea Ports Update

- **Cape Town Container Terminal productivity** has been negatively impacted by COVID-19 related issues as well as preventative measures being put in place to deal with the current situation. This has led to slower operations as well as berth congestion at the terminal
- TPT has therefore declared **force majeure in Cape Town**
- This means there will be **no berthing windows in Cape Town** as currently allocated to services, but berthing will be achieved basis vessel ETA
- **Durban waiting time** average 1 day
- Port Elizabeth Container Terminal may be impacted due to crane restrictions productivity
- **Coega** has been closed for half a day based on COVID-19 case

Port status update South Africa					2020/06/03
Overview	CTOC windows implemented from 11/05. CTCT will operate FIFO from 01/06				
Terminal	Weather	Operational berths	Gangs available	Current waiting time in days for wk23	Current productivity in MPH
Cape Town Container Terminal	Weather ok next 7 days	2 (berth 601/602/604)	2	14	22
Cape Town Multi-Purpose Terminal		1 (F berth)	2	6	15
Port Elizabeth Terminal		1 (berth 102)	2	0	30
Coega	Weather ok next 7 days	3 (D100/D101/D103)	6	0	62
Durban Pier1		2 (berth 105/107)	3	0	50
Durban Pier2		4 all berths utilized	10	2	69
Durban Point		1 (D berth)	2	7	18



Air Ports Update

- **Lack of capacity** during lockdown as majority of the cargo is generally on passenger flights
- **OR Tambo** is the only operating airport for international inbound and outbound cargo (except adhoc charters)
- Domestic flights are carrying **small cargo for domestic purposes** but all international moves are flying in/out of JNB
- Over the past 2 months there has been significant **congestion at the JNB** but now in Level 3 the congestion has minimized and cargo is in and out of the port
- Handling at airports delayed due to social distancing and screening measures, and due to cargo loaded on the **passenger cabin section** to accommodate more volume.



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Less than 6 scheduled flights per day from CPT

Scheduled Departures: Cape Town Int'l Airport (Cape Town) [FACT]			
Flight number	Aircraft Type	Destination	Scheduled Departure
QTR1370	A35K	Hamad Int'l (DOH / OTHH)	Wed 12:35PM SAST
WAA4	E145	Oranjemund (OMD / FYOG)	Wed 02:30PM SAST
KEM1803	DH8D	OR Tambo Int'l (JNB / FAOR)	Wed 06:05PM SAST
QTR1372	A359	Hamad Int'l (DOH / OTHH)	Wed 06:50PM SAST
KEM1801	DH8D	OR Tambo Int'l (JNB / FAOR)	Thu 09:40AM SAST
NM89702	E135	Windhoek Hosea Kutako Int'l (WDH / FYWH)	Thu 11:10AM SAST
QTR1370	A35K	Hamad Int'l (DOH / OTHH)	Thu 12:35PM SAST
WAA4	E145	Oranjemund (OMD / FYOG)	Thu 02:30PM SAST
KEM1803	DH8D	OR Tambo Int'l (JNB / FAOR)	Thu 06:05PM SAST
QTR1372	B788	Hamad Int'l (DOH / OTHH)	Thu 06:50PM SAST
KEM1801	DH8D	OR Tambo Int'l (JNB / FAOR)	Fri 09:40AM SAST
QTR1370	A35K	Hamad Int'l (DOH / OTHH)	Fri 12:35PM SAST
KEM901	B190	Plettenberg Bay (PBZ / FAPG)	Fri 01:55PM SAST
WAA4	E145	Oranjemund (OMD / FYOG)	Fri 02:30PM SAST
KEM1803	DH8D	OR Tambo Int'l (JNB / FAOR)	Fri 06:05PM SAST
QTR1372	A359	Hamad Int'l (DOH / OTHH)	Fri 06:50PM SAST



Road Update

- There is ***no unified list*** of essential commodities and additional commodities which can be traded and transported across borders in the region.
- From the trade and transport facilitation point of view, there is ***lack of harmonization*** and synchronization among and between countries which has manifested in ***congestion at border posts***, at testing and at quarantine centers even though cross border traffic volumes have dropped significantly and some border posts have been closed.
- **Shortage of supply of fuel** due to refineries being closed during lockdown in fear of oversupply, most of them only re-opened only end of May creating a temporary shortage.



