

**Main news**

**Ever since the catastrophic ammonium nitrate conflagration in Beirut on August 4th which led to over 200 deaths and more than 6,500 injured, port operators around the world have been taking a serious look at their handling of hazardous cargoes.**

None more so than in Santos, Brazil's leading port for containers and also for hazardous cargoes in boxes, which handled 45.7% of all dangerous cargoes on East Coast South America in the first seven months of this year – equivalent to 42,869 TEU.

How Brazilian authorities have reacted

A three-week investigation called 'Operation Relic', designed to do an audit of all dangerous cargo at the Port of Santos, began on September 21st, led by IBAMA (the Brazilian Institute for the Environment and Renewable Natural Resources).

"Ever since the Beirut explosion, the Brazilian authorities have been trying to brush up the rules and regulations and oversight and it's paying off," said one terminal manager in Santos, who wished to remain anonymous. "We have seen many more officials and there are moves to bring in more regulations to make sure this does not happen in Santos, where a lot of fertilizer is imported both in bulk, breakbulk and in containers to feed our ever-growing agribusiness sector. After the Ultracargo and Localfrio fires [in 2015 and 2016], we also had many more rules, regulations, and monitoring come into play. I hope the authorities focus on the right areas and don't create too many bureaucratic obstacles just for the sake of it."

His thoughts were echoed by Luis Resano, the executive director at the Association of Brazilian Cabotage Shipowners (ABAC), which has formed a new committee to monitor safety issues in Brazil for its members: the Quality, Safety, and Healthy Environment committee.

"It's very difficult to obtain 100% security and safety for all cargoes, but we try to get as close to it as is possible," he told Datamar news. "We can transport dangerous goods, but we must always take all the measures to prevent accidents. What happened in Beirut was sheer negligence and they did not take care of these safety issues."

"We have many large companies, such as Braskem, who our members deal with on a regular basis, so it's easier to monitor them. With Braskem, and big outfits like them we now know nearly all their cargoes and what safety measures are required, but with other smaller outfits we do not always have so much data, and misdeclarations of hazardous cargoes are often a cause fo

concern."

Resano also added that at the start of October, a taskforce was set up with IBAMA (the Environmental agency) and ANTAQ (agency for ports and waterways) along with the public Ministry of Justice which are looking at new ways of managing dangerous goods.

Incidents in recent past - The port of Santos has had a sad history of fires breaking out, with the worst one being the 2015 accident at the Ultracargo terminal (See photo below), at Alemoa on the right bank of the port.

That conflagration at Brazil's largest liquid bulk storage facility took nine days and 80 firefighters to quell, and the thick black smoke could be seen for miles around and caused the main entrance road into the port to be closed for several days. A thick black cloud filled the sky for more than 48 hours and many residents in surrounding areas went to the hospital with respiratory problems.

According to Grupo Ultra, the owners of the site, the terminal was used to store fuels (including ethanol and gasoline), chemicals, vegetable oils, ethanol, and various corrosive products. Five vessels at the neighboring Brasil Terminal Portuaria (BTP) box terminal were re-routed away from the area.

The Ultracargo accident was followed by a January 2016 chemical fire at the Localfrio container storage facility on the left bank of the port (see photo below), in Guarujá, which hospitalized 66 workers. At first, it was thought that the thick, acrid smoke contained a dangerous mix of ammonia, but it was eventually traced back to a release of less-toxic chemicals, mostly chlorine. Some 66 people were taken to the hospital with severe respiratory problems and the nearby Tecon Santos box terminal, operated by Santos Brasil, was closed temporarily.

Firefighters at the time said rainwater had seeped into around 20 containers causing a chemical reaction.

Mario Antonieta de Brito, mayor of Guarujá, asked people to stay out of the rain which could "contain chemical elements that can burn the skin".

Also, in 2013, the Copersucar sugar terminal saw 180,000 tonnes of sugar catch fire and damage four warehouses.

And it is not just Santos.

In August of this year at the Chibatão Port container terminal, which serves the Manaus industrial complex and free-trade zone, a lightning strike caused a fire in one container which spread to 35 others in close proximity, some of which contained gas and sulfuric acid, causing an explosion. A toxic smell was experienced in the vicinity of the terminal.

Therefore with the port of Santos playing such a key role in the economy of Brazil – hosting around 28% of all foreign trade and 40% of its containerized trade – it is highly important that major fires and accidents are kept to a minimum, but with so many liquid bulk facilities in the port and so many hazardous goods being shipped by container, 100% safety will never be achieved concede nearly all port users.

"Unfortunately, it is not possible to guarantee 100% safety all the time," said Resano, of ABAC, and that sentiment was echoed by several other voices interviewed for this article. "But we can try as best we can to take measures that get as close to 100% as is humanly possible, without making transportation of such goods economically unfeasible."

ABAC represents six Brazilian flag shipping lines (Aliança Navegação, Log-In Logística, Mercosul Line, Norsul, Flumar, and Hidrovias, which started as a barge operator with iron ore and soy and now also owns two vessels and moves bauxite around the Brazilian coastline), and also works closely with Syndarma (the

ssociation of Brazilian flag shipowners), where Resano worked in a similar role for nearly a decade.

### Hazardous cargo trade on East Coast South America

In terms of the East Coast of South America trade lane, the port of Buenos Aires (including TRP, BACTSSA, and terminal 4 at Puerto Nuevo, plus Exolgan at Dock Sul) comes in second to Santos (see table below), with around 16.4% (44,014 TEU) of the overall total handled since the beginning of 2019 (when Datamar started recording these numbers) until the end of July. BA handled 15,448 TEU during the seven months of 2020 up to the end of July, down from 15,142 TEU last year, but maintaining a 16,5% market share of all ECSA hazardous cargo handlings in boxes.

Paranaguá, in the southern Brazilian state of Parana, comes third in ECSA, and second in Brazil, with 17,656 TEU (from January 2019 to the end of July 2020) and 6.6% of ECSA's overall total for the full period.

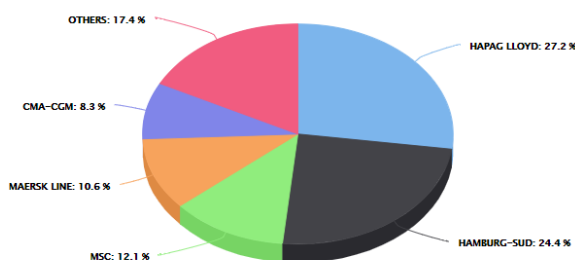
Montevideo, in Uruguay, (with 16,944 TEU) followed by Itapoá (12,194 TEU) make up the top five ECSA ports for dangerous cargoes.

