Main news

The Federal Government and the Public Labor Ministry (MPT) have made a joint recommendation to standardize actions to protect port workers whilst ensuring the full functioning of Brazilian ports. The agreement was articulated by the Infrastructure Ministry (MInfra) via the National Ports Secretariat. A series of recommendations are addressed to port authorities, companies in the sector and labor management agencies. Among the measures, MInfra and MPT suggest the creation of special organizational structures and plans for preventing infections at ports.

The measures include formal guidelines to prevent and fight the coronavirus, full provision of protective materials, immediate removal of professionals in high risk groups, monitoring of workers who have had contact with people suspected of infection, and disinfection of any accommodation used as well as immediate communication to Anvisa of confirmed or suspected cases. It was also determined that workers returning from travel should be under observation for 7 days if asymptomatic, and 14 days if symptomatic.

“Brazil currently has a trade deficit of around R$20 billion in the health sector, and it is through ports that a large part of the inputs and equipment arrive. Our priority is to ensure a safe environment so that these professionals can work. Keeping this equipment in full working order is vital to overcome this crisis “, said Infrastructure Minister Tarcísio Gomes de Freitas.

The recommendations have been in effect since last Friday (20/03), when the document was signed by the National Ports Secretary, Diogo Piloni, and the national coordinator of Port and Water Works of the MPT, Flávia Oliveira Veiga Bauler.

Ports, terminals and infrastructure

On Friday March 20, ANTAQ (National Association of Waterway Transport) released a note in which it clarified that public and private ports as well as other port facilities would remain in operation, as would waterway, interstate and international transportation. Also according to the note, companies must comply with measures to contain the spread of the new coronavirus (COVID-19), according to guidelines from health authorities and the federal government. Moreover, the note stated that only the federal government had the power to determine whether port facilities, interstate and international transport would close or not.

According to Antaq, at the moment, the unrestricted suspension of passenger transport is not a measure indicated by the National Health Surveillance Agency (Anvisa) since the complete suspension of this service could harm access to medical care, the displacement of health professionals. the supply of vaccines, supplies and medicines to Brazilian states. Guidelines and measures to prevent contagion can be obtained through the link: http://portal.antaq.gov.br/index.php/importante-coronavirus/

As of April, TCP (the company that manages the Paranaguá Container Terminal) will begin a new direct service with the East Coast of the United States as its origin and destination. The service is the result of a partnership with MSC (Mediterranean Shipping Company) and will feature regular weekly stopovers, reinforcing the strategic position of the terminal as offering the largest number of weekly shipping lines – now totaling 16.

The first vessel of the new service to dock at Paranaguá will be the MSC Carolina, which is scheduled to arrive at the terminal on April 8. It is estimated that more than 600 containers will be handled per week, exceeding 2,000 containers per month. The new route will mainly serve the export of wood, ceramics, cellulose, coffee and sugar.

According to Thomas Lima, Vice-Commercial Director at TCP, the new service will serve a market that handles approximately 170,000 containers per year in the region of influence, which includes the states of São Paulo, Paraná and Santa Catarina. “For the TCP customer, the main advantage is the possibility of sending cargo directly to the East Coast region of the United States, without the need to transfer to other ports. This generates savings with logistical costs and ensures greater safety and speed for the transported cargo ”, he explains.

Another advantage, according to Lima, is that exporters and importers in the region will be able to count on the integrated logistical solutions offered by TCP Log, which include in addition to intermodal bases and various separate services, rail connections in partnership with Brado and an exclusive solution that connects all inland terminals (Cambé, Ponta Grossa and Cascavel) directly with TCP in Paranaguá – no other terminal in Brazil is capable of offering this. “With intermodal integration and access to the railroad without the need for intermediate terminals in our retro area – for example, as in other port terminals, it is possible to offer unique and personalized solutions to customers, with precise lead times, low costs, high reliability and singular efficiency ”, he concludes.

ROUTE

The new service for the East Coast of the United States includes the rotation of the following ports: Buenos Aires – Montevideo – Rio Grande – Navegantes – Paranaguá – Santos – Rio de Janeiro – Salvador – Suape – Cristobal – Philadelphia – New York – Norfolk – Baltimore – Charleston – Savannah – Caucedo – Santos.

