Ports, Terminals, and Related Infrastructure

This year the Port of Itajaí has received seven RoRo vessels and is expected to handle more in the last two months of 2018. The port has already handled 13,000 vehicles this year and is forecast to be able to handle 40,000 units within the next few years.

The National Waterway Transportation Agency (Antaq) informed this week that it has cancelled an auction it was due to hold for an area that handles solid and liquid bulk at the Port of Santos.

Log-In Logistica Intermodal, the last remaining Brazilian container shipping line, reported revenues to have shot up by 26.6% in the third quarter year-on-year to a record R$60.7m, despite a weak Brazilian economy. This is attributed to the increased use of cabotage services to avoid the higher trucking charges after the 11-day truckers strike in May that led to the establishment of a minimum freight rate. Brazil's cabotage volume in the third quarter rose 26% to 33,400 TEU year-on-year, whilst Mercosur coastal traffic rose 2.7% to 7,700 TEU during the same period.

Container Carrier

Ocean Network Express (ONE) is further expanding its Asia-East Coast South America (ECSA) service by adding one more service, starting from the second week of December. This follows an announcement made a week earlier in which it divulged it was working in cooperation with Hapag-Lloyd and MSC in this trade lane. See map below for the two services that will now be offered between Asia and ECSA:

Steel & Aluminum

According to the Brazilian Steel Institute, the country’s crude steel production rose 3.5% to 3.2m tons in October, year-on-year. Thus, this year Brazil produced a total of 29.2m tons of crude steel in the first ten months of 2018, up 2.6% YoY. Meanwhile, the country’s steel imports dropped significantly, down 32.8% to 125,000 tons in October, compared to a year ago. Brazil’s accumulated steel imports stand at 2.1m tons in the first ten months of 2018, up 2.9% YoY.

Meat & Fish

According to Argentina’s Ministry of Agriculture, the country will soon export frozen bovine and bubaline semen to Pakistan for the first time. This move comes after Argentina’s National Health and Agri-Food Quality Service (Senasa) managed to obtain a sanitary certificate from Pakistani authorities. Pakistan is the latest entry to the export markets of bovine semen in addition to Brazil, Uruguay, Paraguay, Colombia, Ecuador and Peru.

The Brazilian government has submitted a contingency plan to improve physio sanitary requirements for meat and fish products to the European Union, in an effort to ease restrictions on trade of these goods and in response to a report published last week by the trading bloc. The report stated that after several auditors from the region visited Brazil during May and June this year, the conclusion reached was that Brazil had insufficient control over residues and contaminants that could affect products of animal origin being exported to the EU.

Brazil’s live cattle exports were down 60% in October compared with the previous month, at 57,1600 heads, and a 1.3% drop YoY. This drop reflects the current crisis in Turkey, causing Brazil to export 28,600 heads less to the country in October compared with the previous month when 96,000 heads were exported. Other importers of Brazil’s live cattle in October were Jordan, Lebanon, Iraq and Hong Kong.

Brazilian meat exporter Marfrig announced that it has received approval from South Korea’s antitrust agency to sell its subsidiary Keystone to US company Tyson Foods. It was the last approval necessary before the deal could go ahead, since the company has already received approval from the US, Japanese, and Chinese antitrust agencies, as well as Brazil’s National Economic and Social Development Bank (BNDES). Marfrig announced the sale to Tyson Foods for US$2.4bn in August.

Brazilian food company Minerva SA has signed memorandums of understanding with China’s Alibaba and five others to supply frozen beef for five years. The agreement will fetch the company an annual export revenue of US$600m, US$100m of which will come from business with Alibaba.

Argentina is very close to sealing a fresh beef export deal with the US for the first time in nearly two decades. According to the Argentine government, the agreement is expected to be signed within days, opening avenues for beef to be traded both ways between the two countries. The agreement is that there will be an export cap of 20,000 tons for Argentina but no limits on US beef exports. Argentina stopped exporting beef to the US seventeen years ago amidst concerns over foot-and-mouth disease. The South American country produced 2.8m tons of beef and veal in 2017.
Sugar & Ethanol

According to Brazilian cane industry group Unica, mills in the center-south region have extended cane processing due to the advent of heavy rain. The organ believed that 79 mills were expected to close operations for the season, yet only 31 of them had done so. Cane mills produced 880,000 tons of sugar in the first half of November, down 29.8% YoY and cane crushing reached 21.29m tons for the same period, down 9.18% YoY. Ethanol production was 1.28bn liters in the same period, up 15.37% year-on-year. Of the total, 56.83m tons were allocated for exports.

Grain

According to agricultural consultancy AgRural, Mato Grosso, Brazil’s largest soybean producing state, has finished planting 90% of its soybean crop this year and is expecting an early harvest at the end of December. Soybean shipments from the state dipped 3% in October compared with the previous month, but this is considered normal given that most of the crop from this cycle has been shipped. The state’s soybean shipments were 8.2% up in the first ten months of 2018 year-on-year, at 19.04m tons. Overall, the Grain Exporters Association (ANEC) believes Brazil’s soybean exports will reach 80m tons in 2018, up 19.4% YoY and higher than its earlier estimate of 74m tons. According to Safras & Mercado, the country’s soybean premium reached US$1.25 per bushel in Paranaguá last week, compared to US$0.50 per bushel a year ago.

Meanwhile, ANEC predicts Brazil’s corn exports will feel the effects of the rise in transportation costs as a direct result of the minimum freight rate for trucks. As a result, ANEC forecasts that Brazil’s corn exports will close the year at between 18-19m tons, compared to 29m tons last year.

Brazil’s rice exports recorded an 8.1% decline in October to US$9.61m, year-on-year. However, the total exported in the first ten months of this year is up 4.7% year-on-year, reaching a value of US$10m.