PORT	2019 (TEU)	% 2019	2020 (TEU)	% 2020
SANTOS	44,968	46%	42,869	46%
BUENOS AIRES	16,142	17%	15,448	16%
PARANAGUA	6,480	7%	6,085	6%
MONTEVIDEO	6,729	7%	5,651	6%
ITAPOA	3,977	4%	4,653	5%
OTHERS	19,459	19.9%	19,118	20%

During the first seven months of 2020, Paranaguá performed well (with more than 6,000 TEU) and nipped into third place, overtaking Montevideo, followed by Itapoá, Salvador, Navegantes, and Zarate, in Argentina.

Although Maersk Line, MSC, and Hamburg Sud lead carrier charts for most indices, when it comes to dangerous cargoes it is the German carrier Hapag Lloyd that rules the roost (see pie chart below).

For the 19-month period (January 2019 to end July 2020) Hapag Lloyd carried 72,842 TEU to/from ECSA ports which gave them a 27.2% market share. They were followed by Hamburg Sud, with 24.4% share (65,355 TEU), then MSC with 12.1% (32,363 TEU), Maersk Line with 10.6% (28,385 TEU), and CMA CGM with an 8.3% share (22,217 TEU).



Source: DataLiner (To request a demo click here)

Hapag Lloyd was not available to comment, but one consultant in Santos, who is familiar with these matters, said that the German company has a number of long-term contracts with a few major pharmaceutical companies and that is why they lead the way in the ECSA table.

Ocean Network Express (ONE) comes in at a respectable 6th place with 6.7% market share and 18.031 TEU, with good volumes of hazardous cargo being shipped via both Santos and Buenos Aires, where the Japanese-owned carrier uses the Exolgan terminal at Dock Sul, which is close to the chemical and petro-chemical terminals for the region.

Patrick Campbell, the President of ONE in Argentina, said that the authorities in Argentina have been making sure everything is in order vis a vis hazardous cargo in the wake of Beirut. In Buenos Aires, the Administracion General dos Puertos has responsibility for making sure the terminals are adhering to safety procedures, and the AGP works closely with the Ministry of Defense and other government departments.

Campbell told Datamar News that the most common dangerous goods shipped through the port of BA by his line and others were “chemicals and fertilizers” but also, airbags for the automobile industry for ONE. Both Buenos Aires and the ABC (Santo Andre, Sao Bernardo, and Sao Caetano) region between Santos and Sao Paulo are prolific auto manufacturers and there is a lot of exporting back and forth between the two Mercosur trade bloc countries.

Further considerations over safety - Peter McKay, Editorial Director for the long-standing and highly reputed sector specialist magazine Hazardous Cargo Bulletin (HCB), said that since the Beirut catastrophe, regulators have been sharpening their teeth around the world to try and improve safety procedures and monitoring.

“With regard to what happened in Beirut, Ammonium nitrate is, of course, regulated under the IMDG Code and, if the regulations are followed, there should not be any further problems,” explained McKay to Datamar News.

“Where the issues arise – and this is also true of the Tianjin explosion [which killed 173 people after an explosion in a container storage station in August 2015] – is when the product is being stored ashore, especially if – as was the case in Beirut and Tianjin – it is being done so in an unsafe manner.”

“Operations within port areas would likely fall under national legislation (e.g. in the United Kingdom it’s HSE’s Dangerous Goods in Harbour Areas Regulations 2016), and outside the immediate port area they would come under other industrial or H&S legislation (e.g. in the UK it’s COMAH – the Control of Major Accident Hazards Regulations).”

“Both in Beirut and Tianjin there seems to have been an element of intentional avoidance of any regulations, and the authorities were either unaware of the hazards or chose not to act.”

In Brazil, the monitoring and regulation of safety issues within the port areas come under the auspices of ANTAQ (responsible for ports and waterways) and IBAMA (covering environmental safety), and sometimes local governments. In Santos, for instance, the city administrations (mayors) of Santos and Guarujá (the respective right and left banks of the port of Santos) will be

involved, as will various departments of the state government of Sao Paulo in the city of Sao Paulo. All these authorities will then collaborate and report back to the Santos Port Authority (formerly CODESP, which is currently being privatized), before a final decision is taken.

“Unfortunately, in some ways, too many cooks spoil the broth,” said one heavily involved association executive which uses the port of Santos, but who wished to remain anonymous. “Sometimes these various bodies have their own agendas and try and flex their muscles for political reasons and that can cause delays in implementation of safety measures.”

Outside the port areas, responsibility for the safe handling of hazardous cargoes comes under the Agencia Nacional de Transportes Terrestres (ANTT, or Brazilian National Agency of Land Transportation). They will take responsibility for storage areas outside ports and for the movement of dangerous cargoes via trucks.

In terms of Santos and dangerous cargoes handled in containers, the loads are shared between the three principal terminals – Brasil Terminal Portuaria (a joint venture between MSC Line’s Terminal Investment Limited (TIL) and Maersk Line’s AP Moeller Terminals), DP World Santos and Bovespa quoted Santos Brasil’s Tecon Santos – but DP World may have slightly more as they host Hapag Lloyd’s US Gulf and Caribbean service, and Hapag is the leading carrier in the handling of hazardous goods in containers. Hapag’s Asia service currently calls at Santos Brasil and that brings in a fair number of hazardous cargo boxes.

Gustavo Costa, a container logistics’ researcher at the University of Sao Paulo (USP), and former logistics and cabotage trades executive for Hamburg Sud for more than 20 years, also underlined Resano’s earlier comments that “nothing was 100% safe”, but a continuous process of inter-acting with shippers was essential to keep the hazardous cargo logistics chain as safe as possible.

“Nothing is 100% safe in this area but when I was with Hamburg Sud, we spent a lot of time passing on to customers reminders about all the regulations; not just on safety and storing of dangerous cargoes but also drug trafficking.”

“Our main concern was that they were contracting container terminals to store the cargoes without checking what they were doing. A big chemical client found leakages of liquids and we found that the guys were making use of 100% of the container space and moving and turning the cargoes upside down and sideways which caused dangerous liquids to leak.”

Costa said that with tank containers it was easier to control safely as you just clean out the container for the next cargo if it is leaking. “Our main concern was dangerous cargoes that were NOT in tank containers,” emphasized the experienced Costa. “We spent a lot of time going over the procedures, training clients to make sure they knew what the safety procedures were.”

Datamar News spoke to several managers and executives at port terminals in Santos and they emphasized several times the importance of the correct stacking of various dangerous goods.