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Western Cape top export markets





Global economic recovery to pre-pandemic levels will take 2-3 years



EUROPE

Monetary and fiscal stimulus will not prevent huge output losses in the near term, although they can help to mitigate some second-round risks. Nonetheless, **increases in debt burdens** from already high levels threaten to weigh on longer-term growth prospects in many member states, along with **challenging demographics and poor productivity** performance.



AMERICAS

A gradual **reopening of the economy**, already underway, will allow recovery to begin in the third quarter and gather momentum in the fourth. Nonetheless, we project GDP to decline 7.3% this year, the **steepest annual drop since 1946** when the economy transitioned from wartime footing.



ASIA PACIFIC

The size of the total **stimulus package in Japan is the largest ever** (JPY117 trillion, 22% of GDP), but this includes spending plans under the December stimulus package. The upside from fiscal spending is expected to be offset by the greater downside of containment measures, and the government is planning an additional package.

The mainland **Chinese economy will face additional headwinds** in the coming months due to the expected severe export collapse from a deep world recession. Mainland China's falling exposure to exports in recent years will help mitigate some external demand shock. The central government is expected to announce **additional stimulus measures** to buttress economic growth at the annual National People's Congress in late May. The scale of the stimulus will remain constrained by mainland China's high leverage and falling returns of investment.



EMERGING MARKETS

As a result of the extension of several countries (India & Africa) nationwide lockdown, albeit with some adjustments to classifications of essential businesses and color classifications of districts based on COVID-19 infection rates, IHS Markit expects **a deeper contraction in Emerging Markets** in fiscal year 2020. Essential businesses are indicating that workers and other production inputs are in short supply and transportation of goods remains difficult.



DEMAND DEVELOPMENT

In April, the JPMorgan Global Composite Output Index (compiled by IHS Markit) fell 12.7 points to 26.5, a new low in the survey's 22-year history. While mainland **China's economy shows signs of stabilization**, most **other countries saw output, new orders, and employment decline** at faster rates.

Source: IHS Markit, IHS Purchasing Manager Index Manufacturing, a PMI at 50 is considered neutral, expanding above 50, and business shrinking below 50.

Covid-19 impact on the global economy

The great unlocking?

On reopening, Asia leads, and Europe follows, with strategies differing across countries.

	School		Retail		Industry	Services			Events, Large Gathering	Travel (International)	Contact Tracing*	Social Distancing/Masks	Targeted Isolation	Testing Expansion
	Primary	Higher	Small	Large		Small	Large	Cafes						
Austria											✓	✓		✓
Czech Republic											✓	✓		✓
Denmark											✓	✓	✓	✓
France											✓	✓	✓	✓
Germany											✓	✓	✓	✓
Italy											✓	✓	✓	✓
Norway											✓	✓	✓	✓
Poland											✓	✓	✓	✓
Spain											✓	✓	✓	✓
Sweden											✓	✓	✓	✓
China											✓	✓	✓	✓
New Zealand											✓	✓	✓	✓
South Korea											✓	✓	✓	✓

Note: Estimated status of opening as of May 12 (except for New Zealand whose status is as of May 14), based on announcements by authorities. Cafes refers to dine-in restaurants and cafes. Travel (international) refers to non-essential international travel. *At this stage, contact tracing apps in Europe are mainly on a voluntary basis with decentralized data-protection/sharing approach.

Scale of Opening: green = open with restrictions/guidelines, yellow = partially open, red = closed.