On March 20, Brazil`s Infrastructure Minister, Tarcísio de Freitas, said the country cannot afford to create sanitary barriers in an effort to contain the advancement of the coronavirus, which hinder the logistics of important products such as medicines and food. In an interview with Globonews, the minister also stated that the government is working so that channels such as highways, ports and airports will continue to function.

The minister stressed that in the moment of crisis it is important to comply with legislation, so that the country can get through this situation “well”. Also according to the minister, the measure taken at state level by Rio de Janeiro to close highways and airports is not valid since it is the federal government that regulates the matter, and airports and highways will remain open, albeit with greater control in place.

Regarding threats from Santos stevedores threatening to stop work due to fears about the coronavirus, the minister said that the government will take actions to preserve port workers` health, focusing more on the elderly who are most vulnerable to disease. To this end, Brazil will adopt a minimum income policy to provide for those workers who end up released from activities.

On March 18, a letter signed by almost 50 entities representing agribusiness chains was presented to Brazil's president Jair Bolsonaro, and to the Infrastructure Minister, Tarcísio Gomes de Freitas, requesting a guarantee that national port logistics be maintained in the midst of the coronavirus crisis. In the document, the associations requested special attention for the Port of Santos, "in the face of the threat of paralysis by the Stevedores Unions of Santos, São Vicente, Cubatão and Guarujá", the letter states. A representative from the Infrastructure Ministry was not available to comment on whether the minister received the letter or what other measures had been taken.

Cargo handling at the Port of Santos recorded 5.4% growth in February compared to the same period in 2019 when the month closed with a record 10.6 million tons handled. Imports grew 16.2% in the year-to-date compared to last year reaching 3.3 million tons, and shipments increased 1.1%, ending the month at 7.3 million tons. The result was driven by container movement which showed double digit growth. The movement of containers measured in TEU jumped 23.3% in February year-on-year, to 343,800 TEU. Containerized handling also increased in tonnage terms by 16.6% to 3.8 million tons. This performance was driven by exports that grew 19.7% to 2.13 million tons. The cargo handled at ports that showed the most growth was cellulose, which increased 43.9% year-on-year to 410,000 tons.

Year-to-date - The accumulated total of cargo handled for the year so far reached 18.9 million tons, 1.1% below the same period last year. This was affected by a 5.4% drop in shipments to 12.5 million tons, mainly reflecting the decrease in soybean exports, the leading cargo handled at Santos. Despite having performed well in February, soybean exports registered a decrease compared to year-ago levels as there was an exceptionally high amount exported last year. Imports, on the other hand, grew 8.8% in the first two months, totaling 6.4 million tons. Containerized cargo totaled 682,300 TEU in the year to date, up 19.6% year-on-year. The flow of vessels in the year so far totaled 760, a 2.2% drop compared to the same period last year (777).

Trade balance - The Port of Santos accounted for 26.8% or US$237 billion of Brazil's total trade in February of US$883 billion. Exports via Santos totaled US$130.8 billion (26.4%) and imports US$106.2 billion (27.3%).

Brazil's port terminals are reported to be strengthening security measures against the coronavirus without resorting to stopping operations. However, there are already concerns about possible logistical bottlenecks. According to reports, the primary concern is the possible need to dismiss employees. Industry officials and executives say there is no forecast for any terminal shutdown, as was the case in China. The measures adopted have been for administrative staff to work from home, release employees in risk groups and expand precautionary measures.

But in the last few days, the stevedores at Santos have threatened to strike. This was averted by a meeting between the port authority, representatives of companies and unions. Another concern is the need for inspection agencies such as the Federal Revenue Service, the Ministry of Agriculture or the National Health Surveillance Agency (Anvisa), to verify and release imports. According to a company executive that operates terminals and who spoke anonamously, the fear is that there will be a huge delay. For now the inpsection process is proceeding normally, but there is already a reduction in the number of inspecting personnel.

Maersk has suspended crew changes for all its operating vessels amidst the coronavirus pandemic is going on. In an emailed statement, AP Moller-Maersk said changes to the Maersk team would be suspended for four weeks, effective immediately until April 14, 2020.

According to the report, at the end of 2019, Maersk's fleet consisted of 307 owned vessels and 401 chartered vessels, with a nominal capacity of more than 4.1 million TEUs.

On March 17, the Argentine Ministry of Transport announced measures to make rules clearer for grain exporting ports. This aims to normalize activities, which were impacted by delays after the country closed its borders due to the coronavirus. URGARA, the grain off-loaders union, had threatened to interrupt activities on the 18th if clearer protocols were not announced since it felt measures to prevent coronavirus contagion in port areas were not being complied with.