“It is extremely important to get the stacking right, and to keep boxes containing hazardous goods away from other boxes and to space them out,” said one terminal manager.

“We handle imported airbags here, for automobiles, and they have a kind of explosive in them. Therefore, we have separate places to store them, so if one explodes it will not affect the other containers. And with gasoline and cotton, it is the same.

“There are parameters which can be followed to reduce risk, and cargo compatibility is already part of the parameters of Navis. Its systems already show up the algorithms to allow the separation of dangerous containers from other hazardous cargoes.”

Luiz Araujo, the commercial director for Ecoporto Santos, a breakbulk facility with several ship-to-shore Gantry cranes which used to be the port’s number three box facility and still handles containers, echoed the importance of correct stacking of dangerous cargoes and added that trucks must be ready to take some IMO-class dangerous cargoes immediately out of the port areas to safer warehousing locations.

“We handle both export and imported dangerous cargoes at Ecoporto,” said Araujo. “Some dangerous cargoes are not allowed to be stored in the port areas and must be directly discharged or directly loaded [onto trucks for onward transport].”

One Ecoporto customer is Avibras Industrial Aeroespacial SA, headquartered in the Paraiba Valley, in Sao Paulo state, which produces tanks for export as well as the missiles that go with them.

“Brazil has a good reputation for armored tanks as most are tested in our rugged jungle areas, in difficult terrain, and during the Iraq-Iran war they provided tanks to both sides!”

Clearly, Ecoporto has a lot of experience in handling hazardous cargoes, both breakbulk and in containers, including ammonia nitrate for the fertilizer industry and for agribusiness. BBC Chartering and Grimaldi are the two key carriers working out of Ecoporto’s Santos terminal.

Araujo welcomed the authorities bringing in more stringent checking in the wake of Beirut, but he hopes they do not go too far.

Some years ago, a fatal fire in a Porto Alegre (Rio Grande do Sul) nightclub led a massive clampdown on fire regulations throughout Brazil, in all sectors, including ports.

“Our warehouses now have to have different kinds of fire brigades on standby and have sprinklers all over the warehouse because of that Porto Alegre incident,” explained Araujo. “And so, following the horrible incident in Beirut, the authorities here will probably implement new measures here in Santos.”

### Ports, terminals and infrastructure

**Last Thursday, September 8, Companhia Docas do Rio Grande do Norte (CODERN) received a container scanner rented by companies operating at the terminal. Already being installed, the equipment aims to increase the security of the port operation and prevent international drug trafficking.**

“Talks and negotiations with public agents (Federal Police, Internal Revenue Service, the National Health Surveillance Agency ANVISA, and the Ministry of Agriculture), shipowners (CMA CGM), and port operators (Progeco) operating in the port have been

underway since 2019 in order to increase security”, stated CODERN.

According to the company, the equipment was rented through a partnership between the owner CMA CGM, the port operator Progeco, and fruit growers in the state, the main customers of the terminal, at a cost of R\$ 350,000 to R\$ 400,000 per month. The contract runs until September 2021. The company says it will try to have its own equipment by then.

From the start of the scanner’s operation, CODERN states that the Internal Revenue Service will begin to directly receive the images generated by the equipment. Thus, drugs that may be in the cargo may be detected.

International drug trafficking - Discussions about the need for the scanner intensified after the Federal Police and the Internal Revenue Service seized cocaine inside several containers of fruit that were going to Europe. In 2019, the Federal Police stated that Natal, and specifically, the terminal, had become a starting point for drugs destined for the Netherlands.

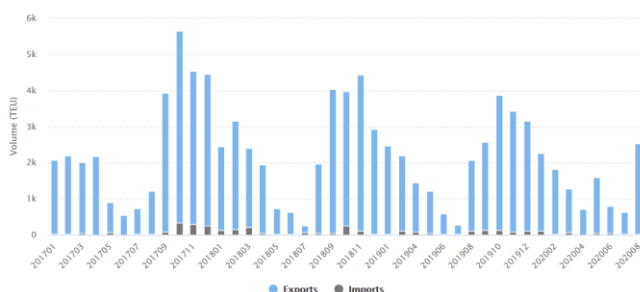
After an operation that seized about 3.3 tons of cocaine in the port, the company CMA CGM – the only carrier of the fruits produced in the state destined for Europe – temporarily suspended travel from the Port of Natal and demanded urgent security measures so they could continue working in the state.

Even after operations resumed, the terminal continued to be used by criminals to carry out international drug trafficking. On October 3, the Federal Police arrested four people red-handed and seized more than 238 kilos of cocaine arriving at the terminal in a truck to be placed inside a container full of fruit.

Record movement in September - Also at the Port of Natal, CODERN announced that in September, the site broke its cargo handling record, reaching the historic mark of 107,643 tons, compared to a monthly average of around 35 to 40 thousand tons.

Cargo Handling at the Port of Natal | Jan 2017 to Aug 2020 | TEU

Movimentação de cargas no Porto de Natal | Jan 2017 a Ago 2020 | TEU



Fonte do gráfico: DataLiner (Para solicitar um demo do Dataliner clique aqui)

**The Government of Uruguay has announced that it intends to start dredging the Port of Montevideo to 14 meters to increase the depth and permit the arrival of ships with larger drafts.**

Juan Curbelo, President of ANP (the National Port Administration of Uruguay) met with the country’s President Luis Lacalle Pou, and Chancellor Francisco Bustillo, to study the situation of the main navigation channels.

Curbelo explained to the press that the government decided that before the end of the year it will start the procedures to increase the depth of the capital’s port to 14 meters. “It is a resolution that the government has already taken” and that will be formally announced in the coming weeks, he said.

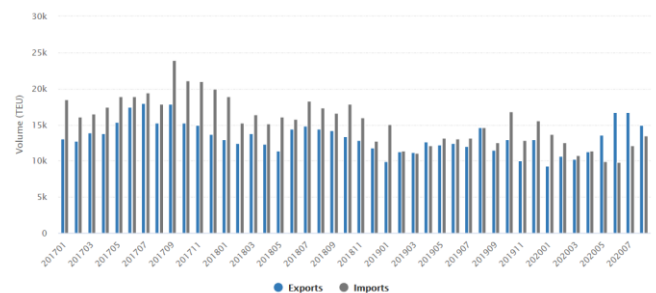
The ANP president explained that all possibilities are open to take on the works, not only in the port of Montevideo, but also in the dredging of other port terminals that will involve an investment of around 100 million dollars.

“We believe that the works should start at the beginning of next year so that in 2023 the port has a defined draft,” said Curbelo.