INTERNATIONAL MONETARY FUND





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Ocean Freight Update



EUROPE

Import region	Capacity	Rates
AMNO	-	=/-
AMLA	=	=/-
ASPA	--	+
MENAT	--	+
South Africa	=	=

Tight space for Reefer especially



NORTH AMERICA

Import region	Capacity	Rates
EURO	-	=
AMLA	=	=
ASPA	-	+
MENAT	=	=
South Africa	=	=

Limited direct services



ASIA PACIFIC

Import region	Capacity	Rates
EURO	=	+
AMNO	-	+
AMLA	-	=/+
ASPA	-	=
MENAT	=	+
South Africa	-	+

Tight space for Reefer especially



MIDDLE EAST & AFRICA

South Africa to	Capacity	Rates
Middle East	-	=
East Africa	=	=
West Africa	-	+

Tight space to West Africa

Limited direct services

KEY

Strong increase	++	Moderate increase	+	No change	=	Moderate decline	-	Strong decline	--
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Source: DHL



Did you know? Containerships opt for Cape Route

The number of containerships that have opted to use the Cape Route and bypass the Suez Canal has risen to a historic peace-time high

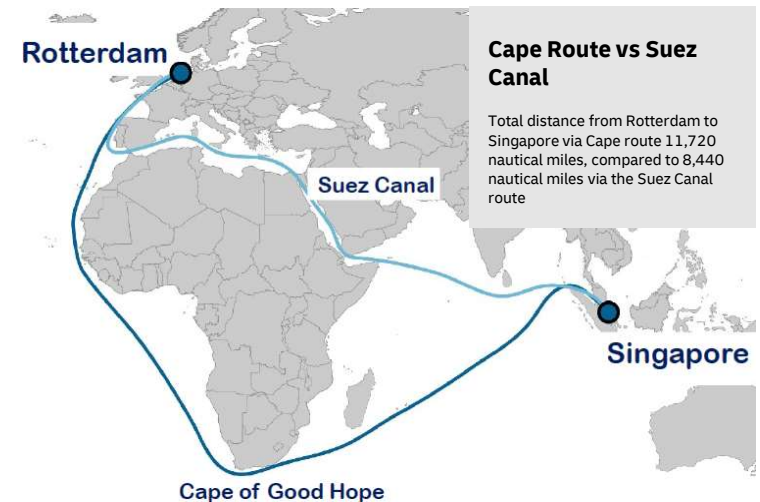
Since the end of March, at least 32 sailings used the longer route via the Cape of Good Hope. Rather unusually, even three westbound Asia – Europe headhaul sailings have opted for the Cape Route. Carriers very rarely choose this longer route for the transit-time sensitive headhaul, but the current low bunker price and lack of demand in European markets, hit by the COVID-19 lockdowns, have suddenly made such movements viable.

Despite the longer distance via the Cape of Good Hope the cheaper bunker fuel prices makes it more economical to take this route compared to using the Suez Canal that could cost around \$700,000 for a fully laden 20,000 TEU container ship.

These diversion will cost the Suez Canal Authority (SCA) over \$10M in lost charges. SCA reacted to this major loss of traffic by announcing a new rebate scheme to incite containerships to transit through the Suez Canal again. However also the revised toll rebate as of 1 May has, so far, failed to discourage carriers from re-routing vessels to avoid Suez Canal transits in favor of the longer journey via the Cape of Good Hope.

Source: Alphaliner, DHL

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Updated breakdown of containerships using the Cape route

