Main news

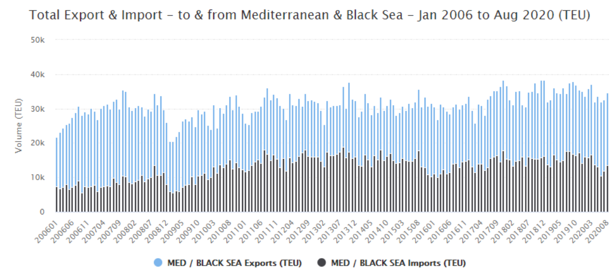
Dataliner data indicates that there was growth in exports from the main trade groups. Despite this, there was a drop in imports. See details below:

Mediterranean and Black Sea

In this trade lane, exports grew 3.65% in the period from January to August 2020 compared to the same period in 2019, with 160,265.43 TEUs. Imports, on the other hand, fell 9.92%.

Mediterranean & Black Sea Imports and Exports – Jan 2006 to Aug 2020 (TEU)

Mediterranean & Black Sea Imports and Exports – Jan 2006 to Aug 2020 (TEU)



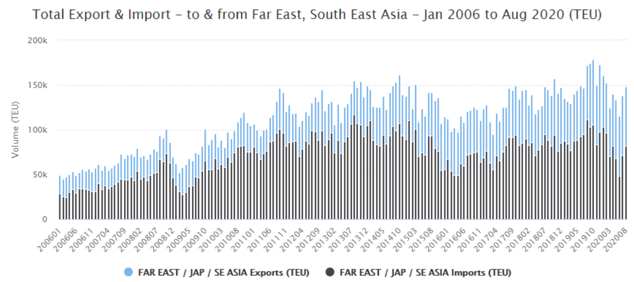
Source: DataLiner

Far East & Southeast Asia

Exports in this trade lane performed well, showing a growth of 16.25%. Imports, on the other hand, fell 13.91%.

Far East and Southeast Asia Imports and Exports – Jan 2006 to Aug 2020 (TEU)

Far East and Southeast Asia Imports and Exports – Jan 2006 to Aug 2020 (TEU)

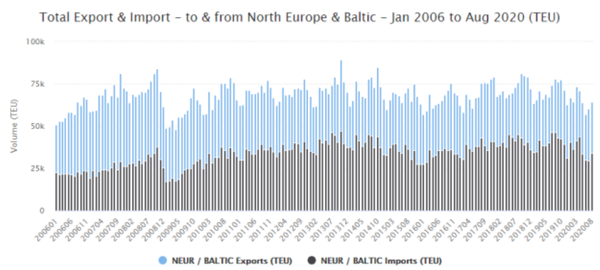


Source: DataLiner

Northern Europe and the Baltic region

Here there was a decrease of 0.58% in exports in the period from January to August compared to the same period in 2019. Imports also registered negative numbers, with a decrease of 9.57%.

Northern Europe and Baltic Region Imports and Exports – Jan 2006 to Aug 2020 (TEU)



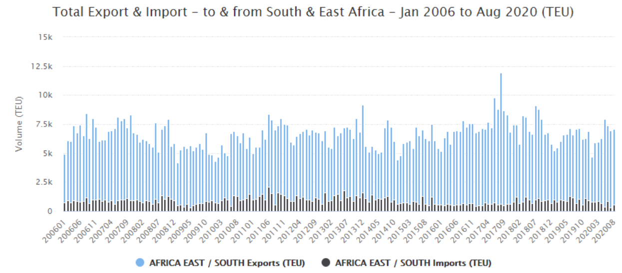
Source: DataLiner

Southeast Africa, Middle East, and Indian subcontinent

Exports in this region grew by 8.66%, while imports fell 32.23%.

South and East Africa Imports and Exports – Jan 2006 to Aug 2020 (TEU)

South and East Africa Imports and Exports – Jan 2006 to Aug 2020 (TEU)



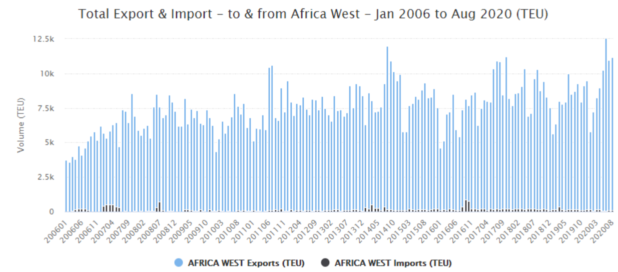
Source: DataLiner

Western Africa

There was considerable growth in exports in the trade lanes in this region in the first eight months of 2020 compared to the same period in 2019: + 21.12%. On the other hand, imports fell 40.7%.