On March 15, Argentine President Alberto Fernandez announced the closure of borders tor non-residents for 15 days as precautionary measures against the spread of the coronavirus, after the country recorded 65 cases and two deaths. The measure had an impact on ports due to uncertainties about the reach and scale of the measures. In a statement, the Transport Minister clarified that the entry of vessels with commercial goods should not be prohibited and that foreign crews could disembark if necessary if they have no symptoms and have been sailing for 14 days without stopping anywhere. "If leaving the vessel is not necessary for operations, then crew will not be allowed to disembark for 15 days," added the minister.

Argentine ports are currently experiencing relatively low activity, as farmers are beginning to harvest corn, while the soybean harvest begins in the coming weeks. The country is the largest global exporter of soybean meal and oil, and also the third largest exporter of corn and soybeans.

On March 17, the Pecém Complex issued a note to all its employees and customers that news of a moored vessel at the Ceará port terminal with three people onboard infected with coronavirus (Covid-19), is not true. According to the note, at the moment there is no record of a confirmed case of the disease on the port`s premises and the Ceará SPA.

According to the statement, before docking at the Pecém port terminal, each vessel is required to submit a Maritime Health Declaration to Anvisa (National Health Surveillance Agency). The document is completed by the ship's commanders and reports the actual health status of all crew members arriving at the port. If there are suspicions of a patient on board, the Anvisa's guidelines will be followed whereby a vessel may not be allowed to dock or to inform the port about the need to provide an ambulance to transfer the sick crew member to a hospital.

On March 13, a letter of intent was signed between the State Government and Golar Power Brasil – one of the largest LNG logistics companies in the world – to build a liquefied natural gas terminal (LNG) at the Suape Port Industrial Complex. A private investment of R$1.8 billion will be made, and 300 direct and indirect jobs are expected to be generated.

Operations are scheduled to start in the second half of this year, with the project including infrastructure to supply natural gas to generate electricity, in addition to meeting the demands of industries, commerce, LNG gas stations and homes.

For the latter, Companhia Pernambucana de Gás Natural (Copergás) will work in partnership with Golar to bring natural gas to regions of the state that are currently not served by traditional distribution networks.

The terminal is expected to help the economy of cities in the region that are not served by gas pipelines, since the supply of natural gas in these places will be carried out by road via ISO-Containers (small scale). Golar Power Brasil promotes the uptake of LNG in the country through a strategic plan that considers the Northeast as a priority region for small-scale distribution.

Suape is already the largest hub for liquid bulk and gases in the country and now, it will be one of the main LNG distribution hubs in the Northeast, with full integration of sea and land transport.

HOW THE SUAPE OPERATION WILL WORK - The Golar Power terminal will operate as follows: the LNG ship Golar Mazo, with a capacity of 135,000 cubic meters and 290 meters in length, will permanently dock at the Suape Port's Multiple Use Wharf. This vessel will act as a supplier to isotanks (type of container in the shape of a cistern) mounted on trucks. These vehicles will distribute to cities within a radius of up to a thousand kilometers. Trucks are estimated to be able to handle around 800 m3 of LNG per day, equivalent to approximately 480,000 m3 of natural gas per day.

Distribution of LNG will also be made from Suape to other states in Brazil via cabotage. The Golar Group's small cryogenic vessel will be supplied via transshipment and used to transport LNG to other ports in the region. The vessel is 123 meters long and has a storage capacity per operation of 7,500 m3 of LNG, equivalent to 4.5 million m3 of natural gas.

LNG TO INCREASE CARGO HANDLING AT SUAPE - With the new terminal, cargo handling at Suape is expected to increase by more than 500,000 tons per year. Considering Golar's future plans to supply thermoelectric projects and natural gas distributors connected to the gas pipeline network, this volume has the potential to triple. The LNG used in the operations may be imported from Qatar, Nigeria, the Gulf of Mexico or Trinidad and Tobago.

Within five to eight years, it could even be produced in Brazil and distributed along the entire Brazilian coast by cabotage.

