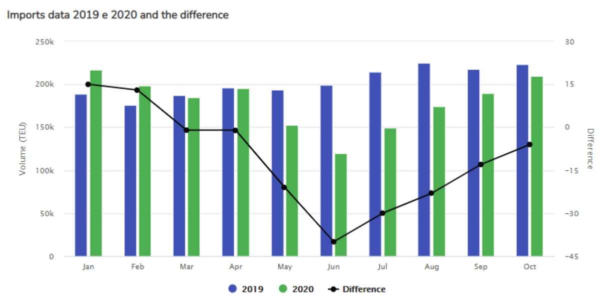
Main news

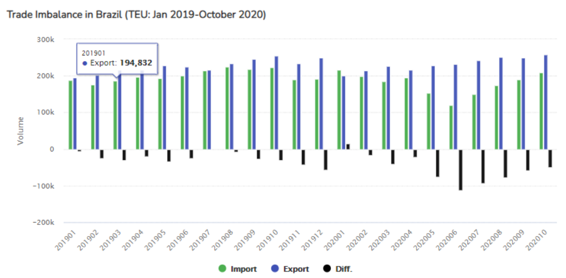
Both imports and exports have been on quite a journey this year. Datamar figures show that imports were 216,839 TEU in January and steadily fell to a year's low in June, with 119,492 TEU (down a massive 40% compared with the 2019 figure of 199,666 TEU). At the same time exports have steadily risen every month from 201,140 TEU in January up to 251,376 TEU in August and then to 258,462 TEU in October, which is the latest figure to be released. The only exceptions to this rise/fall scenario were in April, when imports rose slightly and exports fell a little, and in September when exports fell slightly (by just 2,800 TEU) compared to the previous month.

After Brazilian imports started the year with healthy increases of 15% and 13%, respectively, for January and February, they began to nosedive as the full effects of COVID-19 started to kick in. By May imports were down by 21% (to 152,504 TEU, and in June they were down a catastrophic 40% (to 119,492 TEU) compared with 2019. However, since June, imports have risen significantly to the surprise of almost everyone as shown in the graph below:



Source: DataLiner

The following graph uses Datamar's DataLiner data to illustrates how the import/export balance has fared in recent months. The month of October showed only 48,500 TEU more exports than imports yet back in June there were 113,000 more TEU exported than unloaded. During both January and February of this year, the gap was just 15,000 (in favor of imports) and 16,000 (in favor of exports) TEU difference.



Source: DataLiner

With heavy demand for empty containers currently a worldwide phenomenon, a fair degree of "prioritization" has been going on as carriers' logistics departments try, wherever possible, to send the empties to the "highest paying routes". There also seems to be a tendency to avoid the longest distance routes as this can mean empties taking 40 plus days to get back to an exporter ready for the next round of stuffing. To a large extent this has meant getting boxes from the US, or Brazil and ECSA as well as Europe back to vessels on the trans-pacific trades which have seen record freight rates, and high profitability for carriers per nautical mile.

Shortage of containers on East Coast South American trade…

As we went to press the Real was trading at 5.3 to the US dollar and 7.0 to the Pound Sterling, up from an average of about 4.2 to the greenback between 2016 and 2018, which are close to historic highs, and massive increases over recent years. It peaked at R$ 5.89 to the dollar on May 14 of this year. Throughout 2019 the average exchange rate was around 4, and 3.2 in 2017. In 2014 the average was 2.3 Reais to the dollar and throughout 2011 it averaged just 1.65, so over the past five to six years Brazilian goods have become 250% cheaper to buy on the international markets.

And since COVID-19 broke and consumers around the world cannot spend their cash on holidays and travel (because it is banned or, at best, restricted), or eat out (many restaurants are closed) or even use services and entertainment (such as beauty parlors, gyms, sports clubs, movies, and the theatre), they have instead since mid-year been spending on better quality food and home improvements and re-equipping their offices and homes with TVs and electronic goods. This has led to a dramatic increase in meat and fruit exports out of Brazil, in the first instance, and then, once some consumer confidence had returned, on items for the home such as fridges. Regular handouts from the Bolsonaro government to the poorest sectors of society have also kept cash circulating and oiling the economy, especially via online and direct shopping.

And the thirst for electronics has accelerated recently with the Black Friday sales (November 27) and the perennial Christmas rush which, in turn, has led to a chronic shortage of empty containers (see below) especially in Brazil and loading ports on the East Coast South America.

"Currently Brazil faces container shortages partly because of the record freight rates on the Trans-Pacific trade lanes between China and the US," Patrik Olstad Berglund, the CEO for Xeneta, the Norway based freight rate benchmarking outfit, told Datamar.

Berglund explained that with Transpacific rates soaring ever higher since mid-year, when North Americans decided they would spend on DIY and home improvements as well as refurbishing their home offices, empties from all around the world have been quickly funneled back to China by shipping lines who are keen to make hay while the profitable sun is shining, thus leading to Brazil facing container shortages.

"It is first and foremost about supply and demand," explained Berglund. "This year, on top of that container shortage, there has been a heavy demand for boxes so the situation is that shipping lines do not want to transport cheap containerized agricultural products to Asia because it takes too long to get the box back to the front haul where there is so much demand and the rates are very high."

In the past when there was less of a differential it might have been possible for shippers to get US$500 for the back-haul box, carrying something like fertilizers or soya beans, but now that would be to the detriment of profits on the front haul.

…Leading to record freight rates…

Freight rate pricing index platform, Xeneta, reported that spot rates from China (main ports) to West Coast United States in 2019 were stable, averaging about US$1600 per dry FEU during 2019, and ranging from US$1300 to US$2200. At the start of 2020, these spot rates continued in that vein until May/June after which there were large incremental jumps during the middle of each month (General Freight Increases) taking the spot rate up to US$3000 per FEU by July and just under US$4000 from the end of September up until early December.