West Africa Imports and Exports – Jan 2006 to Aug 2020 (TEU)

West Africa Imports and Exports – Jan 2006 to Aug 2020 (TEU)

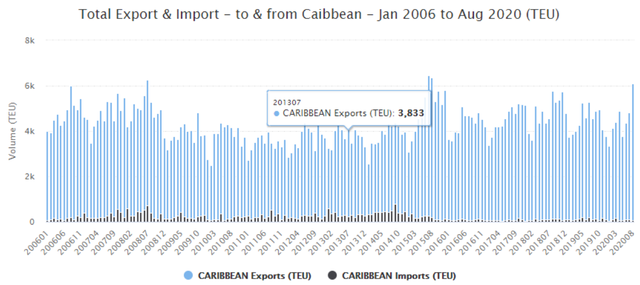


Source: DataLiner

Caribbean, NCSA, and USA / Gulf of Mexico

In this region's trade lanes, there was a slight growth in exports of 2.06% offset by imports which fell by 31.33%.

Caribbean Imports and Exports – Jan 2006 to Aug 2020 (TEU)

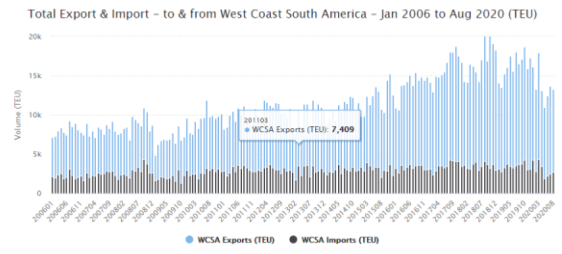


Source: DataLiner

South America West Coast

This trade lane registered an 11.08% drop in exports in the period from January to August 2020 compared to the same period in 2019. Imports also fell, by 10.42%.

West Coast South America Imports and Exports – Jan 2006 to Aug 2020 (TEU)

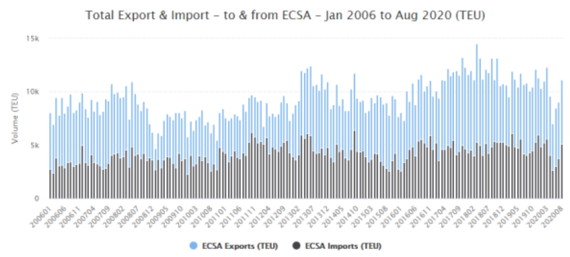


Source: DataLiner

ECSA

In the ECSA region, the drop in exports was 5.7% or 44,915.40 TEUs. The fall in imports was greater: -12.89%.

ECSA Imports and Exports – Jan 2006 to Aug 2020 (TEU)

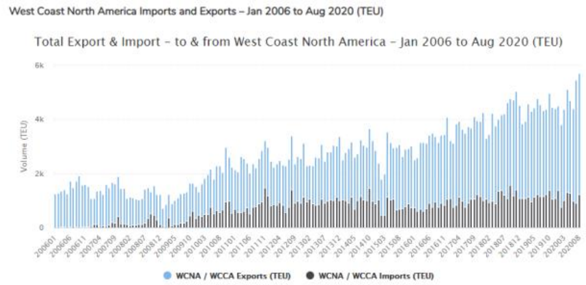


Source: DataLiner

WCNA / WCCA

In the WCNA/WCCA trade lane, exports grew by 13.21% in the period from January to August 2020 in relation to the previous year. Imports fell slightly, by 0.21%.

West Coast North America Imports and Exports – Jan 2006 to Aug 2020 (TEU)

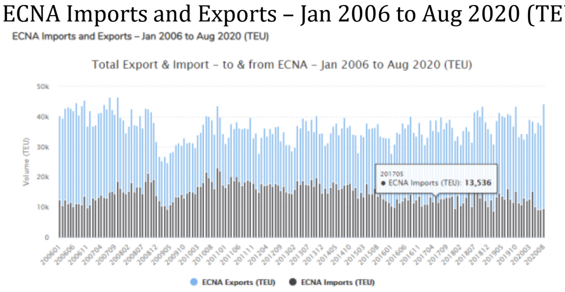


Source: DataLiner

ECNA

There was modest growth in exports in the East Coast North America trade lane, of + 2.61%. Imports, on the other hand, fell by 12.08%.

ECNA Imports and Exports – Jan 2006 to Aug 2020 (TEU)



Source: DataLiner (to order a DataLiner demo click here)

Ports, terminals and infrastructure

According to Marcello Costa, the National Secretary for Land Transport at the Ministry of Infrastructure, rail transport in Brazil will once again become the focus of investments after decades of stagnation and will gain more priority in the distribution of inputs and goods within the national logistics model.

According to Costa, who has a doctorate in transport with an emphasis on logistics from the University of Brasília (UnB), the modes of transport need to reflect the geographical characteristics, dimensions, distances, and the types of cargo that are transported. "We produce a significant number of commodities – minerals or agriculture – transported over long distances, far from large ports. We have to adapt to the most competitive forms, such as the railroad modal" says the Secretary.

According to figures from the Ministry of Infrastructure, Brazil uses rail to transport only 15% of large volumes of goods and inputs in the country. Highways account for 65%. Marcello explains that for products with low added-value and high volume, rail transport is the most appropriate. The planning that the ministry follows aims to balance the transportation matrix, investing mainly in the modes that best adapt to the country, which in its opinion are the rail and waterways, including coastal shipping.