"In addition to boosting the economy of Pernambuco, generating jobs and income for the population, the LNG terminal at Suape reinforces our goal to be a hub port in the Northeast. Currently, Suape is a leader in liquid bulk and gases in the country. In 2019, we reached the historical record in cargo handling, reaching 23.8 million tons, of which 74% were liquids and gases. For 2020 we are working hard to make other announcements of this size, confirming that Suape is on an upward curve for growth and investments", commented the president of the Suape Complex, Leonardo Cerquinho.

Grain

Last week, the city of Porto Murtinho (MS) started preparing the first major shipment of soybeans harvested in the 2019/2020 harvest. There were 26,000 tons loaded at the APPM Terminal (Porto Murtinho Port Agency) and 30,000 tons from the Grupo FV Cereais terminal. The volume shipped in this period alone is equivalent to 15% of all soybeans transported by the Paraguay-Paraná Waterway via Porto Murtinho in the past harvest.

According to the Secretary for the Environment, Economic Development, Production and Family Agriculture (Semagro), Jaime Verruck, the start of operations at the FV Cereais Port Terminal – and the increase in activities at the APPM Terminal, consolidates the state`s strategy to expand its waterway transportation logistics.

Mato Grosso do Sul expected to have a new record soybean crop this year that is expected to exceed 10 million tons. Much of this production will go by waterway via Porto Murtinho. Hence, more barges are expected to service shipments at both terminals. Cargo handling in the city is intense with more than 120 people working at both terminals, in addition to drivers and other service providers which represents an important increase in the economy of Porto Murtinho.

The consultancy Safras & Mercado predicts that agribusiness exports are expected to fall 7% this year, from R$ 96.78 billion in 2019 to R$90 billion in 2020. This will result from a reduction in cargo handling at ports and a slowdown in the world economy caused by the coronavirus. "In this scenario, the market is clearly at risk with a significant impact expected on Brazilian GDP, the agro and the gross value of the country's agribusiness production, which is expected to drop 12% from the current R$ 683 billion to around R$ 600 billion, evaluates the consultancy in a report written by analyst Mauricio Muruci.

If the forecast is confirmed, the consultancy expects the agribusiness trade balance surplus to fall from R$83.13 in 2018 to R$79 billion in 2020, down 4.97%. According to the executive, "the initial estimate is that China's GDP will grow only 3% in 2020, compared with previous estimates of between 6.5% and 6%. In the first quarter of 2020 alone, China's GDP is expected to decline 9%. Afterwards international GDP should begin to grow again, but with growth forecasts to be revised downwards on net by between 1.5% and 3%, says Muruci.

As for sugarcane, the forecast is for a 6.5% drop in gross production value in the same period, with losses of R$1.25 billion in exports due to a 20% drop in shipments. The consultancy expects there to be a 7% drop in exports of the commodity, from R$6.5 billion in 2019 to R$5 billion in 2020.

It is expected that the large number of coronavirus cases in the European Union will have an impact on Brazilian agribusiness, as the regional bloc is one of Brazil's the main trading partners. Demand for food such as meat from the bloc was growing this year, but now consultants and entities expect it to drop.

Meat - According to Rafael Ribeiro of Scot Consultoria, "With the social isolation policy being enforced in Europe, demand for meat should fall in the next two or three months, or whilst the crisis lasts. With the reduction in volume, there may be a downward price renegotiation". With European Union countries out of action, China, which has already gone through the most acute phase of the crisis caused by the new coronavirus and is resuming its routine, may request a renegotiation of contracts. "There will certainly be an impact in the medium term, but also a resumption of consumption in the second half," he says.

Orange juice - CitrusBR, which represents the Brazilian orange juice exporting industry, said that shipments to the European Union are normal and that during the coronavirus crisis in China in recent months, orange juice consumption even increased in the country. This is because the drink is rich in vitamin C, a nutrient that helps fight the flu.

Grains - According to consultant Carlos Cogo, based on the figures for the first two months of this year grain exports have not yet been affected by the advance of the pandemic. According to him, there were no major impacts on commodity trading so far, and a fall in shipments in January and February is due to climatic problems faced during the 2019/2020 harvest.

"The fall in exports of soybeans and corn is due to internal issues such as a delay in the harvest, not because of Covid-19. The shipments took place, the goods have been dispatched and the customs process for entry of these goods is a problem to be solved by the importing country ", says Cogo.