Xeneta also posted that rates from China to Panama (where a lot of West Coast South America and ECSA cargoes are transhipped) had rocketed this year from a low of US$1263 per dry FEU on June 13 to a high of US$5,028 on September 16, an increase of 291% in just two months! The average for July was US$1481, for September US$5000, and for October US$4,400 per FEU. In early December they have now reached US$4,841, according to Xeneta.

Regarding China-ECSA, which is always a volatile trading lane, Berglund said this year had been in keeping with that tradition.

"From November 2019 rates were already trending upwards because of costs involved in IMO 2020 compliance," he told Datamar. "Then by January 2020, spot rates from China (main ports) to Santos were US$1934 per TEU and US$2513 per FEU. From January to the end of July rates continued downwards until they hit their lowest in July, of US$836 per FEU and US$760 per TEU. After that they rapidly increased to record levels of more than US$5000. From mid-year rates have increased on this volatile trade lane by more than 500%, which is unprecedented."

Xeneta figures then reveal that rates from China to Brazil went exponential. By the end of August to the beginning of September, rates hit a record US$4,616 per dry FEU and US$4,521 per dry TEU: the previous record was US$3,800 back in 2018. By mid-October, they had reduced slightly to US$4,085 per FEU, but then, as we went to press in early December, smashed through the US$5,000 barrier to US$5,300 per FEU. which is now the highest in the world, although not per nautical mile.

"Most of the increases came in August and September, and then rates were fairly stable after that until mid-November when they pushed upwards again," explained Berglund. "It's due to a combination of equipment availability and capacity relative to the market."

Not only have the rates been much higher all year on the Trans Pac routes but the voyage time there is much shorter (12 to 14 days from Shanghai to LA/Long Beach) compared to ECSA to Shanghai, which is 34 to 38 days (from selection of carrier offerings, including Hamburg Sud and MSC). Those voyages involve intervening ports of call but a direct sailing, at 15 knots, from Santos to Shanghai in China would take 30 days to cover the 11,140 nautical miles, while Shanghai to Los Angeles would take 16 days covering 5,741 nautical miles, which is half the time. Therefore, you can see clearly that to maximize their profits it makes much more sense for shipping lines to get their empties back to Trans Pac vessels as quickly as possible, to the detriment of ECSA trade routes.

Whilst demand has heated up, another factor that has helped keep freight rates strong has been better control of the supply side of shipping. Carriers have, for the past three years, been very careful not to provide too much capacity on ECSA to Asia and most other routes, so as to prevent the catastrophic (from their point of view) consequences of early 2016 when rates were very low and even went below $100 per TEU (China to Santos) at one point. Carriers lost millions of dollars that year and have been taking careful steps – by slashing capacity that year by 40% and restricting new capacity – to make sure that doesn't happen again.

Even this year, after China shut its ports and closed many factories, carriers introduced several blank sailings to keep capacity low and rates high but from mid-year it has been, regarding vessel deployment, "all hands [of ships] on deck", as Drewry's Heaney told Datamar, to deal with the pent-up demand. Once that demand kicked in all the laid-up vessels were gainfully deployed and very few ships were available on the charter market.

"Because shipping lines have found ways to control capacity like we have never seen before they have managed to keep rates high," said Gustavo Costa, a highly regarded consultant and former logistics and cabotage manager at Hamburg Sud.

He noted that MSC and others were buying second-hand tonnage and "the chartering market is sky high with 5,000 TEU vessels costing US$15000 per day, compared to just US$9000 a day 3 months ago."

Another executive of a shipping line heavily involved in coffee exports out of Brazil said sometimes it was the shippers themselves who were to blame for not being better organized and for booking space on ships while covering possible future options that often did not materialize.

"Overbooking and last-minute pull-outs by cargo owners doesn't help maximize the space that we do have on vessels so reliable advance bookings would reduce last-minute panicking," he divulged.

…and the 'black swan' effect.

Simon Heaney, the senior manager for container research, at Drewry's consultancy and editor of the Container Forecaster, has written incisively and prolifically about the "Black Swan" events [ones that are highly unlikely to happen but do occur sometimes] that are dominating container shipping during this very strange and bizarre year of COVID-19: "The current state of the container market is one of dysfunction, bordering on chaos," explains Heaney. "Supply chains have been stretched to near breaking point by the unprecedented volatility in demand swings this year, the result being numerous port congestion notices popping up in all continents, from Sydney to Felixstowe and many places in between."

Drewry's indicates that Los Angeles/Long Beach, Lisbon, and Fuzhou in China have also been heavily congested, causing delays and exacerbating the container shortage.

One partial solution to the empties' shortage is to manufacture more containers and although that is occurring in the few plants remaining – Maersk closed down its container plant two years ago and Paulista Containers, in Santos, closed for business more than a decade ago – they can't be built quickly enough to plug the gaps for the current deficit.

"Manufacturers of containers are fully booked until June of next year and the demand is still growing," Costa told Datamar. "As has been the case in the past if you have strong East-West trades then it means the North-South trades will have to pay the bills as they are the less paying freight. East-West rates are now sky high and increasing every week…"

Share prices of the few remaining container manufacturers, mostly located in China, have been booming in recent months.

Container shortages curb Brazil's trade.

Clearly, the weaker Brazilian Real has been extremely good news for exporters –beef shippers such as JBS and BRF, plus chicken exporters such as BRF (which slaughters 7 million chickens and 34,000 pigs a day and exports to 120 countries) Aurora, Seara, Copacol and Super Frango, as well as producers of orange juice, coffee and many exotic fruits such as mangoes, melons, watermelons, bananas, lemons and limes, grapes, papaya, and pineapples – but those economic skies have, in recent months, been laced with some grey clouds in the guise of Brazil facing container shortages of empties in which to fill the lucrative export goods.

Various shipper associations, including, Sindipecas (The National Association of Brazilian Auto Parts manufacturers) and Abipeças (The Brazilian Association of the Auto Parts Industry), Anfavea (the Brazilian Association of auto manufacturers), Abrafrutas (Fruit exporters association), ABPA (the Brazilian Association for Protein producers) and Cecafé (the Brazilian Council for Coffee Exporters) have been complaining about the shortage of empty containers that has been acting as a heavy anchor on further export flows for Brazil.