Logistics planning - The goals of transforming Brazilian logistics are broad and include long-term strategic measures, says Costa. These objectives are included in the National Logistics Planning (NLP), a document that aims to improve and optimize the way products enter and leave the states and arrive at the export routes at the ports.

The current NLP covers the period between 2018 and 2025 and foresees more than doubling the participation of the railway modal. "The goal is to increase the railroad's share of Brazilian logistics to 31-32%," says Costa.

According to the secretary, the Ministry of Infrastructure plans to deliver a review of NLP in 2021 that will provide revised scenarios up to the year 2035. Costa promised that the government will deliver the sector's evolution goals by 2050 before the end of the current mandate. "The goals are consistent with railway planning. A railroad takes about a decade to complete and is operated for 20, 30 years. This planning horizon is reasonable", he maintains.

The Ministry of Infrastructure works on two major fronts for boosting railway transport: recovery of stretches, with the improvement of old and low-performance roads, and construction of new modern and efficient railways.

"On the one hand, we need to increase the capacity of the existing network in these 29 thousand kilometers, mainly the 9 thousand non-operational ones. We need to re-potentiate and increase the capacity of the railway network, which is still from the last century. The average speed of cargo transportation by rail is around 23km/h, which demonstrates the first challenge to be overcome to increase efficiency ", emphasizes Marcello Costa.

According to Costa, the ministry currently evaluates the advantages of renewing contracts for the five major Brazilian railways. Contracts for Rumo Malha Paulista – which feeds the

Port of Santos – for the Carajás railway and the Vitória-Minas railroad have already been analyzed and renewed in advance. Rumo Malha Sul, MRS, and VLI – other major national railroads – are still being analyzed for the portfolio.

External investments - Historically, the inflow of private resources has largely boosted railway expansion in countries with large networks. Therefore, the participation of internal and external investors is essential for the advance of the Brazilian railway says the Secretary. “The Brazilian infrastructure is a great business opportunity. We have a lot of maturity in our concession contracts, which attracts even more investors. ”

What’s next - The goals created by the federal government for the development of the railway modal are ambitious. In addition to the National Logistics Plan until 2050, the Ministry of Infrastructure intends to finish all the early renovations of the current national railway network and to prepare and launch the railroad public auctions that are planned for the future.

Marcello Costa also mentions the influence of new technologies on the railway sector. The 5G technology, which arrived in Brazil this year, will be one of the crucial factors for operational optimization for cargo transportation. He says that the demand for efficiency and competitiveness in the sector will create space for the birth of national solutions that involve automation and digitalization of processes. “We have a partnership to implement a center of excellence for rail transport. Minister Tarcísio understood the need to facilitate and permit academic studies and research, testing of new equipment, training, and improvement courses for professionals.

On October 21, a memorandum of understanding was signed at the headquarters of Complexo do Pecém with the Chinese multinational Mingyang Smart Energy, which plans to install an offshore wind farm in the region of the Pecém coast. In the wind energy production industry, the term ‘offshore’ applies to wind towers installed on the high seas, in shallow waters, and in locations away from maritime traffic routes.

To connect to the power grid on land, the towers are connected to the coast using submarine cables. The generated energy is then sent to distribution centers. “Today the Pecém Complex has companies that directly contribute to the energy matrix of the State of Ceará. Now, we are starting the first feasibility studies around this pioneering project, an offshore wind energy project, which is extremely important for the development and the consequent maturation of the renewable energy sector in Brazil”, says Danilo Serpa – President of the Complex do Pecém.

In the last month of September, the government of Ceará, which is the majority shareholder of Complexo do Pecém, had already signed a memorandum with Mingyang to formalize their intention to receive an offshore wind complex in the State.

According to initial forecasts, the Chinese multinational enterprise is expected to generate approximately 2,000 jobs during its initial phase. The expectation is that the Mingyang enterprise will be implemented by the year 2023.

To settle in Ceará, the company considered factors such as strategic geographic location, which ensures the potential for the generation of electric energy from renewable sources, as well as the infrastructure of the Pecém Complex. The Vice President of Mingyang even highlighted the Chinese group’s intentions to transform the Port of Pecém into an export hub for offshore wind farms in Brazil and abroad.

“We believe that Mingyang and Pecém will be great partners. At that moment, we started a new phase of the project with the signature of a specific memorandum of understanding. In the next phase, we intend to conduct a pilot test for the implementation of offshore wind turbines gaining experience in design, budget, construction, and legal permissions for future larger projects. Mingyang is willing to share this experience with the State of Ceará, the Complexo do Pecém, and the industry in general. This should be our first offshore project in all of Latin America, so we plan to begin construction as early as 2022”, concludes Larry Wang – Vice President of Mingyang Smart Energy Group.