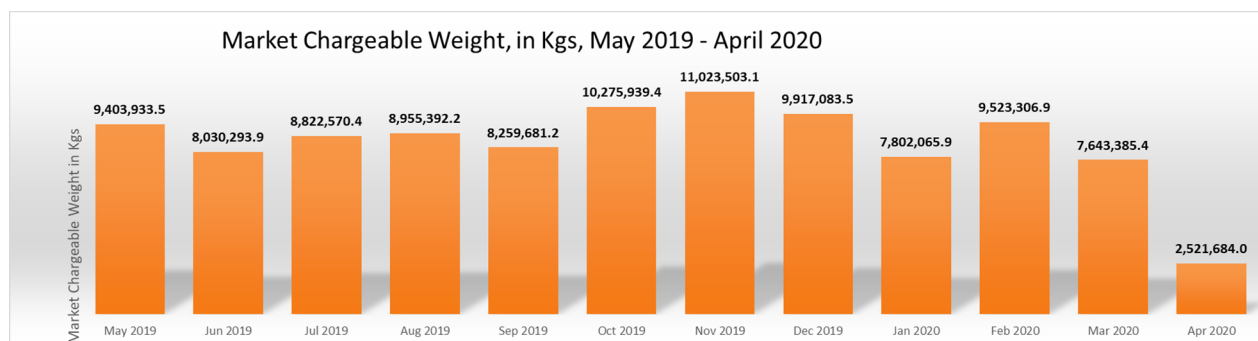
Route	March	April	May (mtd)
Asia-Europe (westbound)	1	2	0
Europe-Asia (eastbound)	0	7	8
US East Coast-Asia (eastbound)	0	7	7

Based on date of departure at last port as at 26 May 2020



Air Freight Update

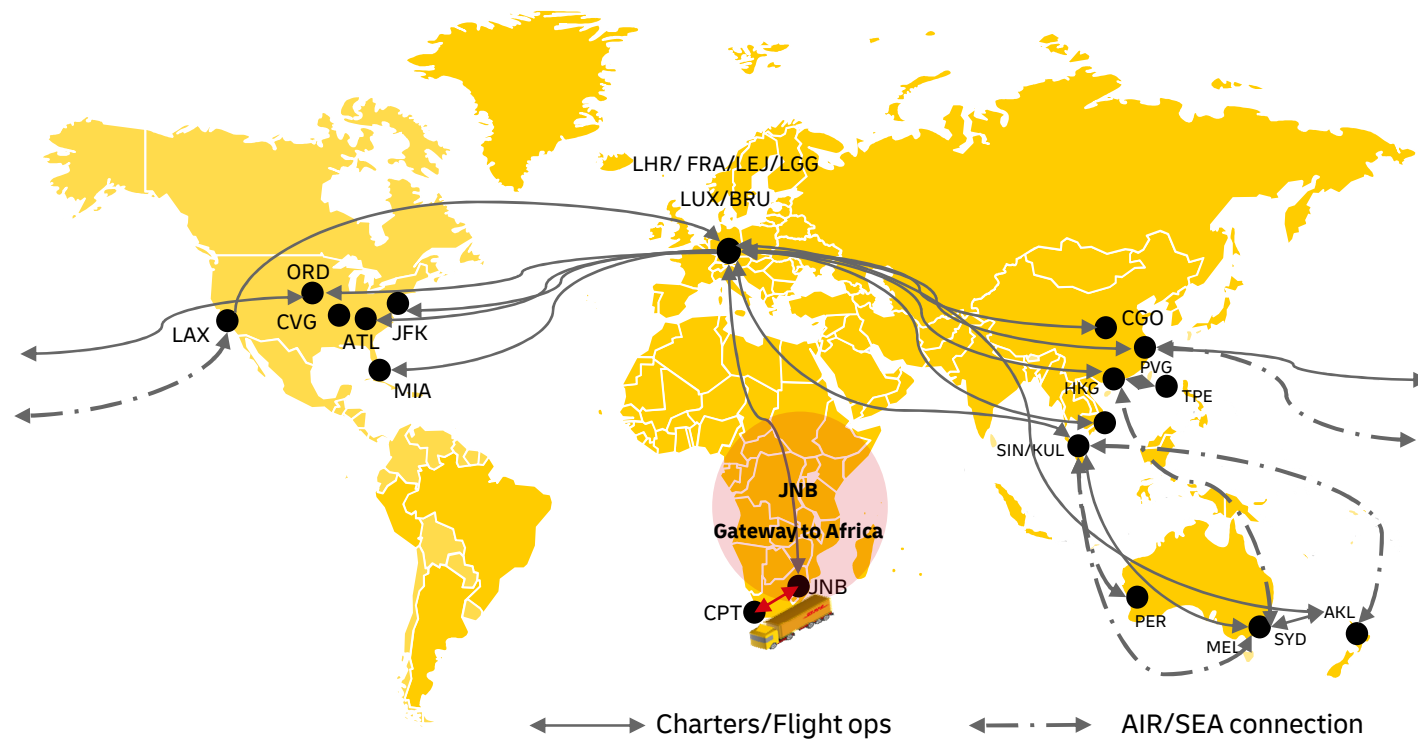
- Capacity is increasing steadily for exports out of South Africa
- In March when Lockdown level 5 was implemented, there was only 25% of the normal capacity in South Africa
- In June, capacity increased to 50% of the normal capacity. Still lacking passenger flights capacity.
- Rates are starting to return to more reasonable levels due to more supply and less demand, but still far than pre Covid-19 levels



