

Main news

Anvisa – National Health Surveillance Agency – has established new rules for the transit of seafarers in Brazil. As a measure to control the spread of the coronavirus in the country, they will now only be able to land 14 days after arriving at a port complex in the country. In addition, foreign crew members can only disembark when it is essential for port operations. According to the rules, “minimal contact by the crew with Brazilian port workers must also be guaranteed during this period, restricted to the port terminal only”, says the technical note.

The note also states that “in the event of a health event on board related to Covid-19, during the journey or during the vessel’s stay in the port, the crew will not be able to disembark for another 14 days since the last case except for serious cases requiring medical assistance,” determines the note. The agency also vetoed embarkation of new crew members, since it is not possible to know if they had contact with people infected by the disease before arriving at ports and boats.

Ports, terminals and infrastructure

Ponta do Félix Port Terminals (TPPF) presented its solidarity action plan to the market in the face of the coronavirus pandemic, which involves offering cabotage navigation port services at different prices. According to TPPF, priority will be given to the transport of items that the population is in greatest need of, such as medicines, hospital equipment, hygiene products, medicines and food.

“TPPF’s objective is to contribute to the supply of the country and to the government so that food, medical equipment, medicines and other necessary items reach their destinations as quickly as possible”, declared the terminal’s president, Gilberto Birkhan. According to Birkhan, the TPPF tariff for specialized cabotage operations will be at cost. “We are going to put all our measures for efficient operations into practice to make a difference at this difficult time,” he added. He also emphasized that health protocols are strictly followed at the terminal.

Last week Santos Brasil concluded an important step in the first phase of its pier expansion work at Tecon Santos – the largest container terminal in South America, located on the left bank of the Port of Santos. The terminal’s expansion and modernization project aims to increase the berth by 220 meters, totaling 1,510 meters – 1,200 meters at Tecon Santos and 310 at TEV (Vehicle Terminal). The company said it has adopted a series of preventative measures against the evolution of Covid-19, in line with recommendations by the WHO and other health authorities, to provide security to employees, customers, suppliers and other partners in the process.

The project requires an investment of around R\$150 million and should be completed in approximately 18 months. It will allow Tecon Santos to be able to simultaneously receive up to three new Panamax vessels (366 meters in length), thus adapting the terminal to the new size of vessels scheduled to call at the port in the coming years. The total investment required to expand and modernize Tecon Santos foresees investments in the order of R\$15 billion. It aims to increase operational productivity, energy efficiency, and increases the terminal’s handling capacity by at least 20%, from 2 million TEU to 2.4 million TEU / year.

The current investment cycle in Tecon Santos began in 2018, when an investment of around R\$100 million was made in equipment, including two portainers. The portainers arrived at the terminal in February and their assembly should be completed in the next few days. These are the first two new quay cranes out of a total of eight that the company plans to acquire.

After breaking a record in the volume of cargo handled in January, the Port of Suape did it again in February, with 70% year-on-year growth. Cumulative growth in the first two months compared to year-ago levels was 57%. The volume handled in February totaled 2.3 million tons, which combined with January added up to 4.7 million tons.

“Despite February being a shorter month, we observed almost the same movement as in January. This performance would indicate that the Port of Suape was on track to close 2020 at a new record. However, with the coronavirus pandemic, we don’t know how we’ll be affected. But we’re working to minimize any negative impact and keep services and operations running smoothly, ensuring the supply of the necessary products to the population,” explained Leonardo Cerquinho, president of Suape port.

Liquid bulk (fuels, LPG, crude oil, etc.) maintained its growth and accounted for 77% of all cargo handled at the port, with a volume of 1.7 million tons. This was a 90% year-on-year increase. Part of this increase is due to the receipt of 495,826 tons of crude oil, representing 145% more than that registered in February 2019.

The other cargo groups also registered growth in February. Containerized loads totaled 446,213 tons, or 38,971 TEU, up 16% and 11% respectively year-on-year. Solid bulk handling rose 68% during the same comparison period, with 44,151 tons handled. This was mainly due to wheat imports. General cargo volumes jumped from 27,255 to 69,503 tons, growing 155%. Growth was also seen in the number of vehicles handled, which registered an increase of 2% in relation to February 2019, totaling 5,802 units. Vessel moorings rose from 102 vessels to 124.