Since the middle of this year coffee exporters, led by their National Council for Coffee Exporters (Cecafé) have been complaining vociferously about the lack of empty containers impeding their expanding exports.

According to DataLiner in September of this year, Brazil achieved record levels of coffee exports, growing 15.4% year-on-year to reach 13,154 TEU, which was an increase of 14.64% compared to 2018, but it could have been many more if not for the shortage of empty containers.

Nelson Cavalhaes, the president of Cecafé, said that the month of September, when shortages of empties began to bite, also marks the beginning of the 2020/2021 harvest and he pointed out that export sales could have been up to 15% if not for the box shortage.

"We are very satisfied with the results of coffee exports in September. The sales volume set a record in relation to the same month in previous years and, in addition, we had a very significant increase in total revenue in Reais," he told Datamar News.

"We also observed that the results could have been even 10-15% better had it not been for the logistical problems of a lack of containers and space on the vessels."

Mark Juzwiak, the director for Institutional Relations for Hamburg Sud and Aliança Navegação, said that several high-level meetings had been held with coffee exporters and efforts had been made to meet their demands and address concerns. "I had several meetings with the coffee association as they had concerns about the perceived lack of containers," he told Datamar. "We brought a ship full of empties over from the US and another with 2500 reefers from Europe back in June to help plug the empties' gap.

"We honored our commitment with the contract-based shipments and whatever was extra we tried our best to accommodate but, as we pointed out to the coffee shippers, it was not just the lack of empty containers but also a lack of space on the ships."
Just as we went to press, Cecafé released the news that October had been even better than September, with a 21% increase up to 4.44 million bags of coffee exported. The Cecafé spokesman added that after a poor start and middle of the year exports are now 3.2% up on last year and that some, but not all of the logistical problems have been resolved.

"With COVID-19 it has been a challenging year, but it has been an amazing result to have exported 35.4million bags from January to October, with records broken in September and October," he stated. "Our members have had problems with container shortages and rollovers, especially in September and October and we continue to have challenges, but they are fewer now than they were. Coffee exporters do still suffer from increased port and maritime expenses, but overall, it has been a good year."

Meanwhile, on the import side, Costa commented: "Everybody is complaining about the lack of parts, those needed to assemble TVs and other electronic goods, plus, auto parts for cars," he told Datamar. "This was because many manufacturers shut down their plants for long periods mid-year or were at half-capacity. Now, however, they are full out and have three shifts running at the same time. This has especially been the case in the Manaus free trade zone in the run-up to Christmas with the plants producing White goods. Consumers want their goods and want it now but there is no space on vessels to accommodate those demands."

Datamar's latest figures (up to the end of October) show how the import of vehicle parts plummeted from 21,576 TEU in April, to 11,352 TEU in May and then to 7,230 in June before picking up again to register 113,620 TEU by the end of September.

Costa also asserted that the shortage of empties was having a knock-on effect with the Brazilian cabotage trades. "At some ports, it looks like cabotage has been paralyzed!! The shortage of containers in the US and elsewhere is getting critical in Brazil here as well," declared Costa. "Due to the lack of containers from the Deep-Sea services, only Log In Logistica can manage their own. The other coastal operators seem to be handing over priority to deep-sea needs."

In Brazil, there are three coastal carriers and two – Mercosul Line and Alianca – which are fully owned by CMA CGM and Hamburg Sud/Maersk Line, respectively. Log-In is fully focused on Brazilian interests and so has no need to hand over its much-needed empty containers to deep-sea sisterships.

Conclusion

Looking ahead to next year, most of the experts interviewed for this feature, agreed that the current high freight rates are not sustainable in the mid to long term, but that they will continue into the New Year.

"But how long will this boom last? I think it could last at least until after the Chinese New Year, [which is the year of the Ox and starts on February 12, 2021], so we are not expecting a first-quarter dip," said Drewry's Heaney. "All export trades out of Asia are still soaring, back-haul trades as well, so the trend to get containers back to Asia asap will continue for carriers for a while. "What we are also seeing is that other freight rates, such as China to ECSA, are leveling up and there is an optimal ceiling as to how high rates can go…they are very high and its v profitable… chasing the money but as the other trad lanes are coming up as there are shortages everywhere and so carriers are having to put their rates up in other areas, which will become equally expensive. It's been a rising tide for all trade lanes.

"But the bubble will eventually burst, probably after Chinese New Year, due to the fundamentals. If it's for immediate consumption that is one thing. but if it's for re-stocking that will eventually create a vacuum and even with the vaccine coming there is the economic damage that must be dealt with; high unemployment will come, and government debt is going up. A few more months of this and then it will settle down. The supply chain will right itself back to normal then. Too many ships, etc and lower rates for shippers."

Xeneta's Berglund was of a similar opinion: "Over the past year we have never, ever before seen anything like this, in either the China to WC USA or China to ECSA," he explained to Datamar. "The rates have quintupled on ECSA since midyear and are still rising due to the shortage of equipment. However, I think with the arrival of the vaccine spending will switch away from physical products and back towards services and travel, probably at some point during the first half of next year, and that will see volumes calm down.

"From a shipper perspective, contract negotiations are ongoing and many are asking for extensions on existing long-term contracts which have risen by 30% in recent months [from $1528 per FEU to $2010], before they rise again"

Berglund also pointed out that regulatory authorities might also be set to intervene if rates go too high. "Our data shows that the spot rate from China to US west coast was very stable, around $3,900 from late September through into October, and I have not seen that before. This suggests the carriers have been warned that their rates are too high for shippers. Ever since Xeneta opened for business, we have never seen this flattening of the spot rate before for such a long time."

And Hamburg Sud's Juzwiak said that many of the problems encountered earlier in the year had stabilized and that "most trade lanes were balanced now.