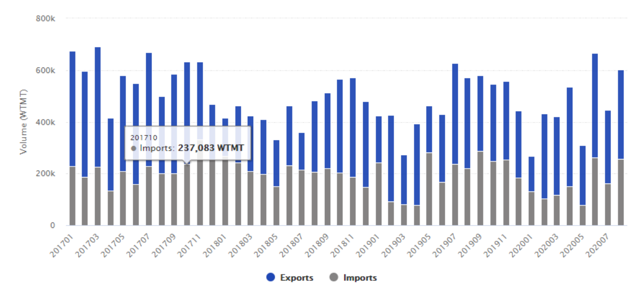
The second half of 2020 is encouraging for the Port of Vitória, which has been registering a steady growth in ship moorings. From January to June, 289 vessels accessed the Vitória channel, while in the third quarter (July, August, and September), 184 ships have already been recorded.

From June to September, there were 287 moorings, an increase of 54.3% compared to the first five months of 2020, and flags of 34 countries, such as Panama (36 ships) and Liberia (22), in addition to Brazil (90 – shipping) cabotage). The main products handled were solid and liquid bulk, fertilizers, and containers.

According to Leonardo Bianchi, CODESA’s Planning and Development Coordinator, with the new Atalaia Pier (berth 207) coming onstream, this will allow the Port of Vitória to receive a greater number of vessels without long waits, making it more competitive. “The Port of Vitória will serve a larger number of ships sailing from many countries, without reducing the level of service. Our expectation is for growth in the total number of moorings without any increase in waiting lines; this is an indicator of increased competitiveness vis-à-vis the port sector”, he stresses.

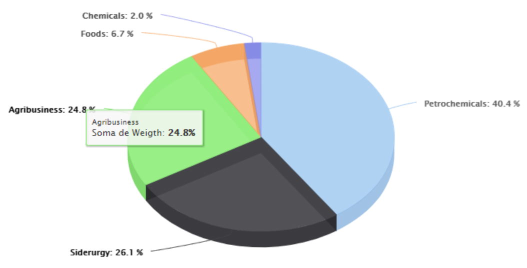
Consult cargo handling at the Port of Vitória on the following charts in addition to the main products handled:

Cargo Handling at the Port of Vitoria | Jan 2017 to Aug 2020 | WTMT



Source: DataLiner

Main Products Handled at the Port of Vitoria | Jan to Aug 2020 | Percentage



Source: DataLiner (To request a DataLiner demo click here)

Once again, a new review request postponed a decision by CADE (the administrative council for economic defense) on the charging of a fee known as THC2 which has divided the port sector for almost 20 years.

The fee is charged to ‘dry’ terminals, the warehouses that are not installed by 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 and would result in unfair competition. CADE has always agreed with this position. Recently, however, a new resolution by ANTAQ (the national waterway transportation agency) caused CADE’s technical area to speak out in favor of the fee collection, generating expectations in the sector about a possible change of understanding.

However, until the time of the review request, the plenary of the antitrust body had been maintaining its position against the fee collection in a lawsuit filed against the container terminal of the Port of Suape, in Pernambuco. The rapporteur of the process, Luiz Hoffmann, voted against the fee collection and was supported by CADE’s attorney, Walter Agra. The vote was interrupted by the request for a review submitted by counselor Luiz Braido, and should return to CADE’s agenda for the session to take place on November 4th.

According to Ricardo Buteri, Commercial Director of Santos Brasil, “the new CD will allow the expansion of our general-storage operations, serving a greater number of customers in the one-stop-shopping model – in which we transport the cargo from the port to the final destination, centralizing all logistics chain services into one single interface – and we take care of new customers who do not need a customs area, but who require customized logistics services, with the security and guarantee of the proven service of Santos Brasil ”.

With 7,376 m2 and space for 13,184 pallets, the new unit increases Santos Brasil’s general warehouse storage capacity by approximately 30%, expanding the offer of verticalized operations from port to door and the company’s performance in third-party logistics (3PL) operations.

CD Imigrantes is in a closed condominium. It has a laser-leveled floor, a ceiling height of 12 meters, 13 docks with graders, and a fire-fighting system with J4-category sprinklers. It is receiving state-of-the-art equipment, such as new pallet trucks and articulated forklifts, which can operate in narrower spaces, increasing the area’s productivity.

The warehouse management system (WMS) will integrate with the company’s two distribution centers. In addition, the logistics area system now has been upgraded with new features and more possibility of generating dashboards, with online visibility for customers and sophisticated reports.

DP World Santos started operating two more regular services with weekly stopovers in October. These are the long-haul Brazex Loop 2 and Nexco cabotage lines. Both are operated by companies held by the CMA CGM group (CMA CGM and Mercosul Line), which has been operating at the terminal since 2013 with three other routes.

Brazex Loop 2 makes optimized connections between North America, the Caribbean, Asia, and Europe. At DP World Santos, the beginning of this service will be marked by the arrival of the ship “Mandalay”, on Wednesday, October 21st. 982 unloading movements will be carried out.