Overall, exports accounted for the largest percentage increase in the two-month period, shooting up 352%, whilst imports grew by 22% compared to the same period last year. The total of goods exported totaled 773,709 tons in the first two months, as compared with 171,284 tons in 2019. Imports were at 983,793 tons, 176,098 more than last year. Cabotage, which Suape is a leader in compared with other Brazilian ports, grew 45% and reached 2 million tons in the first two months compared with year-ago levels.

The Council Director for the Merchant Marine Fund (CDFMM) approved R\$ 5.6 billion in investments for the naval sector at a virtual meeting held this month. Most of the resources will be allocated to projects that had already been approved by the Council and that have obtained a new term for contracting finances from the Fund. At the meeting the council also approved FMM’s 2019 accounts.

Of the amount approved, R\$4.9 billion was allocated to projects that had already been approved by the board, and R\$654.3 million went to new projects. Authorization was also granted to change the project, with no impact on the previously stipulated amount. The prioritized projects refer to the construction, conversion, repair and modernization of port support vessels, maritime

support and cargo, as well as to support the construction of a shipyard.

The CDFMM Resolution will be published in the Federal Official Gazette (DOU) with priority projects defined by the council. With this, the companies will be able to get financing through financial agents such as BNDES, BB, CEF, BNB and BASA. The FMM can finance up to 90% of the value of the projects requested. The financing percentage will depend on the national content and the type of vessel, according to the Resolution of the National Monetary Council No. 3,828 / 2009.

The Fund is the main instrument for promoting the naval sector, and has provided resources for the installation and modernization of shipyards, and for Brazilian companies to be able to establish, renew or expand their fleet of vessels. It is administered by the Ministry of Infrastructure, through the CDFMM.

On 26/03, the National Health Surveillance Agency (Anvisa) released details of a series of new health measures to be adopted in fighting the new coronavirus pandemic at ports and on vessels. The recommendations follow the guidelines laid out by the World Health Organization. In addition, Anvisa will also issue health measure recommendations related to coming in and out of the country via road and air, as well as interstate and intercity transportation.

“The measures are extremely important in bringing specific recommendations for all the entities in the sector”, said ANTAQ’s substitute general director, Francisval Mendes, commenting on the document. According to Mendes, at this moment it is essential to preserve the health and safety of people who work at ports and on boats. “It is important, for example, that port workers know when and how to use personal protective equipment. With simple attitudes like this, combined with other more complex measures to block the entry of the coronavirus at our ports, we will guarantee the continuity of activities essential to water transport to continue to supply our country”, he said.

According to ANTAQ’s director, Adalberto Tokarski, the recommendations have come at the right time. “Continued functioning of ports and waterway transport is essential for goods, inputs and supplies to reach all parts of the country at this critical moment,” he declared. Tokarski recalled that in the Northern Region, in many cases rivers are the only option to transport people and goods. “Therefore, ANTAQ’s measures are aimed at protecting the people working in the sector whilst guaranteeing continuity of waterway transportation for all communities in all corners of the country,” he said.

The International Chamber of Navigation and the International Transport Workers Federation have sent an open letter to the United Nations, emphasising the importance of maritime transport for international trade in the face of the pandemic caused by the coronavirus. In the letter, the agencies state that as the COVID-19 pandemic develops, it is vital that all governments keep maritime trade on the move, continuing to allow ships to access ports around the world and facilitating the rapid movement and change of ship crews.

According to the letter, about 80% of the world’s commercial tonnage of goods is handled by maritime transport, with around two million seafarers operating these vessels. Food, energy, raw materials and manufactured products are transported by sea, including vital medical supplies. According to the letter, at this

time of global crisis it is more important than ever to keep supply chains open and to move trade and shipping. In particular, this means keeping the world’s ports open to receive commercial ships and facilitate crew movement with as few obstacles as possible.

“In view of their vital role during the global pandemic, we suggest that professional seafarers, regardless of nationality, be treated like any other international ‘key worker’, such as aircraft crews and medical personnel. As such, they must receive special consideration and, despite the need to comply with emergency health protocols, they must be treated with pragmatism and understanding when it comes to traveling to and from their ships”, states an excerpt from the letter.