"At certain times this year we have had an excess of standard 40 footers, but everyone wants high cube, so we offered better rates for standard boxes to ease that problem," he told Datamar. "I think going into Christmas and 2021 the ships will be full for a few months yet, probably till Chinese New Year and Carnival [which both start on February 12]."

Patricio Campbell, the President of ONE in Argentina, said he could not see the import impetus lasting beyond Christmas, but then again Argentina's economy is more than Brazil's.

Costa believes the US and China situation will still be key for international trade. "I cannot say when the next normal will be, maybe mid next year with vaccines," he told Datamar. "But there's a point that we cannot discard, which is Biden being elected as new US president. How will the US act in international trades next year?

"Trump was a crazy guy but will it be so very different from the past four years of craziness with Trump? "China has a lot more power now because Trump's policies created a power and trading vacuum so we now see new trade flows from Asia independently from the US."

Container carriers

Among the container carriers there have also been winners and losers during this pandemic afflicted year.

On the imports side Hamburg Sud was the biggest loser, dropping nearly 58,000 TEU, and 14% down to around 360,000 TEU for the first nine months of this year. Second highest importer, MSC. also fell 14% (to 327,000 TEU), while Hapag Lloyd dropped 12% and Maersk fell 5%. Biggest loser in percentage terms was Pacific International Lines, which dropped 23% to 41,200 TEU.

Imports by carriers | Jan to Oct 2019-2020

Carrier	2019 TEU	2020 TEU	Diff %
HAMBURG-SUD	417.965	359.493	-14%
MSC	380.091	326.923	-14%
HAPAG LLOYD	301.904	266.445	-12%
MAERSK LINE	245.891	232.800	-5%
CMA-CGM	220.485	213.518	-3%
OCEAN NETWORK EXPRESS	127.809	116.768	-9%
COSCO	102.446	87.414	-15%
EVERGREEN	76.890	66.176	-14%
PACIFIC INTERNATIONAL LINES	53.817	41.200	-23%
ZIM	32.299	25.396	-21%
LOG IN LOGISTICA SA	17.411	17.614	1%
YANG MING LINE	16.226	14.241	-12%
HYUNDAI MERCHANT MARINE	13.881	11.950	-14%
GRIMALDI LINE	5.106	2.513	-51%
NDS	532	476	-11%
MARFRET	4	9	125%
WALLENIUS WILHELMSEN LINES		4	0%

On the export side MSC has had an excellent year, with 580,241 TEU handled, up 16%, while Hamburg Sud fell 5% down to 422,864 TEU, all for the first nine months of 2020. Maersk Line, in fourth, rose 12% (to 334, 833 TEU) and Ocean Network Express (ONE, which focusses heavily on ECSA to Far East), in sixth, jumped 8% compared to 2019 first nine months, with 95,984 TEU,

Exports by carriers | Jan to Oct 2019-2020

Carrier	2019 TEU	2020 TEU	Diff %
MSC	502	580	16%
HAMBURG-SUD	443	422	-5%
HAPAG LLOYD	402	406	1%
MAERSK LINE	298	334	12%
CMA-CGM	258	261	1%
OCEAN NETWORK EXPRESS	89	95	8%
EVERGREEN	48	48	-1%
COSCO	57	48	-16%
ZIM	35	32	-9%
PACIFIC INTERNATIONAL LINES	27	21	-20%
NDS	13	15	11%
LOG IN LOGISTICA SA	10	11	9%
GRIMALDI LINE	11	8	-27%
HYUNDAI MERCHANT MARINE	7	7	-4%
YANG MING LINE	8	7	-14%
MARFRET	5	7	30%

Source: DataLiner

Ports and Terminals

The Federal Accounting Court (TCU) gave approval for the concession of four more terminals at the Port of Itaqui, in Maranhão. The IQI03, IQI11, IQI12, and IQI13 terminals are responsible for handling and storing liquid bulk, especially fuel, in addition to other complementary facilities. The forecast is that R$ 480 million will be invested in the four terminals and that the announcement will be published in January.

The IQI3 terminal is a port terminal lease, with an area of 25,726 m^2. Part of the project is a brownfield, occupied by assets (tanks and equipment). The other portion of the area is a greenfield, with 5,351.33 m^2, and is foreseen in the Porto do Itaqui / MA Expansion Plan. The lease will increase the static capacity of the terminal by 7,633m^3, allowing the terminal to reach a tanking capacity of 28,039m^3 in 2023.

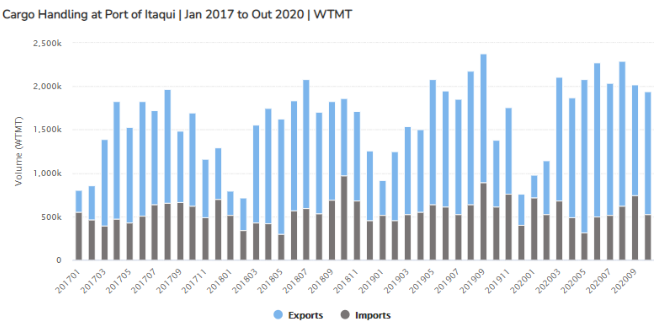
The IQI11 terminal has a brownfield area of 33,607m^2. Currently, the terminal is provisionally operated by Petróleo Sabbá S.A .. The planned investments will increase the terminal's static capacity by 30,000 m^3 to reach total tankage of 63,000 m^3.

IQI12 has a greenfield area of 34,183m^2. The future tenant of this terminal should pay for the implementation of the entire infrastructure of the terminal for the operation of liquid bulk, including buildings, tanks, pipes, as well as with the equipment to be used in the operation. The same is planned for IQI13, which has a greenfield area of 32,078 m^2.

The Port of Itaqui has a vocation for handling solid and liquid bulk. Historically, the two chains that concentrate a large part of the volume are the production of grains – exports of soybeans and corn – and the movement of petroleum products – imports of diesel and gasoline. The forecast is to reach a movement of 17.9 million tons in 2060, following an average growth rate of 1.7% per year.