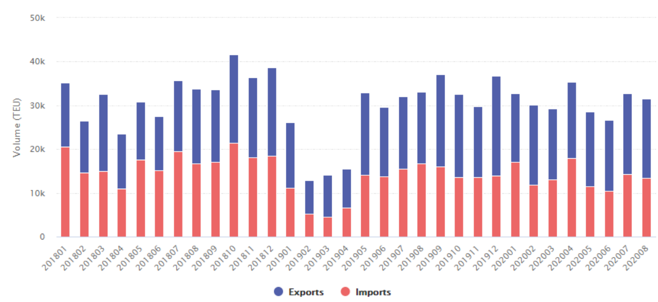
The operations will take place as part of the route that calls the ports of Vila Do Conde (PA), Vitória (ES), Santos (SP), and Navegantes (SC), connecting to Caribbean ports (including the DP World unit in Caucedo), Asia, Europe, and North America. Another four vessels are part of the service, with an average length of 190 meters and an average capacity of 2,400 TEU.

In the case of the Nexco cabotage service (an acronym for Northeast Express Connection), from Mercosul Line, the southeastern and northeastern regions of Brazil are connected in just over 10 days through the ports of Santos, Salvador, Suape and Itaguaí. This line is operated by DP World Santos with the ship “Aristote”, which is 170 meters long and has a capacity for 1,691 TEU.

In addition to the new services, DP World Santos currently operates three long-haul lines connecting the Caribbean/Gulf of Mexico, Africa, and Asia, in addition to three coastal lines.

Consult the chart below for monthly container handling at the DP World Santos Terminal:

Container Handling at DP World Santos Terminal | Jan 2018 to Aug 2020 | TEU



Graph source: DataLiner (To request a DataLiner demo click here)

On October 19, the Ministry of Infrastructure (MINFRA) announced that it is preparing a process for the institutional restructuring and reorganization of Valec and Empresa de Plenejamento de Logística (EPL), which will become a single company that will be called Infra SA. It is expected that the restructuring plan will be presented in 90 days and the entire consolidation process will be completed in 270 days. After implementation, quarterly follow-up evaluations of the new company will be carried out.

According to the government, one of the main objectives of the merger is to optimize spending through a leaner, more efficient, and more sustainable company. As of the merger, Infra S.A. will structure projects for the concession of assets to the private sector in the long term. “What I’d like to see from all managers and employees at Valec and EPL is full engagement in this process so that we can design a new company that is born without the ailments of the past, with governance and instruments that help us to think about infrastructure in Brazil,” declared Minister Tarcísio Gomes de Freitas.

The entire transition process will be supported by the Falconi consulting firm, specialized in the segment. A new business model will be created by the consulting firm to consider the following perspectives: organization, operations, management, and implementation. In 90 days, the consultants will present the results of the model, with standards for project governance and strategic alignment with the main executives of the companies.

Wilson Sons recorded a 12% reduction in greenhouse gas (GHG) emissions since 2013 when it began to voluntarily publish its inventory. The survey follows the methodology of the Brazilian GHG Protocol program and annually measures the emission of gases mainly from the burning of fossil fuels and the consumption of electric energy in all the eight business units of the Group.

The company's inventory is officially recognized with the Silver Seal, a qualification granted to organizations that report emissions in full, that is, all issuing sources are identified and accounted for. For the next year, Wilson Sons took on the challenge of publishing the inventory of the Gold Seal category, in which companies also undergo external verification.

"In order to prepare the company for the new certification, we rely on Firjan's external consultancy which prepared a diagnosis and pointed out the main points of adaptation for us to obtain external verification", stated João David Santos, Manager of Health, Environment, Safety, and Sustainability at Wilson Sons.

Among the new practices adopted is the automation of the necessary records for the inventory in all Wilson Sons business units, making the flow simpler and more reliable.

Shipping

ZIM and Alibaba.com have entered into a broad strategic cooperation agreement for the direct purchase of sea freight, thus improving logistics services for Alibaba.com sellers. With the agreement, ZIM provides sea freight and services through a direct interface with Alibaba.com's logistics platform.

"We are proud of this first cooperation with Alibaba.com. It is an important step for ZIM, which expands its digital services to e-commerce customers and to small and medium-sized businesses," stated Eli Glickman, President and CEO of ZIM.

"As the largest international B2B e-commerce platform, Alibaba.com aims to build a global logistics network together with ZIM and other partners and reshape global logistics standards. Cooperation between ZIM and Alibaba.com will provide customers stable, efficient, and visible international supply-chain solutions and will provide strong support for the growth of global digital commerce," announced Alibaba.com General Manager Kuo Zhang.

According to the companies, the cooperation agreement effectively improved the visualization process of Alibaba's logistics platform. Both are considering options to expand collaboration.

CMA CGM reported that due to the reduced ship and barge capacity caused by the reduced draft in the Amazon region, it will need to apply a surcharge on its tariff to Manaus.

According to the company, the current water level in the region is 16.99 m, when the normal is 28 m. Therefore, to continue providing the service with optimal conditions, it will implement a Low Water Surcharge (LWC) applicable to all loads from the Far East of Asia to Manaus (BRAZEX 1 service), from October 21, 2020, until 21 December 2020.

The LWC will be US $ 150.00 per Dry TEU and US$ per reefer TEU.

Fruits

Chilés agriculture ministry announced that Vietnam is to start receiving Chilean cherry imports. In return, Chile approved the import of Vietnamese grapefruit.