Regarding how this would be done, he said that all ideas are being studied and it may perfectly well be achieved through bidding, private initiative or ANP dredgers. Although in this last possibility, he recalled that other ports in the country must also be dredged.

See the graph below for the monthly history of container handling at the Port of Montevideo since January 2017:

Movimentação de Contêineres no Porto de Montevideu | Jan 2017 a Ago 2020 | TEU



Fonte: DataLiner (Para solicitar um demo do Dataliner clique aqui)

**Paraná ports have registered a positive 2020. Comparing the months of September 2020 to 2019, the cargo movement has increased by over 28%. During September, 5.26 million tons were shipped and unloaded in the state. In the same 30 days of 2019, the volume of operations was about 4.1 million tons.**

In the January to September accumulated result for the year, the increase registered is 11% in relation to the same period in 2019. This year, 43.9 million tons were imported and exported through the terminals of Paraná. Last year, 39.7 million tons were moved during the same period.

Solid Bulk - The solid bulk segment registered the highest percentage increase of 11% in the nine months of 2020. This year, 29.15 million tons of cargo were recorded compared to 26.2 million tons registered last year.

Soy, soybean meal, and sugar – the latter highlighted also at the Port of Antonina, not only in Paranaguá – are the products that register the greatest increases in exports.

About 13.2 million tons of soybeans (grain) were shipped from the Port of Paranaguá this year between January and September. Compared to the 8.4 million tons shipped in the same period in 2019, the registered increase reaches 58%.

Regarding bran shipments, there was a 14% increase in the comparison of the nine months of 2020 with 2019. This year, 4.46 million tons of the product was handled compared to last year’s 3.9 million tons. These totals also include volumes exported by the Port of Antonina. There, 233,750 tons of soybean meal were

shipped. This year 21% more was shipped than last year, or 193,856 tons.

Adding the sugar shipped in bulk and that which leaves the ports of Pará shipped in bags, 3.11 million tons have already been exported this year. Compared to the 1.79 million tons recorded in 2019, the increase amounts to 73%.

Of this volume, 73,196 tons were handled at the Port of Antonina, representing 50% more than the 48,919 tons of sugar exported from there during the same period last year.

Still in the same segment, but in imports, the product with the highest volume and which registers the highest percentage of increase is fertilizer. In the accumulated result for this year, around 7.2 million tons were imported, 6% more than the 6.78 tons unloaded in 2019 during the same period.

The second segment that most handles cargo in the ports of Paraná is 'general cargo'. In this segment, more than 9.1 million tons of products have already arrived or left the country through the state's port terminals, 9% higher than that registered in 2019, or 8.35 million tons.

The increase registered in the movement of liquid bulk amounted to 7%. This year, approximately 5.55 million tons have passed through the Port of Paranaguá. In the same period in 2019, 5.19 million tons passed through the port. A 23% increase was registered in soy oil exports. This year 748,471 tons of the product were shipped. In 2019, only 609,687 tons were shipped.

Containers - Container imports and exports also increased. This year, 675,808 TEU were handled from January to September - 4% more than the 649,531 units (20-foot units) registered in the 2019 period.

In the segment, meat exports - which are among the main products shipped in containers - were strong. The volume of pork shipped from January to September this year is 40% higher, with 70 thousand tons shipped. In 2019 it was 50 thousand tons. This last data is from the Ministry of Economy (COMEX Stat.).

Beef exports increased by 37% through the Port of Paranaguá. This year, 297,067 tons of the products were exported. In 2019, 217,303 tons were exported.

Exports of chicken - amounting to 1.5 million tons - and fish and crustaceans - reaching 39,500 tons - remained almost equal in the comparison of the periods.

Of the 43.9 million tons handled this year, 28.8 million have been exported so far (a volume that is 15% higher than exports than the same period in 2019). The other 15.1 million tons were imported (registering a 3% increase in relation to the volume imported last year).

**On October 7, the new Port of Santos Operating Regulation came into force. It is a document that establishes port operation general principles and conditions for legal entities and individuals. The approval was published in the Federal Register.**

According to Marcelo Ribeiro, SPA Operations Director, the previous regulation was submitted to a review by the technical team for important improvements to the functioning of the Port of Santos: "The Regulation review began last year with the creation

of a task force to prepare the document. The simplification must work towards the efficient and rational functioning of the port facilities", says Ribeiro.

The objective of the new regulation, which replaces a previous document valid since 2014, is to simplify the rules and facilitate consultation by users. Its implementation is in line with the guidelines of the Ministry of Infrastructure's Bureaucratization Program, improving the availability, quality, and integration of information.

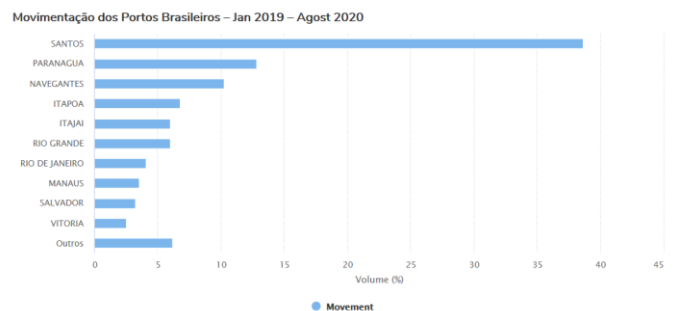
Available on the Port of Santos website, the Regulation modernizes rules consultations by allowing the user to access documents that prove guidance on the use and functioning of the Port, through hyperlinks directly in the text.

The new regulations are also appropriate in relation to new rules recently established in the Port of Santos, such as, for example, the rules for mooring ships (updated in this exercise after 40 years), which provide clearer rules and are consolidated in a single document to aid the user.

In addition to the new regulations and the mooring rules, the SPA's effort to reduce bureaucracy in the operation of the Port includes the repeal of thousands of SPA resolutions (documents that govern the performance of the Port Authority and have the force of legislation within the Organized Port), the effectiveness of which has been hampered by the expiration of the content.

To consult the Port of Santos Operating Regulations, visit the page [www.portodesantos.com.br](http://www.portodesantos.com.br), and click on "Acesso à Informação" and then on "Documentação".

See below the Port of Santos movement compared to other Brazilian ports



**According to an assessment by the Global Infrastructure Hub (GI Hub), of the G-20 countries, the Port Privatization Program by the Ministry of Infrastructure (MINFRA) may boost Brazil's participation in world maritime trade. The assessment was presented on Wednesday, October 7, with the release of the final report on the development of infrastructure markets in several countries around the world.** The meeting was attended by Diogo Piloni, National Secretary for Ports and Water Transport (SNPTA), who represented the Ministry of Infrastructure (MINFRA), one of the partners of the initiative, in addition to representatives of the Ministry of Economy, EPL, and BNDES.