The flows that are expected to show the highest growth rate are those for the import of oil products, with an average rate of 1.9% per year, with greater growth in the short term of 12.1% per year between 2016 and 2020.

See the following graph for cargo handling at the Port of Itaqui from January 2017 – October 2020:



Source: DataLiner (to request a DataLiner demo, click here)

On the night of December 3, agents from SAVIG (the customs surveillance section of the Brazilian federal revenue service) at the Port of Paranaguá seized 322 kilos of cocaine in the Port of Paranaguá during an inspection action. The drug was hidden inside a load of ceramic boxes.

The drug bags were located during the routine work of inspecting and monitoring the loads that are handled at the container terminal. The agents have a high-precision scanner that helped identify and locate the tablets.

This was the 18th cocaine seizure at the Paranaguá port container terminal this year. In 2020 alone, more than 5.8 tons of narcotics were seized during inspection actions.

The drugs would have been shipped to the Port of Valencia, in Spain. So far, no arrests have been made.

Cargo handling by Estrada de Ferro Paraná Oeste S / A ("Ferroeste"), which connects Cascavel to Guarapuava and transports agricultural production from western Paraná to the Port of Paranaguá, grew 34% in the first ten months of 2020, compared to the same period in 2019. The volume from January to October this year reached 1.2 million tons transported and, even without counting November and December, it is already the largest quantity registered by the company in one year.

Grain and refrigerated chicken are sent by rail for export via the Port of Paranaguá, and fertilizers and bagged cement are transported to Cascavel. Grain transport alone (730,000 tons) reached a record level, helping to boost soybean exports from Paraná, which reached US$ 4.4 billion in October, 31% of everything that left the State to other countries and 57% higher compared to 2019.

Between January and October this year, Ferroeste recorded an operating profit of R$ 1.2 million and gross sales of R$ 19 million, according to the company's balance sheet. There was also a 35% reduction in operating costs compared to 2019, as a result of cost cutting.

Privatization - Ferroeste was qualified in the middle of this year under the Federal Government's Investment Partnership Program (CPPI), which should accelerate its privatization process. The request was made by the State Government and means that the Union will help Paraná with the necessary regulatory technical support in several areas, from modeling and the environment to attracting investors.

The expectation is to put Ferroeste up for auction at B3 by the end of 2021, with its Technical, Economic and Environmental Feasibility Study (EVTEA), the Environmental Impact Study (EIA) and its respective Environmental Impact Report (RIMA) for the railroad linking Maracaju (MS) to Paranaguá already concluded. The concession model (total or partial) will be discussed in a Project Governance Committee, but the idea is that the productive sector takes over the company and is committed to the construction of these new tracks.

The new railway will cover 1,371 kilometers. The project includes the construction of a network between Maracaju and Cascavel (west of Paraná), the revitalization of the current railway section operated by Ferroeste, between Cascavel and Guarapuava; the construction of a new route between Guarapuava and Paranaguá, and a multimodal branch between Cascavel and Foz do Iguaçu. As it is being prepared, there is no defined value for the work.

Economic and environmental feasibility studies are in progress, and economic and financial modeling is in the final contracting stage. In addition, the company's valuation is also being carried out to survey the company's assets.

Investments - Improvements are also underway with resources from the state government being invested in Ferroeste. They include R$ 1 million in the construction of a photovoltaic park to reduce electricity costs by 50%, R$ 1 million to resolve the nine critical points of the Guarapuava-Cascavel section, reducing speed restrictions, and improving transport efficiency; and R$ 3 million with support from Itaipu Binacional for contracting the Technical, Economic and Environmental Feasibility Studies (EVTEA) of the Cascavel terminals (new master plan for modernizing the terminal and preparing the structure for the Maracaju-Paranaguá railway) and Foz do Iguaçu (location analysis to complement the works in progress in the municipality, removing the trucks from the city center).

On December 2nd, the Council of the Investment Partnerships Program (CPPI) approved 35 of the Infrastructure Ministry's new projects. Among the approved projects are the re-auctioning of the railroad Malha Oeste and the renovation of Malha Sul, the concession of 16 airports, including Congonhas and Santos Dumont, and the privatization of Companhia Docas da Bahia (Codeba) until the end of 2022. Approvals took place during the 14th council meeting in Brasilia.

"Today we have qualified 35 important projects, which have an initial investment potential of R$ 6.4 billion and the ability to generate more than 100,000 jobs", emphasized the Ministry's Secretary for Promotion, Planning and Partnerships, Natália Marcassa. The Southern railway network is 7,223 km long and serves all states in the region, as well as part of São Paulo. The west side, which is 1,973 km long, comprises Mato Grosso do Sul and part of the state of São Paulo.

In the port sector, the privatization of Codeba was authorized, which manages three ports: Salvador, Aratu and Ilhéus. The PPI forecast is to auction Codeba in the last quarter of 2022. The privatizations of Codesa (Vitória) and Codesp (Santos and São Sebastião) were also approved, in addition to the concessions of another five port terminals: one for liquid bulk in Vila do Conde (PA), one of solid bulk and general cargo in Suape (PE), one of general cargo in Maceió (AL), one of solid bulk in Santos (SP) and another of general cargo in Pelotas (RS).

In the highways sector, the concession contract for BR-163 / MS was approved, with an auction scheduled for 2022, in addition to the privatization plans for other sections that are already scheduled for auction, such as BR-153/080 /GO-TO. In addition, InovaBR was launched, a program to encourage the modernization of the main federal highways, granted or administered by DNIT, to promote greater security and logistical efficiency.