Source: IATA, CPT airport, DHL



DHL Dedicated Capacity





Agenda

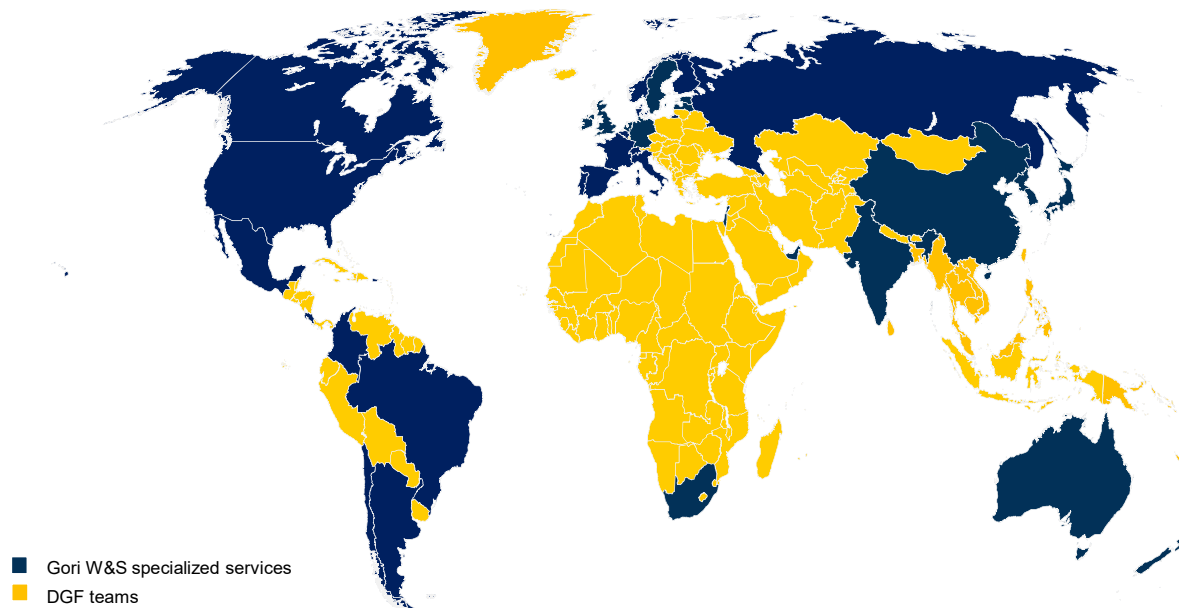
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GORI-DHL WINE & SPIRITS NETWORK



Gori-DHL owns offices and warehouses in the most significant wine producing countries with dedicated teams for the Wine & Spirits industry all over the world.

This offers the customer a worldwide network with an extensive distribution specialized set-up with dedicated operations in Wine & Spirits producing countries and main markets.