The report delivered by the GI Hub presents the results of a structured dialogue with the private sector before the privatization auctions scheduled for four port authorities:

Companhia Docas do Espírito Santo (CODESA), Santos Port Authority, and São Sebastião and Itajaí Organized Ports.

At the meeting, Piloni presented the details and the next steps of the federal government's port-privatization program, highlighting the importance of the partnership with the GI Hub. "This initiative took place at a special moment in Brazil, in which the public-private partnership is gaining the necessary space to foster the port sector. Our next privatization projects will be more efficient and flexible and will expand the investment potential through private resources", said the secretary.

## Report

The final market consultation report presents the perception of investors and possible stakeholders about the port privatization projects in progress. According to the GI Hub, the incentives to engage the private sector in ports are not only in selecting and bidding but also in optimizing the risk and responsibility-sharing structure between the public and the private sector.

The survey was carried out with 14 companies and 31 stakeholders, in nine different countries. Private port operations have been reported to improve competitiveness in Latin America and the Caribbean through increases in efficiency and productivity in cargo management, and World Bank data show that private sector participation and port competition are correlated at the highest levels of operational and economic performance.

**On October 7, a request for a case review ended up postponing a decision by the Administrative Council for Economic Defense (CADE) that could eventually change the antitrust agency's views on a fee that has divided the port sector for almost 20 years.**

Known in the sector as THC2, the fee is charged to "dry" terminals, i.e., warehouses that are not located next to the sea. The "wet" terminals, which unload the ships, charge to stack and deliver the containers. Dry terminals argue that the price of this service is already included in the freight, which would result in unfair competition. CADE has always agreed with this theory.

Recently, however, a new resolution by the National Waterway Transportation Agency (ANTAQ) led CADE's technical area to agree with the charge. This generated a lot of expectations in the sector about a possible change of understanding.

The plenary session of the antitrust body maintained its position against the charge in a lawsuit filed against the container terminal at the port of Suape, in Pernambuco, up until the time of the request for review. Luiz Hoffmann, the rapporteur of the process, voted against the charge and was accompanied by CADE's attorney, Walter Agra. The vote was interrupted by the request for review by Councilor Leniza Prado, and it is not clear when it will be resumed.

**On October 5th, the Port of Suape won a cabotage route for the new service offered by Mercosul Line, of the CMA CGM Group.** The Northeast Express Connection (NEXCO) line is operating on the Brazilian coast, stopping at the ports of Suape, Salvador, Itaguaí and Santos. The route was inaugurated by CMA CGM's ARISTOTE, with a capacity of 1,700 TEU.

NEXCO's northbound trip will start its route at the Port of Santos, and go to Salvador and then arrive at Suape. NEXCO's southbound trip will leave Suape and go to Itaguaí and then return to the Port of Santos. The rotation lasts ten and a half days.

"Mercosul Line's objective is to grow and continue serving customers who are looking for efficiency, safety, and sustainability. The volume of cargo transported via cabotage in Brazil is still far below its potential.", Explains Luiza Bublitz, CEO of Mercosul Line. "We continue with our commitment of creating jobs and creating opportunities in Brazil" he adds.

"The Port of Suape is a strategic position in the northeast and Mercosul Line's new service consolidates our position as a regional hub. NEXCO will be very advantageous for companies that have headquarters in the south and southeast of the country and distribution centers in the northeast. They can use this distribution logistics for all regions much more efficiently than using road transport", commented Leonardo Cerquinho, President of the Port of Suape.

The Port of Suape handled 7.96 million tons via cabotage during the first half of 2020, representing an increase of 13% in relation to the first six months of 2019.

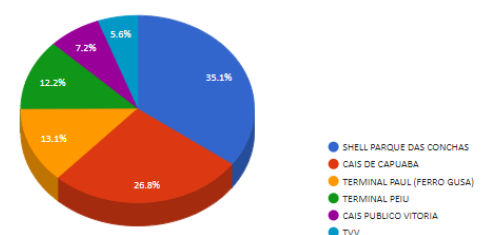
**On October 5th, the new Atalaia pier was inaugurated in Port of Vitória. The forecast is that its operation will increase berth loading by 75%.** The first docking will take place October 7th with the unloading of 30,000 tons of fertilizers from the ship Anya. The Atalaia multi-purpose terminal is located in Vila Velha, and will handle several types of cargo (liquid and solid bulk) such as wheat, malt, fertilizers, general cargo, and others.

The new Atalaia pier replaced two old mooring dolphins. Work began in October 2015 and was completed in the second half of last year. R\$ 190 million from the Growth Acceleration Program (PAC) was invested in the project. Stages included: elaboration and approval of the project, manufacture of precast, manufacture of metal shells for pilings, reinforcement of the retro area wall, removal of loose stones, and dismantling of the rock mass.

Berth number 207 offers a wide, 270m-long pier and a total area of 20,000 m<sup>2</sup>. It has 14 mooring bollards, 12 fenders, and a draft depth of 11.40m. A 75% increase in cargo handling at the new pier is expected.

See the following graph for cargo movement by terminal at the Port of Vitória

Movimentação de Cargas por Terminal do Porto de Vitoria | Jan a Ago 2020



In the future at Atalaia, fuels will be drained through pipelines to be stored at the Liquid Bulk Terminal (TGL), a project under implementation in Capuaba.

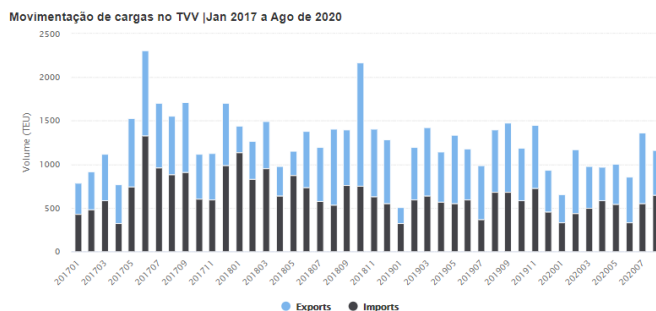
### Log-In renews lease agreement for Vila Velha Port Terminal until 2048

Logística Intermodal (Log-In), through its subsidiary Terminal de Vila Velha (TVV), signed an addendum to the lease agreement for the Vila Velha Port Terminal, located on-site. The agreement was signed with the federal government represented by the National Secretariat of Ports and Waterway Transport. As a result, the lease was renewed for another 25 years, extending the term of the contract until September 2048.