According to Rodrigo Yañez, Chile's Undersecretary of Foreign Affairs, "the opening of the market for cherries comes at a good time: at the beginning of the export season and the celebration of the lunar new year in Vietnam. This is great news, as greater trade openness and market diversification can help a small economy like Chile's to continue growing during a global context of uncertainty".

According to Ronald Bown, President of ASOEX (the association of fruit exporters of Chile), "Last year, the country exported 228,586 tons of cherries. Of this amount, about 90% went to China. Diversifying our exports within Asia, as in the case of Vietnam, is therefore important since it is also a market that consumes high amounts of imported fruits, especially those of high quality, as is the case with our cherries," he said.

The export of Chilean cherries to the world has grown in recent years. The total volume exported in the 2017-2018 period is double that exported in the 2016-2017 period and sales for the 2019-2020 period are expected to increase by 15 %. The various varieties of cherries produced in Chile, such as Bing, Lapins, Santina, Sweet Heart, and Rainier, among others, have a sweet flavor and an intense color and are highly valued internationally.

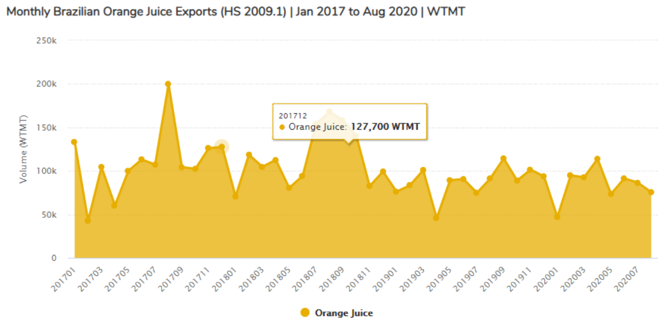
According to CitrusBR, an association that brings together Brazilian citrus juice producers and exporters, Brazilian orange juice exports dropped 26% to 223,682 tons in the first quarter of the 2020/21 harvest, which started in July. The product was pressured by the downward cycle in fruit crops combined with the high level of beverages stocked abroad.

During small harvest years, juice shipments (FCOJ Equivalent to 66º Brix) are seasonally lower when compared to "full" seasons, said the executive director of CitrusBR, Ibiapaba Netto. The 2019/20 harvest resulted in 1.2 million tons of juice, 37.4% above the previous period. According to Netto, with a high level of production, it was possible to replenish stocks that were quite low in the same period last year.

The replenishment of reserves required a greater movement of juice from Brazil abroad "and that explains why this year shipments are so low", he said, emphasizing that the good performance of the first quarter of 2019/20 raised the base comparison for the current crop.

After the processing of the 2019/20 harvest, 36% higher than the previous one and months at a strong export pace, inventories were replenished to 471,138 tons on June 30, 2020.

Consult the chart below for monthly Brazilian orange juice exports since January 2017:



Graph source: DataLiner (To request a DataLiner demo click here)

Meat

The Asian country is the major destination for Brazilian exports, accounting for 37% of revenue from meat shipments. Between January and September, China spent US$ 4.7 billion to import 1.5 million tons of meat, according to data from SECEX, the foreign trade secretariat, compiled by the Ministry of Agriculture.

Chinese officials carried out a remote inspection of Brazilian slaughterhouses whose exports to the Asian country have been suspended due to Covid-19 cases among employees.

According to an agricultural tax auditor who accompanied the video inspection, the inspection was positive. The resumption of sales, however, depends on the correction of some minor non-conformities that were detected.

According to auditor Adriano Guahyba, in Rio Grande do Sul, four slaughterhouses were inspected: two from Seara, in Passo Fundo and Três Passos; one from BRF, and another from Minuano, both in Lajeado.

According to the auditor, there is still no document showing the conclusion of the Chinese inspection. However, the Asian authorities' "verbal opinion" was favorable. Chinese documentation showing the inspection results and the subsequent release of sales by the General Customs Authority of China (GACC), will only occur after the slaughterhouses correct the non-conformities pointed out by the Chinese.

According to the auditor, the problems detected are small and, apparently, easy to solve. The four slaughterhouses in Rio Grande do Sul had at least one type of non-conformity pointed out, and one of the plants had four non-conformities to correct, Guahyba revealed.

In a note published on Wednesday, ANFFA Sindical (the national union of agricultural tax auditors) celebrated the result of the inspection, during which eight slaughterhouses were remotely inspected between the end of September and the beginning of October. "In the next few days, the final result and the probable resumption of exports to the eastern country should come out," states the text by ANFFA Sindical. The Chinese decision period is always viewed with caution by the Ministry of Agriculture. In Brazil, there are guidelines in place to avoid addressing the issue so as not to offend the Chinese, to the extent that ANFFA's statement was eventually taken down.

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As of November 16, BRF will temporarily halt its chicken slaughterhouse at the Carambeí unit in Paraná. The information was revealed on October 19th on the website of the "Globo Rural" magazine.