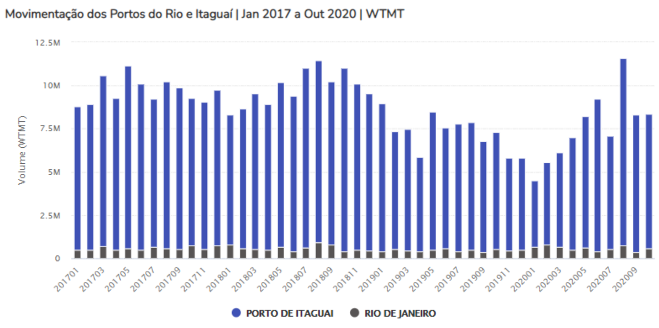
In the aviation sector, 16 airports were included in the 7th round of concessions, divided into 3 blocks (Blocks RJ-MG: Santos Dumont / RJ, Jacarepaguá / RJ, Uberlândia / MG, Montes Claros / MG, Uberaba / MG; SP – MS: Congonhas / SP, Campo de Marte / SP, Campo Grande / MS, Corumbá / MS, Ponta Porã / MS; North Block II: Belém / PA, Santarém / PA, Marabá / PA, Carajás / PA, Altamira / PA, Macapá / AP), and 8 other regional airports in Amazonas that will be the object of a PPP, the first airport to be handled by the Federal Government.

Upon the signing of a Special Non-Onerous Use Permission Agreement signed with Ecoponte, Companhia Docas do Rio de Janeiro (CDRJ) installed five CCTV cameras at the Rio-Niterói bridge. They are part of the Port Guard Security System with images provided by the company 7Lan. The installation, which took place during the second half of October, is a complement to the two cameras already installed at the Sugarloaf Mountain cable car and the one to be installed in the Brazilian army's Fortaleza de Santa Cruz da Barra.

The Port Authority's objective is to implement use a Local Port Service (LPS) in the Ports of Rio de Janeiro and Niterói. According to Marcelo Villas-Bôas, the Vessel Traffic Management and Information System (VTMIS) Manager for the Port of Rio de Janeiro, "the LPS represents the first phase of the VTMIS implementation process in Rio de Janeiro, and it will expand the capacity for monitoring waterway traffic through images from high definition cameras in the access channels, anchoring areas, and evolution basins".

VTMIS aims to improve navigation safety, as it reduces the risk of accidents, increases the efficiency of vessel traffic – with real-time information that maximizes the use of port facilities – and optimizes the use of the pier, in addition to reducing response time emergencies. Image monitoring will be essential for:

- Inspection of the use of port accesses, with the accompaniment and monitoring of vessels that use the water infrastructure of the Organized Port, especially the night maneuvers of ships in the Cotunduba Canal;
- Inspection of the approach of vessels to moored and anchored ships;
- Visual inspection of the physical conditions of the docking facilities (quays and dolphins) by the sea;
- Verification of possible misconduct in the access channels, anchoring areas, and evolution basins of the Organized Port, in particular, commercial fishing, leisure, nautical sports, or water tourism activities;
- Verification of the operational conditions of the nautical signaling of the Organized Port;
- Monitoring of the transport of CDRJ employees for studies, projects, and/or eventual services to be performed in the maritime area of the Organized Port; and;
- Inspection of compliance with the Normative Instructions on "Oil Pollution Prevention for Moored or Anchored Vessels in the Organized Ports of the State of Rio de Janeiro" and "Oily Residues in Anchoring Areas".



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

The Port of Cabedelo experienced its largest cargo-handling month of the year in November. According to the port, 157,200 tons of products passed through the dock during the month. In addition to being the busiest month of the year, the result represents a growth of 90% in relation to the month of October, when the movement was 82,688 tons.

Considering the year-to-date figures, cargo handling has already increased by 12,67 %. This year, 1,062,529 tons have already been operationalized. The amount is almost 120,000 tons more than that recorded in the first eleven months of 2019, when 943,000 tons were moved by Companhia Docas da Paraíba (Docas-PB).

Of the eleven months of 2020, ten showed a positive balance in relation to the previous year. "In May, at the height of the pandemic, we kept our operations going 24 hours a day and grew 32% over the previous year," details Companhia Docas' CEO Gilmara Temóteo.

The most-handled cargo in November was the petroleum coke (petcoke) which filled 3 ships and represented almost 50 tons. The month still had two fuel operations, one ilmenite, one wheat, one malt and one clinker. The latter was not operationalized by the port since 2013.

The clinker load arrived at Cabedelo Port by means of the Orient Trail grain ship. There were 28,650 tons of material. Clinker is a kind of cement in a basic phase. Portland cement is manufactured from it. The ship that brought the cargo was manufactured in 2011 and left the United States to the site. The last time that Companhia Docas da Paraíba had carried out the operation was in February 2013, when 26.504 tons were imported.

The Port of Cabedelo will soon export sea salt for the first time. The material comes from Rio Grande do Norte and will be exported to Europe in December. The product is part of the new cargos that Docas began working with or returned to working with in 2020.

The sea salt load will be stored in Warehouse 7 of the Port of Cabedelo. The export will be of the "big bag" type.

Shipping

Ports in Fuzhou Maiwei, China, have faced congestion due to stricter inspection and disinfection requirements for reefer cargo imports. Most reefer plugs have already been used. As a result, the CMA CGM Group has announced that effective immediately, its carriers will no longer accept refrigerated cargo reservations destined for this location. The shipping company also suggests that for containers in transit, customers should contact their local representative to change the destination point, ensuring the good condition of their refrigerated cargo. According to CMA CGM, all related costs will be borne by the consignee and will be paid upon delivery.

On December 2, the President of the Chamber of Deputies, Rodrigo Maia (DEM-RJ), struck from the agenda the project to encourage coastal shipping, known as BR do Mar (PL 4199/20) due to lack of agreement on voting.

The Plenary had begun to analyze the project. However, in conversation with the rapporteur, Mr. Gurgel (PSL-RJ), and other leaders, Maia found that the text would not have an agreement to be voted on. He called on parties to negotiate points of disagreement so that the text will return to the agenda next week.