The addendum further establishes Log-In's commitment to investing in modernizing and adapting the terminal so that it can receive larger ships and increase its operational efficiency, expanding the current capacity from 286,000 containers per year to 368,000 containers per year. The expected initial investment was R\$ 83 million (base 2017), which, updated, exceeds R\$ 120 million.

In this first phase, which should take place in an estimated period of up to 24 months, the acquisition of new equipment is planned, such as high-capacity mobile cranes and reach stackers, and systems to increase the productivity of the berths and the terminal yard. In addition, over the contractual term, R\$ 434 million will be invested to ensure the maintenance and updating of the assets necessary for carrying out port activities.

See the following graph for cargo movement at TVV:



### Shipping

**On the evening of October 8, Log-In Logística Intermodal announced that it will expand its coastal shipping service by serving the port of Asunción, in Paraguay. The line will connect the main Brazilian ports to Mercosur, from Manaus to Asunción, using regular maritime services already in operation.**

To reach Asunción, Log-In's vessels will connect in Buenos Aires, from where the cargo in containers will be transferred to smaller vessels belonging to Independencia Shipping Lines (ISL), with whom Log-In signed a partnership.

Three ISL ships will make the crossing from Buenos Aires to Asunción via the Paraná River, initially on a fortnightly scale.

According to the statement from Log-In, the stretch between Buenos Aires and Asunción has great potential for navigation, since 92% of everything that is transported from Paraguay to

Brazil is done by truck, and only 8% uses maritime transportation.

According to Marcio Arany, CEO of Log-In, this is an opportunity to win business over from the road modal. "We believe that this is the first step towards the development of new businesses in the region," he stated.

**MSC is exploring the viability of hydrogen and hydrogen-derived fuels for the future of container shipping. The information was provided during the Maritime Transport Efficiency Conference held in Geneva, Switzerland, by Bud Darr, MSC Group Executive Vice President for Maritime Policy and Government Affairs.** Darr outlined some options for the shipping company in a speech on decarbonization and during a panel discussion on fuels for the future. "There is no single solution to decarbonize navigation; we need a range of alternative fuels on a large scale and we need them urgently," said Darr. "The future of maritime transport and decarbonization will depend on solid partnerships, both from a technology-collaboration and from a purchasing perspective."

According to him, in support of the United Nations International Maritime Organization (IMO) policy objectives to decarbonize navigation, MSC is actively exploring and testing a variety of alternative fuels and technologies and is already purchasing biofuels on a large scale. Liquefied natural gas (LNG) of fossil origin remains a transition option while new alternatives are being perfected.

### Grain

**According to the newspaper "La Nacion", the approval of a variety of transgenic wheat in Argentina will depend on getting the green light from Brazil. The information was released citing an Argentine government source. "It is approved [in Argentina], but it depends on negotiations with Brazil," said the source. "It was conditionally approved," added the source.**

Drought-tolerant wheat called HB4 was developed by the company Bioceres-Indear, which already has drought-resistant soy seed. This last product was approved in 2015 and is awaiting approval for sale in China.

According to the company, drought-tolerant wheat provides an increase in productivity close to 20% under average production conditions and 40% or more in situations such as extreme droughts.

The transgenic wheat variety already has licenses from the Argentine Health and Food-Safety Agency (SENASA) and from the National Agricultural Biotechnology Consultative Commission (CONABIA). But permission from the Ministry of Agriculture's market area, which came out on the 7th of October, was missing.

Argentina serves between 7% and 8% of the global wheat market and Brazil is the country's largest buyer, buying up to 70% of the product during some harvests.

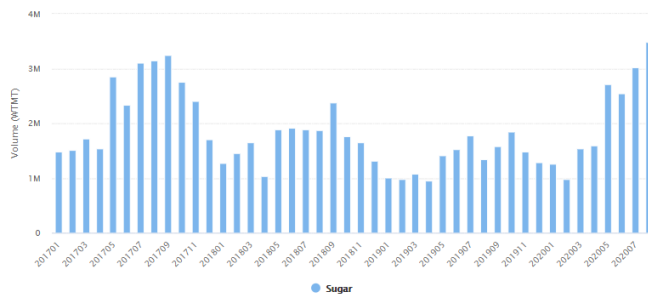
### Sugar & Ethanol

**According to a United States Department of Agriculture (USDA) report, Brazilian sugar exports are expected to reach a record 32.02 million tons in 2020/21, an increase of 66% in**

**relation to the previous year.** This increase is due to the country's large exportable sugar surplus and the steady demand from countries that import Brazilian sugar. Exports during the 2019/20 harvest were estimated at 19.28 million tons.

"Despite the Covid-19 pandemic and the logistical obstacles at the ports including long waiting times for loading, the significant devaluation of the real against the dollar kept the Brazilian product competitive", says the report, which predicts that raw sugar represents 25.62 million tons of the exports this season.

Brazilian Sugar Exports | Jan to Aug 2020 | WTMT



Source: DataLiner (To request a demo click here)

**Soy** - The USDA estimates that Brazil's oilseed crop in 2020/21 should reach a record harvest of 131 million tons due to the increase in the cultivated area. According to the agency, 125.6 million tons were harvested in Brazil in 2019/2020.

Record exports of 85 million tons are also expected in the 2020/21 season, "easily exceeding the previous record established in 2017/18, when Brazil exported 83.7 million tons". In the 2019/20 season, Brazil exported 82 million tons of soy.

## Meat

**Almost two months after China said it found residues of COVID-19 in a batch of chicken wings imported from Brazil, the Chinese authorities repeated the announcement, but this time in relation to Brazilian beef.**

According to Chinese authorities, traces of COVID-19 were detected in beef packaging during an inspection carried out at the Port of Dalian, one of the largest in the country.

The meat was produced by the Barretos (SP) unit of the Minerva meatpacker. Barretos is the city where the company was founded 96 years ago. Minerva is the third-largest beef producer in Brazil, behind JBS and Marfrig.

The Brazilian embassy in Beijing has already been officially notified of the case.

From January to July, Brazil exported 1.1 million tons of beef. This means a turnover of US\$ 4.7 billion. Of this total, 60% of the revenue comes directly from China.

In the case of the chicken announcement that occurred two months ago, in which the municipal authorities of Shenzhen also stated that they found the presence of COVID-19 in the product packaging exported by Brazil, it was never clear exactly what happened, because Brazilian authorities were never shown any evidence.