MEA Overview



■ DGF Owned (23 countries)

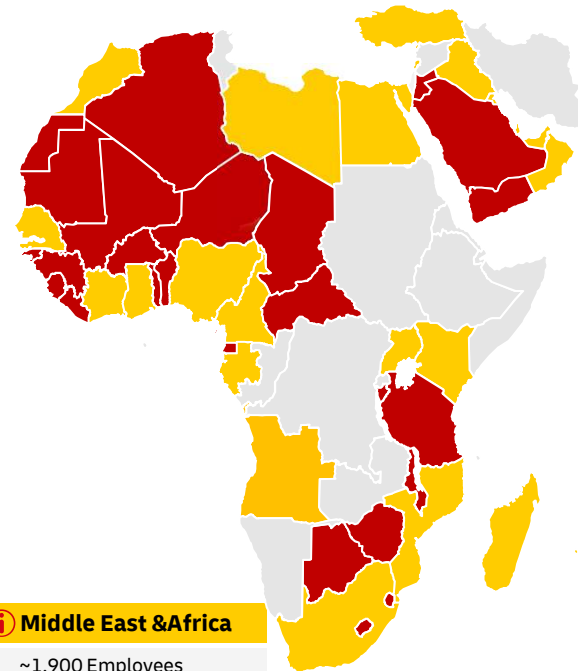
Angola	Kenya	Oman
Bahrein	Kuwait	Qatar
Cameroun	Lebanon	Senegal
Cote d'Ivoire	Libya	South Africa
Egypt	Madagascar	Turkey
Gabon (2008)	Morocco	UAE
Ghana	Mozambique	Uganda
Iraq	Nigeria	

■ Exclusive DHL Agents (incl. DHL Express)

Algeria	Gambia	Mauritania
Benin	Guinea	Niger
Botswana	Guinea-Bissau	Saudi Arabia
Burkina Faso		Sierra Leone
Burundi	Jordan	Swaziland
Cape Verde	Lesotho	Tanzania
Central African Republic	Liberia	Togo
Chad	Malawi	Yemen
Equatorial Guinea	Mali	Zimbabwe

■ Independent Agents

Comoros	Rwanda	Sudan
Djibouti	Sao Tome & Principe	Tunisia
Eritrea	Seychelles	Zambia
Ethiopia	Somalia	
Namibia	South Sudan	



i Middle East & Africa

- ~1,900 Employees
- 60+¹⁾ Countries
- 47²⁾ Locations (offices + operational sites)

1) Including agent countries; 2) Estimate as of April 2017 and subject to change depending on business operating needs.

▼ OUR PHILOSOPHY



“Human value focused on customers needs”

- **Respect** for and **knowledge** of the product we handle
- The **experience** of our people
- The ability to **listen** and **analyse**
- Ongoing pursuit of **quality**
- Operating **flexibility** and the desire to create **synergies**
- **Customer care** and focus on their needs

▼ OUR BUSINESS



GORI in Numbers

- More than **6.000 producers** around the world
- More than **2.000 importer** from all over the world
- More than **110 million cases** shipped every year
- of which over **40 million** are moving through our **warehouses**





A Comprehensive Range of High-Quality Logistic Services

Total class professionalism, adaptability, responsiveness and experience are the tools we use at Gori to shape and tailor our services to the specific requirements of each individual customer



Freight Forwarding

- **Ocean Freight: GORI-DHL** - thanks to its leading position as freight forwarder with more than 3M TEUs moved annually- offers its customers stability, excellent rates and ideal transport conditions
- FOB & LCL services
- **Air Freight Services** worldwide through DGF Network - Global Sector Leader
- Intermodal solutions
- Domestic transport



Warehousing & Distribution

- Located in **strategic areas** for export & distribution allowing the shortest lead time to destination Market
- **Personalized & differentiated** handling techniques and procedures, specifically equipped for the beverages industry
- Inbound and outbound bond
- **Temperature control** systems – 24 hour security system directly connected with local police
- Fully equipped with **CCTV** cameras, insured and **HACCP**, **CTPAT** and **AEO** certified



Customs Services

- We offer the customer the opportunity to store & ship products duty and/or VAT suspended throughout the network
- **Bonded** warehouses
- **Excise** tax warehouses
- **In house** customs procedures