"So that we avoid a disorganized vote on a complex matter, it is important to adjust the text, so that on Monday afternoon we can start the voting process with the fewest main points," said Maia, stressing that he has already almost 20 attempts to change the text.

Bill No. 4199/20 of the Executive Branch progressively releases the use of foreign ships in coastal shipping without the obligation to contract the construction of vessels in Brazilian shipyards.

The rapporteur's preliminary opinion increases the transition time from three to four years after which the chartering of foreign ships will be free. Thus, after one year of the law, there may be two ships; in the second year of validity, three ships; and in the third year of the move, four ships. Thereafter, the number of ships will be open, subject to the security conditions defined in the regulation.

Deputy Alexis Fonteyne (Novo-SP) criticized the obstruction and defended the vote on the proposal to encourage navigation. "Brazilian cabotage is colonial, they are true sea notaries. We are losing resources ", he criticized.

Deputy General Peternelli (PSL-SP) defended the proposal and argued that navigation by sea is more economical. "We also have great shipyards and BR do Mar provides financing for 100% of the vessels, provided they are built in Brazilian shipyards. This is a very big opportunity," he said.

After the BR do Mar program, which opens the cabotage market to foreigners, the Ministry of Infrastructure is preparing a new program to stimulate waterway navigation. Still without a definitive name but nicknamed "BR dos Rios", the project should be ready in early 2021 to attract investments and increase the importance of waterways as a means of cargo transportation.

Data from the National Waterway Transport Agency – ANTAQ – show that inland navigation handles 5% of cargo in the country. The idea is that BR dos Rios can increase this flow to at least 8% by 2035. For this purpose, several studies are underway. According to Dino Batista, Director of the Ministry of Navigation and Waterways, the idea is to develop a package with legal and administrative measures capable of attracting private initiative. The program may seek investors to make new waterways viable and expand those already in operation, such as Tocantins-Araguaia, Tapajós, and São Francisco.

According to ANTAQ, the country has about 27,400 km of navigable rivers and another 15,400 km of sections that, with some investment, could become navigable. This would integrate river networks with ports, highways, and railways. "The idea is to increasingly encourage this type of transport and integrate it with the others by creating logistical corridors to lower freight costs," said Batista.

The ministry is proceeding on two fronts to try to enhance the waterways. In one of them, the World Bank and a specialized consulting firm are in the process of completing studies to detect the main bottlenecks in the transport modal. For this, laws and administrative acts were verified and the economic aspects of each waterway were analyzed. On another front, technicians from the ministry conduct economic feasibility studies on both the Madeira and Tapajós waterways.

"This assessment can lead to a structuring model for bidding [concession]. But it can also point to other investment attraction models, such as a PPP [public-private partnership] or search for a partner." The Minister of Infrastructure, Tarcísio de Freitas intends to give preference to the São Francisco waterways (which still have 2,700 km of roads that can become navigable), Tocantins-Araguaia (another 1,300 km to be explored), and Mercosur (with more 2,900 km in the Paraná basin).

These waterways were chosen because the Minister wants to prioritize the North arc, integrating the agricultural production centers to these waterways towards the ports in the region. For this, road and railway works were chosen that could generate some kind of immediate connection with the waterways. Like BR do Mar, BR dos Rios should also face strong resistance from truck drivers, who will see their freight reduced. In many cases, it is faster and more economical to ship cargo across rivers. The government has set a goal of reducing dependence on highways by 2035; today, they account for 65% of cargo movement.

Six entities from the port business sector – ABRATEC (the Brazilian Association of container terminals); ABTL (the Brazilian association of liquid terminals); ABTP (the Brazilian association of port terminals); ABTRA (the Brazilian association of terminals and customs areas), ATP (the association of private port terminals) and FENOP (the national federation of port operations) – sent a joint note to federal ministers and party leaders in defense of the 'BR do Mar' project and extension of 'Reporto', which expires on December 31.

The so-called Port Business Coalition arose from a meeting held on November 30, for approval of the 'BR do Mar' project (PL No. 4199/20) that establishes a program to stimulate cabotage transport and the extension of 'Reporto', in addition to promoting debates and strengthening joint positioning on all relevant topics for the port sector.

A truck loaded with a container holding an advertisement with the information proposed by the Port Business Coalition is circulating around the outskirts of the National Congress as part of the strategic action of convincing parliamentarians and political leaders in Brasilia.

"Valuations and incentives for water and rail transport are necessary and long-awaited measures by Brazilian society, including in particular private companies operating in the national port sector," highlights the coalition text.

"we highlight the Bill No. 4199/2020, which establishes the program to stimulate cabotage transport – BR do Mar – and amends Law No. 5474 of 18 July 1968, Law No. 9432 of 8 January 1997, Law No. 10,233, of June 5, 2001, and Law No. 10,893 of July 13, 2004. The incentive for Brazilian cabotage transport, certainly, could generate an increase in port operations, resulting in a reduction in logistical costs and [an increase] in the national competitiveness", follows the letter.

The coalition also highlights other issues relevant to the competitiveness of Brazilian cabotage, such as: short distance aquaviary transport, practice services, tugs, and the need for a tax reduction for marine fuels.

The entities also suggest that Article 16 of Law No. 11,033/2004 be amended to include dredging companies, secondary zone bonded enclosures, and professional education and training centers, which may import critical equipment for their operations until December 2025.

Oil &Gas

Given that Brazil's refining market is in the process of opening up, Petrobras expects oil exports to grow in the coming years, to the detriment of domestic sales. The company predicts that shipments abroad would come to represent about 40% of all volume sold by the company between 2021-2025.

By way of comparison, this year, exports have represented approximately one third of Petrobras' national production. The state-owned company estimates that it will sell, on average, 891,000 barrels a day of the commodity between 2021-2025, which represents an increase of 19.6% in relation to the average for 2020 and double the average of the period between 2015-2019. On the other hand, sales to the domestic market are expected to fall 7%, to 1.252 million barrels / day on average between 2021-2025, compared to the average volume of the last five years.