**Brazilian exports of chicken, pork, and beef continue to be in high demand in 2020, according to data from the Brazilian Animal Protein Association (ABPA) and the Brazilian Meat Packers Association (ABRAFRIGO).** In September, however, while exports of beef and pork registered a positive performance in relation to the same month of 2019, chicken exports fell 2.3%.

**Chicken meat** - According to ABPA, Brazilian chicken exports (considering all products, between raw and processed) in September totaled 345,000 tons, 2.3% less than in the ninth month of 2019 when 353,200 tons were shipped. In the same comparative period, shipment revenue totaled US\$ 479 million in 2020, down 18.4% from the US\$ 587.2 million received in September 2019.

In the accumulated result for the year, however, shipments totaled 3.178 million tons between January and September, a number that surpasses by 1.3% the performance registered in the same period of 2019, when 3.137 million tons were shipped. In the same period, the accumulated revenue for this sector reached US\$ 4.6 billion, 12.1% less than in the same period of 2019, when revenue reached US\$ 5.3 billion.

"The average of exports registered in this second semester is greater than those registered in the same period in 2019, an indication that sales will remain positive. This is without impacting the offer of products to the Brazilian consumer, which also increased this year", says Ricardo Santin, president of ABPA.

China is the main importer of Brazilian chicken, and their imports remain high in 2020, with 514,100 tons imported between January and September (+ 28% in relation to 2019). Other importers include: Libya, with 46,100 tons (+ 79%), Jordan, with 46,200 tons (+ 35%), Russia, with 63,500 tons (+ 47%), Singapore, with 98,400 tons (+ 39%), Vietnam, with 37,300 tons (+ 105%) and South Korea, with 98,500 tons (+ 7%).

In September, chicken was shipped to: South Africa, with 23,000 tons (+ 38% compared to September 2019), Yemen, with 11,000 tons (+ 73%), United Arab Emirates, with 25,900 tons (+ 11%), European Union, with 21,200 tons (+ 15%).

**Pork** - Also according to ABPA, Brazilian pork exports (considering all products, between fresh and processed) totaled 764,900 tons in the first nine months of 2020, an increase of 42.9% over 2019, when 534,900 tons were shipped. The accumulated balance in 2020 exceeds, even, the total exports of last year of 750,000 tons.

The same performance can also be seen in the dollar balance of exports. Between January and September, pork sales in Brazil reached US\$ 1.68 billion, 51.9% greater than the January - September 2019 result of US\$ 1.103 billion. The accumulated 2020 result is also greater than all the revenue received in 2019 of US\$ 1.597 billion.

September sales in the sector totaled 86,500 tons, an increase of 33% over the same period of 2019, when 65,000 tons were sold. In terms of revenue, the sales for the month were up 34%, with US\$ 188.5 million in the ninth month of 2020, against US\$ 140.5 million in 2019.

Asia continues to be the main promoter of sector exports in 2020 (January to September). China, the largest importer of Brazilian pork, increased its imports by 133% this year compared to 2019,



reaching 376,700 tons. Ranking second, Hong Kong imported 131,600 tons (+ 14%). Singapore, with 41,900 tons (+ 61%) was in third place. Vietnam, meanwhile, increased its imports by 205%, with 32,900 tons shipped in 2020.

“We have good expectations for maintaining this pace over the next few months. The indicators strengthen ABPA’s predictions of reaching a number close to 1 million tons exported in 2020. This is without impacting the offer of products to the Brazilian consumer”, analyzes Ricardo Santin, president of ABPA.

**Beef** - According to ABRAFRIGO, Brazilian beef exports in September (fresh and processed) totaled 166,400 tons, up 2% since the same period in 2019, when revenue reached US\$ 668.7 million. , against \$ 679.8 million the previous year.

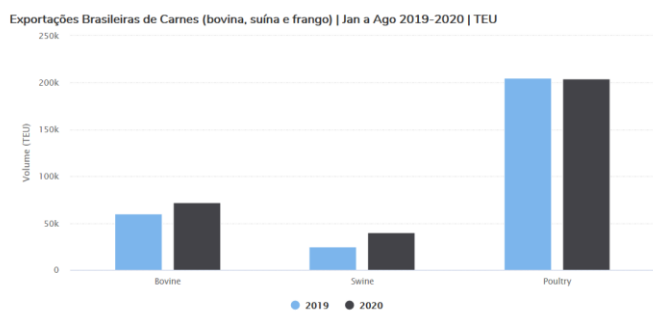
Based on data compiled with the Secretariat of Foreign Trade (SECEX), the association said that year-to-date exports registered a growth of 10% in relation to 2019 with a total of 1.46 million tons registered up until September. In terms of revenue, the increase on an annual basis is even more significant, showing an increase of 20%, to US\$ 6.1 billion, he added to ABRAFRIGO.

“China remains the main buyer of the Brazilian product,” said the agency, pointing out that the city-state of Hong Kong acquired 839,100 tons.

Chinese purchases to date represent 57.4% of the total exported by Brazil, followed by Egypt, with 101,400 tons in 2020, and by Chile, with 60,000 tons.

Russia was the fourth main destination for Brazilian beef up until September, importing 46,200 tons, while the United States was in fifth place, importing 40,600 tons, according to the sector association.

The chart below shows a comparison of Brazilian beef, pork and chicken exports in the period from January to August 2019 and 2020:



**Chilean beef exports reached 16,673 tons between January and August 2020, which meant an increase of 35.7% over the same period last year according to data from the Bovine Meat Bulletin released by the Ministry of Agriculture’s Office of Agricultural Studies and Policies (ODEPA).** The main export destination continues to be China, a market that registered a 49% increase in shipments, reaching 14,641 tons, for a FOB value of US \$ 55,426.

On the other hand, beef imports varied greatly due to the pandemic. As a result, a reduction of 15.2% was registered when compared to the period from January to August 2019, reaching 130,490 tons. 42.7% of this volume comes from Paraguay, which

is the main meat supplier in the country, followed by closely by Brazil.

The international meat market is active. In the case of China, international reports indicate that demand continues although the situation changes weekly. With respect to the United States, the USDA revised the projections for higher beef imports and per capita consumption this year.

Finally, in the case of Europe, the appearance of Covid-19 outbreaks and the outbreak of African swine fever in Germany may – or may not – affect demand for beef in the short and medium-term.

### Other cargo

**Data released by the National Association of Vehicle Manufacturers (ANFAVEA) on October 7, indicate that September was the best month of the year in terms of vehicle production and sales. September closed the best quarter of the year, following successive negative records in the second quarter which was highly impacted by the new coronavirus pandemic.** With three months left to close, the entity redid its projections for 2020, indicating a scenario that is not as bad as was predicted in the middle of the year, at the height of quarantine and unpredictability, when drops of 40% or more were expected.