In Cogo's view, corn exports should resume in the second half after the second harvest. He affirmed that the Chinese are increasing imports from Brazil as it is their main supplier of agricultural products. "If the vessel problem persists, it may create a problem for the 20/21 harvest. Nothing is official yet, but there may be some impact on the value and speed of supply. Some producers are already concerned , but we still have the entire second semester ahead of us", he pointed out.

Cotton and sugar-energy sector - The director of consultancy MB Agro, José Carlos Hausknecht, commented that sugar and ethanol as well as cotton production chains should feel the effects of the coronavirus pandemic more acutely in relation to other segments of agribusiness. According to him, these segments should suffer from reduced demand more than food segments. "Food would be less affected because the population needs to consume it in some way. Obviously, there are some changes in consumption patterns. Each place will have a different culture ", he noted.

The consultant explained that the sugar, ethanol and cotton sectors are more closely linked to the oil market, which has suffered a sharp drop in prices in recent weeks. Hence, in addition to being affected by the pandemic, these sectors were affected by the impasse between Saudi Arabia and Russia regarding adjustments to oil production.

"Ethanol prices fall because of gasoline. And the price of sugar has also dropped. With cotton, consumption normally falls due to low economic growth. But there is competition with synthetic fibers, which are affected by this situation ", he says.

Meat

The daily average of fresh pork exports grew by 19% in the first two weeks of March year-on-year to 2,970 tons, and 44.8% in value terms to US $ 7,374 per ton, according to the Foreign Trade Secretariat (Secex). This comes despite the problems reported by Paraná cooperatives about the logistical obstacles being faced due to the coronavirus pandemic. Secex figures also show that the daily average of fresh beef exports fell 4.4% to 6,238 tons over the same period comparison, while the average price increased 14.7% to R$26,612 per ton. For poultry and offal exports, the daily average fell 10.1% to 15,131 tons. The average daily price fell 10.9% to US$24,047 per ton.

Meat company Minerva Foods announced on Tuesday that slaughter operations would be suspended at the company`s four units in Brazil as a preventive measure against the transmission of the coronavirus and due to the logistical problems related to the disease.

From March 23, leave will be granted to all employees at the Janaúba (MG), José Bonifácio (SP), Mirassol D´Oeste (MT) and Paranatinga (MT) units. This should last between ten and fifteen days according to a statement released by the company. "The decision is also in line with the worsening domestic and global scenario, which includes falling demand for food services and logistical limitations in different parts of the world," added the company.

The main logistical problem for meat companies right now is the lack of containers available for export, since part of those that were sent to China got stuch there in February and have not yet made their way back to Brazil. This was due to a measure taken by the Chinese government to stop cargo at Chinese ports in order to contain the coronavirus. This in turn affected the local distribution of imported products.

Meat company JBS is also granting leave to its employees at the Alta Floresta and Juína units, as it will not buy any cattle until April 13th. The measures are due to the complicated export scenario, without domestic demand to back up supply. Only the Colider plant, located in the north of Mato Grosso and considered to be the largest meat processor in the world, will be kept in operation. The information was given by JBS to producers in the region.

According to Valmir Coco, president of the Rural Union of Alta Floresta, one of the bottlenecks is the lack of containers that are not returning from abroad. The situation was already complicated with China paralyzed, which is where most of the cargo goes. Now, with several world ports stopping as countries close their borders, the situation is even more complicated. The JBS plant in Alta Floresta was slaughtering around 600 animals a day, well below its capacity. Meanwhile, the Colider unit has more capacity than is being used.

Oil & gas

Petrobrás, in its annual 20-F report required by all companies traded on the US stock exchange, said that the coronavirus pandemic could cause restrictions on the health of its workforce, thus affecting operations at some of its facilities, and hence impacting its financial results.

It is reported that measures to combat the virus are impacting demand for fossil fuels worldwide. This, together with the war for market share being waged by oil producing giants Russia and Saudi Arabia who refuse to reduce supply, is contributing to bring down oil prices further.

Petrobras has already been implementing a comprehensive cost reduction plan in recent years and has not announced additional measures to cut expenses due to the coronavirus. Other global oil companies such as Exxon, Chevron, BP and Total have announced plans to cut costs sharply due to the current crisis.

According to a report published by Reuters, trading company Glencore chartered the 3 million-barrel tanker called 'Europe' to store oil at sea for at least six months.

The ship is one of the so-called ULCC, considered the largest tankers in the world.

Glencore booked the vessel at a rate of US$37,000 a day for the first six months, according to sources. The company declined to comment.