Data collected by Antaq indicates that navigation should be maintained despite the coronavirus pandemic. According to the agency, total cargo handled in long haul maritime transport reached around 795 million tons last year. Cabotage contributed with 172 million tons, an increase of 5.44% compared to 2018. Moreover, ANTAQ’s Waterway Statistics show that inland shipping accounted for 40.2 million tons in 2019 – a 5.1% increase compared to 2018. In addition to these figures, which highlight how imprudent it would be to completely suspend maritime and waterway transport, the Agency reiterates that according to the Federal Constitution, only central government would be able to interrupt services.

To keep navigation running, ANTAQ’s inspectors continue to operate at their headquarters in Brasília, in the 14 regional units spread across the country and in its outposts. Despite the crisis caused by the coronavirus, companies continue to be inspected on an ordinary basis and, extraordinarily, when there is a complaint. The Agency’s employees are ready to perform both face-to-face inspections and inspections of documents.

Porto do Açu Operations and Norsul closed a deal to launch a short distance feeder service for container and project cargo units between the ports of Rio de Janeiro and Açu (São João da Barra – RJ), via its multi-load terminal T-Mult. The new cabotage service is due to start operating in June.

The service will have a transport capacity of up to 350 units per voyage, with regular departures, meeting regional demands as well as servicing long-haul routes. The expectation is that the use of oceanic trains will reduce logistical costs and road traffic, increasing predictability and safety, in addition to reducing carbon emissions. The agreement offers an alternative to the logistics sector at a very sensitive time worldwide.

“It is also a kick-start for the project to consolidate itself as an option to handle incoming and outgoing cargo on a regional and global level,” says the director of terminals and logistics at Porto do Açu Operations, João Braz. T-Mult handles coke, coal, bauxite, gypsum, pig iron, general and project cargo, in addition to being authorized to operate any type of solid bulk and vehicles. The expansion planned for the terminal foresees the movement of new cargo after expansion of the storage yard and construction of covered storage.

The commercial and marketing director of Norsul, Marcelo Bacellar, believes that “over short distances, our oceanic barge-pusher will offer an efficient and practical solution. With Açu, we will prove the value of this competitive, attractive and logistical alternative for customers of different segments”.

Grain

Brazil's Agriculture and Livestock Confederation (CNA) held a live debate via Instagram on March 27 to assess the impact the coronavirus has had on exports. CNA's international relations superintendent, Lígia Dutra, and its commercial intelligence coordinator, Sueme Andrade, analyzed the international market and answered questions mainly related to Brazil's largest trading partners – China, the European Union and the United States.

"We had not had reports that contracts have been canceled. What has happened is that there have been reports of delays in export processes caused by containers that were held up at ports as they couldn't be unloaded. This caused a general shortage of containers in the world," said Lígia Dutra.

There was a small drop in the value exported by Brazil's agribusiness sector in January and February compared to the same period in 2019 (from US\$13.3 billion to US\$12.2 billion), but it is not yet possible to connect this to the pandemic. "Most of these contracts were negotiated last year. Only in the following months will we be able to see better if there will be any impact on the trade balance," said Sueme Andrade.

According to Lígia Dutra, preliminary information indicates growth in exports of beef, pork and chicken to China in the coming months. "We have to continue producing to take advantage of export opportunities. We need to be attentive to changes in the markets on a daily basis, observing the regulatory and business environment, but maintaining optimism because there is space for us to export our products", said Dutra.

According to Caramuru Alimentos, preventive measures adopted by Argentina against coronavirus that have restricted logistics, may affect its ability to export soybeans and their by-products, hence favoring Brazilian exports of soybean meal. "Argentina has much tighter restrictions than ours, and this can benefit us in exports (of soybean meal) because we are direct competitors and they are the largest exporters in the world in this sector", said the commercial director from Caramuru, Fábio Vieira Júnior.

According to Argentina's Exporter's Chamber (CIARA-CEC), which represents global companies including Bunge and Dreyfus, deliveries by truck of soybeans to processing plants have been severely disrupted as more than 70 municipalities across the country are taking measures against the coronavirus that involves controlling the movement of agricultural production according to their jurisdictions. In addition, an Argentinian port workers association asked the government to suspend the nations port activities for 15 days on Thursday (26/03), to prevent the advance of the coronavirus.

Despite economic uncertainties, Caramuru's vice president, César Borges, commented that the outlook for the company remains positive. Domestic demand for bran from the meat industry, and for biodiesel should remain firm and the appreciation of the dollar against the real, coupled with where commodity prices are at in Chicago, provide an even more favorable situation for the company than in 2019, explained Borges. "Last year we grew from 3% to 5% in revenue, reaching R\$4 billion. Now we are projecting we will reach R\$4.5 billion reais."