Petrobras' director for logistics and sales, André Chiarini, says that the company assumed, in its projections, that the new private refiners will start to work with other sources of supply, in addition to the state-owned company, and that part of the volume sold by the company today to its own units will have to be relocated to the international market as its assets are sold. According to him, the other oil companies present in Brazil will be Petrobras' main competitors for the domestic market.

Chiarini also stated that he does not see "operational problems" that create barriers to the expected increase in exports. The director believes that China, which buys two thirds of the oil sold by Petrobras abroad, should remain the main destination for the company's shipments in the coming years, but that the oil company also targets other markets, within a diversification strategy.

"Although we do not see a drastic change in this configuration [of China's leading role], other markets assume an important role in our strategy," said the executive. In addition to Europe and the Americas, Chiarini also sees India as a strategic market.

Ores

On November 2, Vale released an update of production and cost estimates for 2020 and 2021. In a report to the market, the company announced that the estimate of iron ore production in 2020 will be in the range of 300 -305 million tons. For 2021, the estimate is from 315 to 335 million tons.

Regarding copper, the mining company announced a production forecast of 390,000 tons in 2021. The average estimate for the period 2022-2024 would be 455,000 tons. In 2025, copper production is expected to be around 500,000 tons.

The average nickel production should be 200,000 tons between 2021 and 2023, with a projection of 220,000 tons between 2024 and 2025.

In a presentation to investors on the New York Stock Exchange at the end of last year, the company forecast iron ore production at between 340-355 million tons for 2020.

Investments - Vale intends to invest US$ 5.8 billion in 2021, according to the projections released by the company. US$ 4.8

billion refers to maintenance and US$ 1 billion to expansion projects.

For 2020, the mining company maintained its investment projection at US$ 4.2 billion. The average investment for the coming years will be US$ 5.5 billion.

Costs - Vale also announced that the cash cost for iron ore was US$ 13.60 per ton in 2020. The mining company also said that when production reaches 400 million tons per year, the cash cost will be between US$ 10.50 – US$12.00 per ton.

Provision to de-characterize dams - Vale also announced that it will make an additional provision of US$ 670 million (nominal value) for the execution of the dam de-characterization plan in the fourth quarter's financial statements.

The mining company estimates that by the end of 2020, provisions will reach US$ 2.7 billion. This amount, says Vale, is subject to review based on disbursements made until the end of the year.

Other cargo

The Argentine government again banned Brazilian shoes in the country after a four-year truce. According to ABICALÇADOS, the Brazilian association of footwear industries, which has been monitoring the issue, 328,000 pairs of shoes are currently pending import licenses to enter the neighboring country, 315,000 of which have already exceeded the maximum waiting period of 60 days established by the World Trade Organization (WTO).

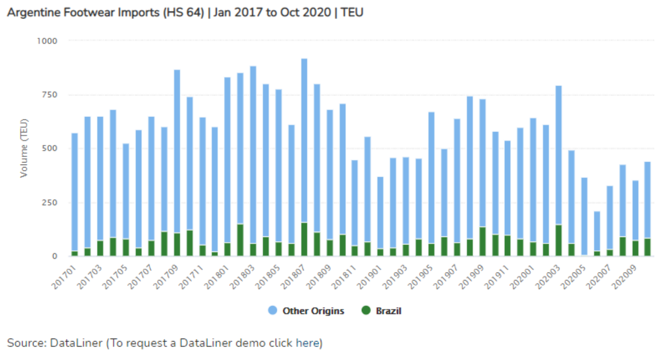
According to Haroldo Ferreira, Executive President of ABICALÇADOS, the loss has already reached US$ 3 million. "In October, in the first monitoring carried out on demand by some companies that were facing the problem again, almost 850,000 pairs were waiting for clearance at the border. That was when we had a meeting with the Argentine embassy in Brazil. Since then, there has been an improvement, but we are being observant", says the executive.

Ferreira recalls that the fact refers to the Kirchner governments when Brazilian shoes had the same difficulties to enter the neighboring country. "Argentina is going through an economic crisis and needs to preserve its foreign-exchange reserves. The natural measure of the government, which has a more protectionist orientation, is to stop imports, a barrier that in this case is placed through non-automatic licenses ", explains the leader, stressing that the concern is that cancellations or even requests for extension may incur costs, further damaging the Brazilian industry.

Currently, Argentina is the second destination for Brazilian footwear abroad, behind only the United States. Between January and October this year, the neighboring country was the destination of 6.28 million pairs produced in the country, which generated US$ 60.17 million, a decrease of 25.2% in volume, and an increase of 33.2% in revenue in relation to the same period of 2019.

The following chart shows Argentine footwear imports from Brazil and other destinations since January 2017:

Argentine Footwear Imports (HS 64) | Jan 2017 to Oct 2020 | TEU



According to the Argentine Ministry of Agriculture, Livestock and Fisheries, exports of fresh vegetables from the country, certified by SENSA (the national food quality and health service) grew by 11% between January and October this year, compared to the same period in 2019.

In the first 10 months of 2020, SENSA certified shipments for 352,461 tons of fresh vegetables (onion, garlic, tomatoes, and more), while in the same period last year this number was 315,772 tons.

Of this total, 189,187 tons were for onions; 72,860 tons were for fresh garlic; 51,633 tons were for potatoes; 22,091 tons were for tomatoes; and 7,381 tons were for pumpkins. The main destinations of vegetables were Brazil, Paraguay, and European Union countries. Shipments of cabbage, carrots, lettuce, and peppers were also recorded.

The main destinations of the Argentine onions were: Brazil, 156,151 tons; Paraguay, 31,389 tons and Uruguay, 1,483 tons. The fresh garlic had as its first markets: Brazil, 62,136 tons and the United States, 5,240 tons. The potatoes were mainly shipped to Paraguay with 44,992 tons, and Brazil with 6,382 tons. The top markets for shipping tomatoes were Paraguay with 21,816 tons, and Uruguay with 6,255 tons.

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