BRF informed in a memo that "the Carambeí (PR) unit will undergo operational adjustments, where modernization works will be carried out as of November 16. The objective of this specific and previously planned measure is to adapt production to demand from the market".

The Carambeí slaughterhouse exports to the Middle East, a region where demand for chicken meat has fallen amid the impacts of the pandemic on tourism in destinations such as Dubai.

Between January and September, shipments of Brazilian chicken meat to the United Arab Emirates fell 15.7%, according to data from the Foreign Trade Secretariat (SECEX) compiled by the Ministry of Agriculture.

Other cargo

According to a foreign trade report by ABIQUIM (the Brazilian chemical industry association), imports of chemical products increased by 10.2% in September, reaching US$ 3.7 billion, a considerable increase compared to August. At the same time, exports increased slightly, from 1.5% on the same comparative basis, to US$ 871.4 million.

The most imported chemical products continue to be fertilizer intermediaries, totaling US$ 716.7 million, an increase of 11.1% compared to August. Thermoplastic resins were the most exported items, totaling US$ 103.5 million, down 13.4% compared to August.

From January to September, chemical imports totaled US$ 30.3 billion, with a 9% decrease. Exports, on the other hand, fell 14.8%, to US$ 8.3 billion. In volume, however, imports until September reached record levels of more than 37 million tons. This is equivalent to an increase of 6.9% compared to the same period last year – the 34.6 million tons of that period was also a record amount.

According to ABIQUIM, the average price of imports fell by 14.9%, while in exports the drop was 19.7%, as reflected in the industry's trade deficit.

For the last months, the negative balance was US$ 22 billion, down 6.7%. For the 12-month period through September, however, the deficit reached US$ 30 billion.

Economy

A special survey conducted by the CNI (the national confederation of industry), pointed out that the Brazilian industrial sector is now experiencing the second effects of the Covid-19 pandemic. The first stopped production. In the second, stocks, inputs, and raw materials are lacking.
According to the survey, 68% of the companies consulted are having difficulties in obtaining inputs or raw materials in the domestic market and 56% of the companies that use imported

inputs regularly are having difficulties in acquiring them in the international market.

In addition, 82% of companies noticed an increase in prices, with 31% reporting a sharp increase. The survey counted on the participation of 1,855 companies between October 1st and 14th, in 27 sectors of the transformation and extractive industries. Robson Braga de Andrade, CNI President, explains that companies chose to reduce inventories to face the sharp drop in revenue and the difficult access to working capital in the first months of the crisis.

“The economy reacted faster than expected. Thus, there was a mismatch between supply and demand for inputs. And both producers and suppliers had low inventories. At the height of the crisis, we saw the demobilization of production chains and low stocks. In addition, we have a strong devaluation of the real, which has contributed to the increase in the price of imported inputs”, he says.

The survey shows that 44% of the companies surveyed say they are having trouble serving customers. These companies point out among the main reasons for the difficulty of service: the lack of inventories pointed out by 47% of the companies; demand that is greater than production capacity, reported by 41% of companies; and the inability to increase production, according to 38% of the companies.

Of the total of companies that are unable to increase production, 76% claim that they are unable to increase production due to the lack of inputs. And the problem should last at least another three months. 55% of the companies believe that their ability to supply customers will return to normal only in 2021. The perception of the input market is less optimistic. Among respondents, 73% believe that it should only improve in 2021.

In 10 of the 27 sectors considered, at least half of the companies are struggling to meet demand. The percentage of companies that find it difficult to supply customers is higher in the Furniture (70%), Textiles (65%), and Plastic products (62%) sectors.

Small businesses are most affected by the lack of inputs

The situation is more serious among small businesses. In this segment, 70% were affected by the lack of inputs compared to 66% in the large ones. In addition, the percentage is higher for smaller companies that claim to face a lot of difficulties, reaching 28% among small companies and 27% among medium-sized companies.

In the case of obtaining imported products, the distance is even greater. While 77% of the small ones reported difficulty in obtaining these raw materials, only 50% of the large ones are in the same situation.

GECEX, the executive management committee of CAMEX, the chamber of foreign trade, decided by means of Resolution No. 104/2020 to extend until December 31, 2020, the validity of Resolution No. 17/2020 which suspends tariff import duties that would focus on items essential to combat Covid-19.

Based on studies carried out by the Ministry of Health, adjustments were made to exclude from the list, beginning November 1, items for which adequate supply conditions already exist in the national market. The complete list of excluded items is contained in GECEX Resolution No. 103/2020. According to the agency, this change is the result of increased national production of items essential to combat the pandemic.

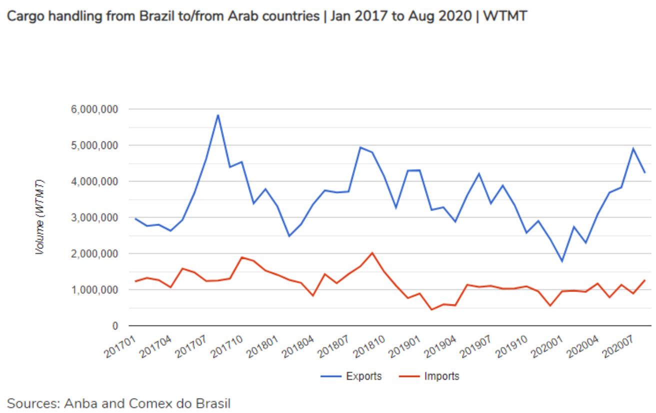
As a result, a wide list of 479 medicines, hospital equipment, personal hygiene items, and other supplies used to combat Covid-19 will continue at zero tariff until December 31.