Caramuru processes soy, corn, sunflower and canola products. It exports grains and its derivatives, and produces biodiesel. It also operates port terminals in Santos (SP), Tubarão (SC), Itaituba (PA), Santana (AP), in addition to having a network of 67 warehouses. It has a daily soybean processing capacity of 6,500 tons and 1,600 tons for corn. So far, the company is running all its operations with no short-term suspensions caused by the coronavirus pandemic.

Exports of soy by the United States to China in the first two months of 2020 increased six-fold year-on-year, according to customs data released on Wednesday, March 25. The cargo was purchased during a commercial truce between countries. China imported 6.1 million tons of soy from the U.S. in the first two months, compared to about 1 million tons in the same period in 2019, when shipments were still limited because of the trade war between the two countries.

Shipments from Brazil in the first two months of the year, on the other hand, reached 5.14 million tons, a 26% drop compared to year-ago levels, according to customs data. Total soy imports by China in the first two months of 2020 increased 14.2% year on year, to 13.51 million tons.

Data released on March 23 by the government showed that Brazilian imports of soybeans in the first three weeks of March has gained pace in the last five working days, increasing the daily average exported to 479,200 tons. This increase in volume has occurred at a time when the global market is focusing its attention on any logistical problems that may affect the flow of a record harvest. By the second week of March, exports from Brazil, the largest global soybean exporter and producer, had registered a daily average of 429,300 tons, according to the Foreign Trade Secretariat (Secex).

In March, Brazil's oilseed shipments totaled 7.2 million tons, already above the 5 million tons exported in the whole month of February, which was affected by rains delaying this process at the beginning of the harvest. The daily average of shipments in March so far indicates that soybean exports from Brazil should exceed the total registered in the same month last year, when the country shipped around 8.5 million tons. In March traditionally soybean shipments from Brazil increase, but there were expectations of a slowdown after the delays in February and also due to concerns about the coronavirus, which until now have not translated into lower demand for the commodity, although there are concerns about interruptions in the flow as a result of measures to contain the disease.

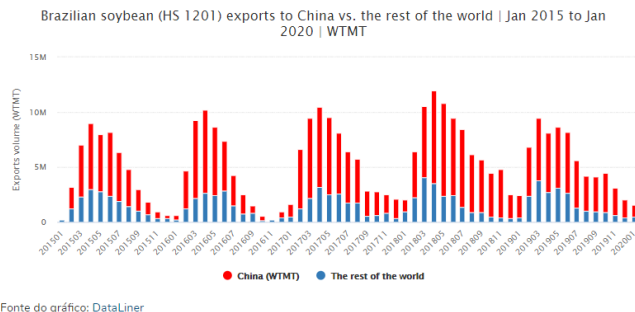
It is worth remembering that this Monday, a stevedores assembly at the port of Santos was canceled. It had been scheduled to assess whether a strike would lead to better working conditions in the face of concerns about the coronavirus. In China, the soybean bran futures market reached a daily limit, due to tight supply and concern about the flow of the South American harvest.

Regarding logistical concerns, the soy sector still faces issues such as a municipal decree in Rondonópolis, an important agribusiness and logistics hub in Mato Grosso, which determined the closure of all non-essential services and ordered the suspension of operations in local industries, in response to the coronavirus crisis.

According to the director of consultancy Arc Mercosul, Matheus Pereira, while China (the largest importer) is active in soy

purchases and has resumed industrial operations now that the outbreak of the disease is more controlled, the concern becomes Brazil's logistics. "Just as the Chinese had problems, we should have this in the coming weeks, we should see a shortage of human resources temporarily, which may delay Brazilian exports as the coronavirus advances," he said.