Information Technology

- **Inventory & Stock Management:** Data warehouse management provide live visibility of products during all steps of handling
- **Tracking of Shipments:** Visibility on the warehouses, tracing the entire shipping process from order placement to shipment & delivery
- **On-line Reporting:** On-line monitoring of each shipment
- EDI Connections with customers' systems around the world

A wide range of value added services for your products



In addition to our logistics and transport solutions, we offer our customers a comprehensive range of high-quality value-added services, taking care of and handling your commodities through out the whole logistical process



THERMOBLANKETS



GORILINER



PALLET INSULATION



INSURANCE



SLIP-SHEETS



PALLETS



FLEXITANKS



**LABELLING & GIFT
PACKING**

South Africa's Top Wine destinations



TOP COUNTRIES BY EXPORT VOLUMES (MILLION LITRES)

Country	2017	2018	2019
United Kingdom	107.2	▼103.6	▼76.7
Germany	83.7	▲91.9	▼65.8
The Netherlands	23.4	▼20.6	▲21.1
Sweden	19.8	▼18.4	▼17.9
Russia	24.1	▼17.7	▲17.9
Denmark	20.4	▼20.3	▼16.5
Total ZA Volume	448.4m litres	420.2m litres (▼ -6.3%)	320m litres (▼ -24%)
Total ZA Value	R8.73 billion	R9.1 billion (▲ 4.2%)	R8.5 billion (▼ -7%)

Source : GORI ZA, SAWIS

Logistic Challenges BWS sector COVID 19



- ZA non export window resulted in loss of sales, orders, tax revenue and shelf space
- Major re-investment in sales and marketing needed to restore confidence in Brand SA to recover volumes
- No bottling or production window resulted in backlog in order fulfillment and space allocation issues
- Import backlog due to alcoholic drinks not being classified as essential goods also contribute to clearing backlog and storage cost
- Warehouse procedures have become more complex and costly
- Transportation delays due to safety and health procedures with loading and off-loading of cargo
- Port delays and ever-changing vessel schedules result in additional charges and extra work
- Situation demands a more of flexibility
- Smaller order quantities

Source : GORI ZA

BWS sector Producer challenges post COVID 19



- For South Africa, the fight to regain credibility in International Markets given the very negative message send to importers and the consumer markets
- Reinvestment in Current and New markets following loss of shelve space, delayed and cancelled orders
- Recovery of producers as well as hospitality, tourism and trade will be slow and could impact many entities
- Development of new channels and expansion of e-commerce channels
- New on-site sales experiences for wine tourism
- More cost-effective supply chain options for local and international distribution
- Development of new growing markets such as FE and Africa
- Delayed recovery after 2019 harvest disaster, risk to the industry

Source : GORI ZA

Consumer Market post COVID 19



- Bigger move to online sales and deliveries. In USA up 36%
- Other channels collapsed completely, On consumption including Restaurants, Bars, Hotels, Aircraft, Cruise liners, Duty Free
- On consumption trade will recover with some adjustments required over time but at lower margins
- Consumer spend will drop as they buy cheaper
- Categories such as spirits especially Gin, Rum, Vodka etc. due to being event driven drinks
- Consumer spend will also result in less on-consumption spend due to financial pressure. Buy better value less volumes
- Sales volumes expected to recover but at lower value
- Alternative packaging options: USA Wine in a Can
- Increase in promotions and specials to stimulate sales
- Move to lower alcohol drinks will continue

Source : GORI ZA

Consumer Market Trends COVID 19



USA

- Online sale up 141%
- Total Sales up 27%

EU

- Online sales up by 60%
- Total sales down 6%
- Truck exports down 30-60%
- Ocean Freight Exports down 28%

UK

- Online sales up 32%
- Expected Retail sales down 60% for 2020

China

- Increase Online Sales
- On Trade showing recovery
- Big retailers slow sales recovery

Source : GORI ZA



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THANK YOU