Other cargo

Data released by the Foreign Trade Secretariat (Secex) indicates Brazilian imports of dairy products fell 17% in February compared to January, totaling 9,100 tons. The drop was 44% compared to year-ago levels. According to Cepea (Center for Advanced Studies in Applied Economics), this is due to lower availability of milk and the US dollar`s appreciation against the real which reduced international dairy trade in February.

Imports - Imports of powdered milk, which represented almost 60% of the total, decreased 7% between January and February, to 5,300 tons. Imports of this product from Uruguay, which together with Argentina is amongst Brazil`s main sources for this, decreased by 65% during the same time period, and by 53.7% in February compared to February 2019.

The following graph shows Brazilian imports of dairy products from January 2015 to January 2020:

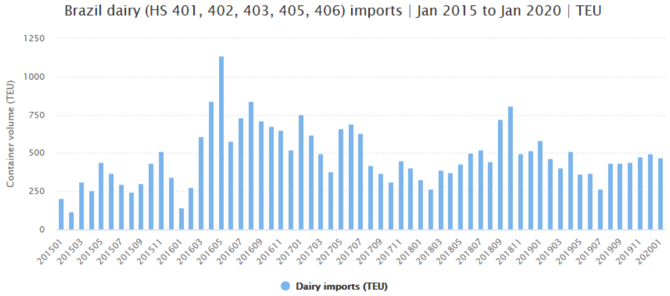

Chart source: DataLiner

Exports - Brazilian dairy exports totaled 1,900 tonnes in February, a 35% reduction compared to the previous month. Compared to February 2019, the decline was 18.8%. The drop was driven by the reduction in the volume of powdered milk traded, which was down 97% in relation to the previous month and 65.1% compared with February 2019. The dairy sector`s trade balance registered a US$25.5 million deficit in February, a 17% reduction compared to January. In volume terms the deficit was 7,200 tons, 10.3% lower in February compared with the previous month.

The following graph shows Brazilian dairy exports from January 2015 to January 2020:

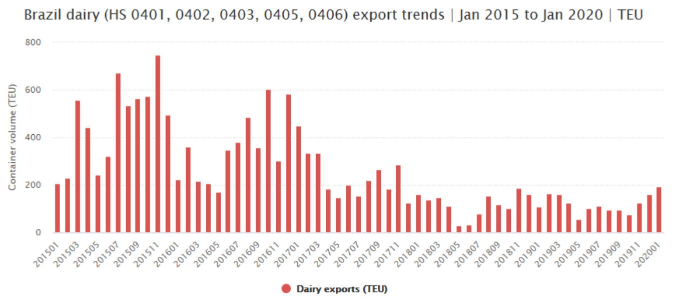

Chart source: DataLiner

Scania is to halt all production of trucks and buses at its São Bernardo do Campo (SP) unit. The stoppage will initially be from March 30 to April 13, when 3,500 of the Swedish manufacturer's employees will take collective vacation.

Scania's Latin American head, Christopher Podgorski, said "I cannot answer if we are really going to return on the 13th." The main reason for the stoppage is the lack of parts. The automaker receives components from Brazil and abroad. According to the executive, it is receiving parts as normal from its own factories abroad, but there is already a lack of parts from suppliers in other parts of Europe, such as Spain and France as well as some manufacturers in Brazil.

Trade

On (17/3), the Executive Management Committee of the Foreign Trade Chamber (Camex) for the Economic Ministry approved import taxes to be fully waived for 50 medical and hospital products that are necessary to fight the Covid-19 pandemic. The measure is part of a package announced by Brazil's Economic Minister, Paulo Guedes, to serve the population and minimize the economic impacts of the pandemic in Brazil. The list, covers products that had a total import value of approximately US$1.3 billion in 2019.

This includes products such as medical-hospital gloves, that were previously subject to an import tax of up to 35%. Other items that qualified for zero import tariffs were alcohol gel, masks, clinical thermometers, protective clothing against infectious agents, safety glasses and breathing equipment, amongst others. The import tax on these items has been set to zero until September 30, 2020.

The resolution also stipulated that agencies and Federal Public Administration entities prioritise these medical items whilst carry out tasks of licensing, control or inspectiing imports of these items. The measure (Resolution No. 17, of March 17, 2020) came into force as it was published in the Official Gazette on Wednesday (18/03).

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