The following chart shows Brazilian soy exports to China and the rest of the world as of January 2015:

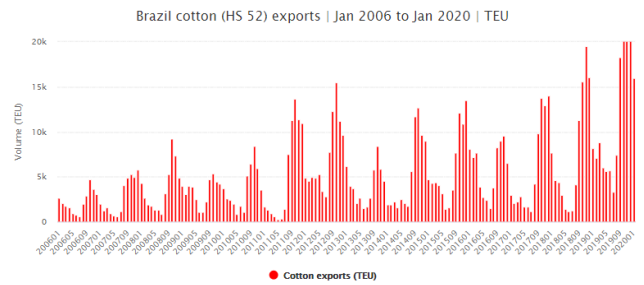


To help Brazilian cotton exporters to be competitive amid yet another anticipated record harvest for 2019-2020, Maersk is offering customers intermodal services with end-to-end solutions. Brazil is the second largest cotton exporter in the world, and according to Gustavo Paschoa, Maersk's Commercial Director, cotton helped boost exports in 2019, but the biggest cost for producers was road transport. "Our expectation is that rail transport will increase significantly as more options become available to producers in Mato Grosso and Bahia, for example. Currently, 40% of Maersk's total land movement in Brazil is by rail. Rail transport is an important factor in helping to increase national competitiveness. Maersk is looking to intensify its presence and partnerships with railway companies in Brazil", he adds.

According to the company, Maersk is also focused on developing new ways of stuffing cotton into containers and analyzing how to reduce costs throughout the supply chain, repositioning the use of containers from end to end. "Most cotton stuffing is done at ports, but it would be quicker and more efficient to do it closer to the farms. This is one of the ways to increase competitiveness now that Brazil is the world's second largest cotton exporter after the USA. Avoiding build ups that cause delays is fundamental", says Maersk's Product Director for the East Coast of South America, Matias Concha, referring to expectations that Brazil will deliver another record harvest for the 2020-2021 harvest.

Currently, cotton producers increasingly use the rail link between Rondonópolis, Mato Grosso and the largest port in Latin America, Santos, to reduce land logistics costs. "After the truckers strike in 2018, end-to-end logistics providers have become increasingly important for Brazilian producers. A complete intermodal solution creates security, provides transparency, increases competitiveness and reduces a company's costs in terms of time and personnel. For cotton producers, trains with double stacking represent an excellent opportunity", says Concha.

In the fourth quarter of 2019, cotton jumped 37%, exceeding all other dry product exports in the period. The following chart shows Brazilian cotton exports since January 2006:



Meat

According to a report published by Reuters, JBS, the world's largest meat processor, believes that the coronavirus pandemic may cause container shortages, port disruptions and other logistical problems, but that exports should remain strong thanks to Chinese demand.

In a conference call regarding financial results on Thursday March 26, JBS executives, which own brands such as Seara and Swift, said their export operations were not affected by any disruptions like those that hit reefer containers going to China in the last few weeks. They are confident about their long-term relationships with logistics operators to help keep exports flowing.

The group's chief executive, Gilberto Tomazoni, said it was too early to assess the totality of the impact coronavirus has had on food sales, but noted that the fundamentals of the market have not changed, citing Asia's strong demand for protein after the African swine fever caused much damage. "China is showing clear signs of recovery. Traffic on the main highways rose by more than 80% and purchases from China came back strong", said Tomazoni.

JBS predicted that the United States will supply 30% of China's pork import needs in 2020, with the company's operations there benefiting from Washington's trade agreements with Japan, South Korea and China. According to him, in March, China cut import duties on pork and beef from the US by about a third, whilst tariffs on chicken were also reduced by the same proportion.

Company executives said that African swine fever generated a gap of 20 million tons between demand and supply for food production in Asia and that even with the increases in capacities of main producers in other regions this gap will not be bridged this year.

On March 25, the company reported that its net profit in the fourth quarter of 2019 increased 332% over the same period last year, thanks to an increase in sales to China which increased food imports dramatically after the African swine fever epidemic. Net income for the fourth quarter totaled R\$2.43 billion.

Other cargo

The Federal Revenue has expanded the list of imported products that qualify for priority dispatching to help fight the coronavirus pandemic. A new regulation published in the Federal Official Gazette on March 27th, gives priority to products such as chloroquine and its derivatives, test kits for Covid-19 and automatic DNA sequencers, among other items.

As foreseen in RFB Normative Instruction 1.927, published in the previous week, these products will clear customs faster, with the

importer being able to receive the goods even before the customs procedure is concluded. In addition, import declarations involving these goods must have priority treatment, both by the Federal Revenue units, and by the deposit responsible for its custody.

The initial list published last week covered 33 categories of products intended to combat Covid-19, and addressed items such as alcohol gel and protective equipment. With the new additions, the number of categories increased to 91, and now includes equipment such as sterilizers, equipment for intubation and medicinal oxygen. With the new rule, the IRS seeks to maintain a fast flow of goods, merchandise and raw materials destined to fight the epidemic and to avoid bottlenecks in customs.