The Buenos Aires Grain Exchange has revised its forecast downwards for Argentina’s wheat harvest from 19.4m to 19.2m tons in the 2018-29 crop year. Meanwhile, the country’s wheat stock price is expected to rise after December and January as supply gets scarce. It is believed that the wheat price for December loading will be at US$218 per ton FOB and in January at US$222.

According to Argentina’s soy industry chamber (ACSOJA), the country’s hope to ship soymeal to China has stalled due to China first wanting to inspect local crushing plants. Argentina is keen to seize the opportunity to ship soymeal to China whilst the trade war between the US and China continues.

Other Cargoes

The Brazilian Footwear Industries Association (Abicalçados) met with representatives from Ecuador’s Footwear Importers Association (AEICCAL) to reach a resolution so that trade can resume. Since August 2017, Ecuador has demanded a verification of origin on the products imported that has hampered trade and raised costs, making it commercially nonviable. This is thought to be a form of retaliation in response to the Brazilian requirement of Risk Analysis (ARI) to import Ecuadorian shrimp. According to Abicalçados, since August 2017 the obstacles have caused the sector to lose trade worth around US$12.4m.

Exports from Mato Grosso do Sul of pulp and paper as well as vegetable oils and other associated products have grown 87% and 70%, respectively in the first ten months of this year compared with the same time last year. This growth has caused exports via the state to rise 19% over the same period comparison, with revenues reaching US$2.96bn.

Santos is expected to receive the biggest fertilizer cargo in its history later this month when it receives the Panamax Ostria, carrying 71,000 tons of ammonium sulphate in bulk, on its way to a terminal in Rondonópolis owned by Rumo Logistica. The vessel sailed from Yantai Port in China on October 13. The arrival in Santos is scheduled for November 27 and berthing at Termag should take place on December 13. Rumo’s commercial manager explained that larger vessels coupled with rail loading are more productive, bring economies of scale, and thus increase the effective capacity of the entire logistics system.

Oil and Gas

Argentina plans to begin exporting liquefied natural gas (LNG) from a part of its huge Vaca Muerta shale gas field, via a floating LNG liquefaction (FLNG) vessel provided by Exmar. Operations are due to begin in the second quarter of 2019, with YPF (Argentina’s state-controlled oil company) having signed a 10-year contract with Exmar to deploy the FLNG at Bahia Blanca on the east coast. The vessel will produce 500,000 tons of LNG per annum, with eight shipments expected each year.
President-elect Jair Bolsonaro is seeking to raise US$30bn through auctioning off a portion of Brazil’s pre-salt crude reserves. However, he is already facing similar problems to his predecessors in doing so, due to debates over how the proceeds would be distributed amongst the various states and municipalities. One of the issues his new administration is working on is removing Petrobras from having exclusive rights to operate in the so-called ‘transfer of rights’ area and adopting a concession model for auctions, instead of a production sharing regime to speed up the auction process.

Meanwhile, Petrobras plans to tender a production sharing regime for the Mero 3 and Mero 4 platforms in the middle of next year. The Mero fields are in the Libra block, in the Santos basin.

**Logistics**

Brazilian logistics company Transpanorama, is adding 222 Mercedes-Benz trucks to its existing fleet - both for heavy duty haulage and light short-radius distribution. The company is one of Brazil’s ten largest logistics companies, specializing in agricultural and industrial products as well as fuel transportation. Meanwhile, agriculture company Amaggi recently purchased 300 Scania R500 6x4 trucks, due to be delivered next February. Brazil’s medium and heavy-duty trucks have continued to recover well in the third quarter of this year, with Mercedes-Benz’ sales in this category in Brazil up 63% YoY to 6,000 units. Scania expects its truck market to grow between 10-20% in 2019, compared to this year.

Last Thursday the National Land Transport Agency (ANTT) reduced the minimum truck freight rate to between 1.2% and 5.32% (depending on type of cargo and distance travelled), in response to a fall in the diesel price. This is in accordance with a law regarding the road freight rates that states that the rate will be revised every time the diesel price changes by more than 10%.

**Dredging**

With the current maintenance dredging contract due to expire within two months, the Santos Port Authority (Codesp) is raising the issue with the Ministry of Transport, Ports and Civil Aviation (MTPAC) so that the existing agreement with the consortium, formed by Van Oord Maritime Operations and Boskalis do Brasil, may be extended. The organ believes this extension is imperative so that the dredging works remained uninterrupted. The consortium began work in May, almost three years after being hired for the service, in which Codesp is investing R$369m.

Belgian firm Jan de Nul has finished its dredging work on the Uruguay River. This included dredging the access channel to the Argentine port of Concepción del Uruguay and those located between Fray Bentos and Paysandú, to a width of 5m and depth of 5.7m.

**Trade lane**

The main observations regarding trade lane activities are as follows:

- Mediterranean and Black sea exports reached 28,862 TEUs in September, up 10.3% YoY, whilst imports fell 6.7% to 21,765 TEUs, YoY.
- Brazil’s exports to the Far East, South East Asia & Oceania grew 5.7% to 581,665 TEUs in first nine months of 2018 YoY, whereas, imports to the same tradeline jumped 11.1% to 1,088,442 TEUs for the same period comparison.
- Between January and September, imports from North Europe and the Baltic region experienced 11.2% growth to 492,785 TEUs, year-on-year.
- Exports to South and East Africa fell hard in the first nine months of 2018, down 11.9% to 68,317 TEUs, compared to 77,571 TEUs last year. Meanwhile, imports from the Africa West trade lane jumped up 36.3% YoY to 15,019 TEUs.
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