Despite the recovery in recent months, the new projections still point to sharp declines in all indicators. The estimated production for this year is 1.915 million units, down 35% over 2019 and the worst year since 2003. ANFAVEA’s expectation for the domestic market for new vehicles (cars, light commercial vehicles, trucks, and buses) is 1.93 million units licensed during the year, down 31%, and the worst result since 2005. In terms of exports, it is estimated that 284,000 units will be shipped, 34% less than last year, and the worst volume since 1999. For agricultural and road machinery, the projections are a little better, with a 5% growth in sales, but a 4% decrease in production and a 31% decrease in exports.

“It is still a relief in view of the situation that we saw at the beginning of the pandemic, and we credit this mostly to the gigantic injection of money made by the federal government through emergency aid, which made the economy revolve faster than expected”, explains Luiz Carlos Moraes, President of ANFAVEA. “Even so, we will have a dramatic drop in all industry results in 2020, even though the last quarter is expected to be good, as was the third,” he adds.

September results 11% down compared with year-ago levels

The September results consolidated the recovery of the third quarter, bringing some relief to the entire automotive chain. The production of 220,162 vehicles was 4.4% higher than in August but 11% lower than in September 2019. The 9-month cumulative results showed a decrease of 41.1%. The domestic market ended the month with 207,710 licensed units, an increase of 13.3% over the previous month, and an 11.6% decrease in comparison with the same month last year (an accumulated drop of 32.3% for the year).

Poor export performance contributed to lowering production numbers, which, even in the last quarter, failed to repeat the levels of the first three months of the year, projecting for 2020 the

worst result of this century. In September, 30,519 vehicles were shipped, up 8.5% over August but down 16.7% in comparison with September 2019 (a 38.6% contraction for the year).

For the last quarter of the year, ANFAVEA expects numbers similar to those of September. "If on the one hand there are positive signs, such as the reduction in cases of COVID-19, increased demand for individual transport, and the traditional heating-up of the market at the end of the year. On the other hand, there are risks such as the reduction of emergency aid, the fall in income levels, high unemployment, and rising inflation", stated Luiz Carlos Moraes.

## Economy

**On October 7, the European Parliament symbolically rejected the European Union-Mercosur free-trade agreement due to what several parliamentarians have called "deep concern about the environmental policy of Jair Bolsonaro".**

In an unprecedented move, Parliament's plenary approved an amendment in a report on the application of European trade policy, emphasizing that the "EU-Mercosur agreement cannot be ratified in its current form".

This amendment received 345 votes in favor, 295 against, and 56 abstentions. It is highly symbolic and not mandatory, but it reflects the extremely difficult environment to implement the bi-regional agreement which has been negotiated over the past 20 years.

In practice, the need for additional guarantees by the Bolsonaro government in the environmental area will be essential for Europeans to decide whether or not to move to ratify the bi-regional agreement.

The original text of the report in the European Parliament stresses that EU-Mercosur represents the largest agreement between blocs of this type and has the potential to create an open market zone with mutual benefits for approximately 800 million citizens. It stresses that the agreement, like all EU trade agreements, must ensure conditions of fair competition and guarantee respect for European standards and production methods. The agreement maintains a binding chapter on sustainable development that must be applied, implemented, and globally assessed. It also contains specific commitments on labor rights and environmental protection, including the implementation of the Paris Agreement on climate and its relevant rules for application.

However, in a plenary parliamentary session, a group of French deputies from the Renova Europa group (liberal center) proposed the amendment that reflects the views of Emmanuel Macron's government.

The final text removed the mention of President Bolsonaro but retained the message that the agreement cannot be ratified as it currently stands. For analysts, it is a clear symbolic rejection of the agreement.

**According to the World Trade Organization (WTO), world trade is showing signs of recovery after the slowdown caused by the Covid-19 pandemic, but the recovery still remains uncertain.** The global entity's new world trade volume projections are for a decrease of 9.2% for 2020 and then an increase of 7.2% in 2021.

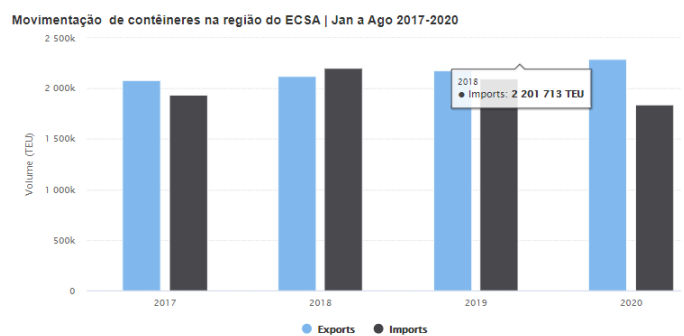
In April, with many economies completely closed down, the WTO had projected a much larger contraction for 2020, of between 12% and 32%. But a 7.2% rise next year will still be well below the pre-crisis trend.

The WTO is currently experiencing a recovery in exports and imports, but there are still exceptionally high uncertainties, as the projections depend on the evolution of the pandemic and the responses given by governments.

The entity estimates a 4.8% decline in worldwide Gross Domestic Product (GDP) this year, growing 4.9% again in 2021.

The following graph shows a comparison of container movement in the ECSA region since 2017:

## Container Movement in ECSA Region | Jan to Aug 2017-2020



Asia's decreased exports (-4.5%) and imports (-4.4%) will be less marked this year than in other regions.

In the second quarter of 2020, world trade in goods suffered the strongest decline ever recorded, with a 14.3% decrease compared to the previous period. But June and July showed positive results, sparking new optimism about the global growth of exports and imports.

The WTO warns, however, that the risks of a new downturn remain high, especially if the pandemic increases in the coming months. Projections for South and Central America are now improving, with exports falling by 7.7% and imports by 13.5%. In April, the WTO had estimated a decrease of between 12.9% and 31.3% in exports, depending on the positive or negative scenario. Imports could fall between 4.3% and 11%. WTO's projections were made uniquely based on goods.

DatamarWeek is our weekly newsletter. Previous editions can be downloaded at [www.datamarnews.com](http://www.datamarnews.com)

Your contributions, criticisms, suggestions and, if you do them, press releases, will be welcome. Contact: [datamarweek@datamar.com.br](mailto:datamarweek@datamar.com.br)

Tel + 5511-3588-3033

Datamar Consultores Associados Ltda.

Rua Fuchal 203, 4th floor

Vila Olímpia, São Paulo – 04551-904 – SP