Trade

On 25/03, Brazil's Foreign Trade Chamber (Camex) waived import tariffs on 61 more pharmaceutical and hospital products used in the fight against Covid-19. Products that taxes have been exempted from include include kits for coronavirus testing, medical equipment and devices, and drugs such as chloroquine, hydroxychloroquine, azithromycin and immunoglobulin. Also listed are items such as ethyl alcohol, pure sodium chloride, medicinal oxygen and carbon dioxide, gauze, hydrogen peroxide, paper sheets, protective gloves, sterilizers and needles, oxygenation and intubation equipment, artificial respiration devices, thermometers, instruments and devices for diagnosis. The details of this measure are in Resolution No. 22, published this Thursday (3/26) in the Federal Official Gazette.

The new list was prepared by the Health and Economy Ministries, together with the National Health Surveillance Agency (Anvisa). The list covers 51 items in the Common Mercosur Nomenclature (NCM), which includes 61 products that had import tariffs ranging up to 35% – the highest tariff level applied by Brazil on industrial goods. The rates will remain at zero until September 30, 2020.

Anti-dumping

During a virtual meeting of the Executive Management Committee of Camex (Gecex), it also decided to temporarily suspend anti-dumping duties on Brazilian imports of disposable syringes and plastic tubes for blood collection. Anti-dumping duties were in place before on imports of disposable syringes originating in China, and plastic tubes for vacuum collection of blood, originating in Germany, China, the United States and the United Kingdom. Antidumping duties are additional to the import tax, which can be charged when a company exports to Brazil at a price lower than that practiced in its home market. The measures came into force after publication in the Federal Official Gazette, this Thursday (26/03).

Jacto, Stara and John Deere, manufacturers of agricultural machines and implements, have halted their activities due to the coronavirus pandemic. According to the president of the Sectorial Chamber of Agricultural Machines and Implements (CSMIA) of the Brazilian Machinery and Equipment Industry Association (Abimaq), Pedro Estevão Bastos, other manufacturers should follow suit until the beginning of April.

“Some of the companies are already on collective vacations. The companies are maintaining their servicing of spare parts because operations need to continue. But those who have not yet gone on collective holidays, should do so next week”, says Bastos. A lack of parts to assemble the machines is the main reason for the

stoppage. Until the beginning of last week, the problem was more localized, mainly associated with imports from China, the largest supplier of imported parts in the world. However, the growth of the pandemic has forced many other suppliers to also stop working to avoid further contagion.

Despite paralysis in most sectors of the economy, the coronavirus problem is not expected to affect the soybean and corn harvest. “Decisions to buy machinery for the harvest normally occur between four and six months before the operation”, explains the executive.

Agriculture ministers from various South American countries participated in a video conference on Monday March 23, to discuss harmonization of standards and ensure the smooth flow of goods and food supplies throughout the region during the Coronavirus pandemic. “Our alignment at the highest political level is indispensable, which should also be reflected in agile and clear instructions for the operational plan, especially for the frontline – the border authorities”, argued Brazilian minister Tereza Cristina.

Ministers Luis Eugenio Basterra (Argentina), Antonio Walker Preito (Chile), Rodolfo Max Friedmann Alfaro (Paraguay), Carlos Maria Uriarte (Uruguay), Jorge Luis Montenegro Chavesta (Peru) and Beatriz Eliane Capobiano Sandoval (Bolivia) participated in the virtual meeting with Tereza Cristina (Brazil), in addition to representatives of the Brazilian Ministries of Infrastructure and Foreign Affairs.

Under the coordination of the Southern Agricultural Council (CAS), ministerial forum for consultation and coordination of regional actions, and currently under the temporary presidency of Chile, a document will be prepared with protocols to guarantee the free flow of road cargo transport between countries (including Colombia). The ministers decided to create a communication channel via WhatsApp to exchange information more quickly about any problems that may occur.

All ministers stated that despite the closure of road borders for passengers from other countries, there are no restrictions on agricultural cargo. “We need to anticipate what may happen, in case the situation gets worse,” said Tereza Cristina, noting that maintaining healthy channels is not only to guarantee exports by each country, but also local supply. To measure the impact that regional trade has on food supply, the minister recalled that Brazil exported about US\$3.7 billion in agricultural products to South American neighbors in 2019, and imported US\$5.8 billion from them.

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