Together with Mercosur, Brazil is negotiating new free-trade agreements with some Arab countries, according to Roberto Fendt, Special Secretary of Foreign Trade and International Affairs of the Ministry of Economy. The information was disclosed on October 19th during a lecture by the Secretary at the Brazil & Arab Countries Economic Forum, promoted virtually by the Arab Brazilian Chamber of Commerce.

“The Brazilian government has sought to accelerate the process of negotiating new generation trade agreements, as a way of expanding preferential access to our exports as well as facilitating imports of inputs and technologies at competitive costs,” said Fendt.

According to the secretary, the Arab countries are important trade partners for Brazil and the Brazilian government is interested in strengthening its relations. “In fact, Mercosur has already signed a free-trade agreement with Egypt and Palestine. It is currently negotiating an agreement with Lebanon. Mercosur has also started negotiations with Tunisia and Morocco,” said Fendt. The agreement with Palestine has not yet entered into force.

See monthly cargo movement between Brazil and the Arab countries since January 2017:



A recent study by DEAGRO, the agribusiness division of the Federation of Industries of São Paulo (FIESP), pointed out that China, the main destination for Brazilian agribusiness exports, continues in this position, given its economic growth and its demand for food of its gigantic population. But Brazil cannot bet all its chips on the Asian country without running the risk of seeing its bargaining power decrease and losing markets in important countries and regions in order to maintain the growing and diversified trade agenda.

Based on the evolution of shipments from the sector to China, the European Union, and the United States between 2009 and 2019, the study highlights not only the surge in sales to China and the growing dependence on Brazilian production chains such as soybeans in the Asian market but also highlights the slow advance of sales to the USA and the drop in the value of shipments to the European Union during the last decade.

The USA and the EU are fundamental markets for food exporters like Brazil, due to their high phytosanitary requirements and the wide consumption of products with more added value. For other countries, they often function as business cards that make the procedures of the necessary protocols more agile to make agricultural trade viable. That is why good relations with these partners tend to open other doors.

“We are concerned to see an increasing concentration on exports to China, and on a few products,” says Roberto Betancourt, director of DEAGRO. The study points out that according to 2009 data from SECEX, the Foreign Trade Secretariat, Brazilian agribusiness shipments to China generated US$ 8.9 billion, or 15% of the sector total. In 2019, sales totaled US$ 31 billion, almost 250% more, and China received 32% of Brazilian exports. In the 12-month interval between August last year and last July, this number increased to 33%, or US$ 71.3 billion.

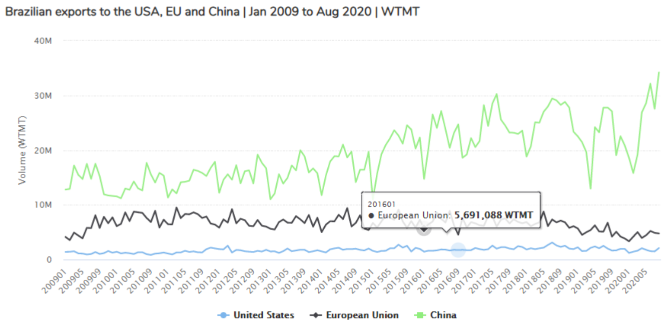
Soy and pulp were the most common shipments to China in 2009 and demand remained high in 2019. But there was an important change in the sales profile with the growth in shipments of beef, chicken, and pork, which are products with higher added value.

“In recent years, geopolitics has also benefited Brazil in China because of the trade disputes between Beijing and Washington, but, on the other hand, it has hurt us in the EU,” noted Betancourt. He refers, of course, to the constant European criticism regarding environmental problems in Brazil, which can also serve as a pretext for protectionist barriers.

In 2009, Brazilian agribusiness exports to the EU reached US$ 19.1 billion, or 30% of the sector total, and last year the value dropped to US$ 16.8 billion, or 17.3%. “It is true that Europe is getting complicated and that there are countries that we can access more easily. But it is necessary to have balance and the European market cannot be left aside ”, says the Director of FIESP He recognizes that the agreement between Mercosur and the European bloc can help to stop the bleeding, but, in general, he defends the negotiation of a greater number of bilateral agreements.

Betancourt notes that even in the USA, a competitor of Brazil in markets such as grains and meats, there is still a great potential to be explored with specific agreements. “The US imports $ 20 billion a year in fruit, for example, and our share of that is close to zero.”

Consult the following chart for exports from Brazil to the USA, European Union and China from 2009:



Graph source: DataLiner (To request a DataLiner demo click here)

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