

## Proinde Circular 03-03-2017: Congestions in soyabean exports from Brazilian ports due to heavy rainfalls (updated 06-03-2017)

### 1. Introduction

Brazil is the second largest producer and exporter of soyabean which, in turn, is only second to iron ore as the country's leading export commodity.

The soyabean is typically sowed between September and January and harvested between January and June with exports peaking between the months of March and June.

Nearly 30% of the Brazilian soyabean from last year's crop was harvested in the Midwest Region of Brazil, mainly in the State of Mato Grosso, followed by the States of Parana and Rio Grande do Sul in the South Region where the sowing season is slightly different to that of the Midwest due to climatic differences between the two regions.

### 2. Exporting logistics

In the last year's crop, the soyabean harvested from the three main producing regions were shipped from different ports, as follows:

Port (State)	Share <sup>1</sup>
- Santos (São Paulo)	29%
- Rio Grande (Rio Grande do Sul)	18%
- Paranagua (Paraná)	15%
- Ponta da Madeira/Itaqui/São Luís (Maranhão)*	8%
- São Francisco do Sul (Santa Catarina)	8%
- Vitória (Espírito Santo)	6%
- Vila do Conde/Barcarena (Pará)*	5%
- Itacoatiara (Amazonas)*	4%
- Santarem (Pará)*	3%
- Others (Imbituba, Aratu, Ilhéus, etc.)	4%

\* Northern Arc river/sea ports

The soyabean arrives from the producing regions in three manners:

- Waterway** – although Brazil has a large network of waterways, this modal is typically used as a complement to road transportation. The soyabean produced in Mato Grosso and loaded at the Low Amazon river ports of Itacoatiara and Santarém as well as at the sea ports within the States of Pará and Maranhão in the northern Atlantic coast of Brazil, collectively referred to as the 'Northern Arc', is initially trucked through federal highways and subsequently transferred into barges to continue the journey to the respective exporting facilities.

---

<sup>1</sup> According to Associação Nacional dos Exportadores de Cereais (National Association of Cereal Exporters) – ANEC's 2016 Monthly Soya Exports by Port

---

- b) **Railway** – this is the common means of carrying the soya produced in the Midwest Region to the leading exporting port, Santos, where it is shipped on board vessels from one of the eleven different terminals operated by major trading houses.
- c) **Roadway** – this is by far the most used modal for carriage of soya from Mato Grosso, Paraná and Rio Grande do Sul. In fact, most of the soya produced in Mato Grosso and headed to the Northern Arc is flowed on trucks up to a certain point wherefrom the cargo is barged to the loading ports, which is the case of Itacoatiara, whilst 80% of the soya destined to Santarém flows by barge and the remaining 20% is done by trucks through the BR-163.

According to a recent report by CONAB<sup>2</sup>, the 2016/2017 soyabean crop is expected to reach about 105 million tonnes out of which 70% should be exported, which is nearly the same volume exported in recent years.

However, albeit the Port of Santos will remain the Brazilian leading loading port for soya products, the tendency is that the commodity produced in Mato Grosso will increasingly be exported from the ports and terminals within the so-called Northern Arc, particularly the Port of Itaquí in the State of Maranhão where substantial investments in infrastructure and logistics are being made.

### 3. The problem

Although the projection is for one quarter of the entire 2016/2017 export crop to be shipped from the Northern Arc ports, the region heavily depends on road transportation and the conditions of the state and federal highways within the producing areas are largely very poor. These conditions further deteriorate during the rainy season in the Amazon that starts around November and may last through May. The rainy season this year is particularly heavy in duration and intensity.

The only way of flowing the soyabean from most of the Mato Grosso producing areas to the barges in the Amazon region – for barging to Santarém and, to a lesser extent, the ports in the mouth of the Amazon River – is through the BR-163, an extensive longitudinal highway linking the State of Rio Grande do Sul in the South of Brazil to the State of Pará in the North. The stretch running from the north of Mato Grosso and across Pará is otherwise known as the 'Soya Highway'.

Albeit BR-163 is generally good in the southern section, the area north of Mato Grosso and south of the State of Pará is potholed with a stretch of about 190Km within the State of Pará, where the BR-163 runs through the heart of the Amazon rainforest, being essentially a two-way dirty road with little to no basic infrastructure to serve passing travellers and vehicles.

Reports from the Ministry of Transport, Ports and Civil Aviation indicates that about 757 Km of the highway in Pará is asphalt-paved but a 47Km-long stretch, out of the 190Km that remains to be asphalted, is severely damaged by torrential rainfalls causing a huge traffic jam of grain trucks carrying soya (and corn) to the barging transshipment points in the Amazon region.

---

<sup>2</sup> *Companhia Nacional de Abastecimento* (National Supply Company) – CONAB, is a public company under the purview of the Ministry of Agriculture, Livestock and Supply that manages agricultural and supplies policies)

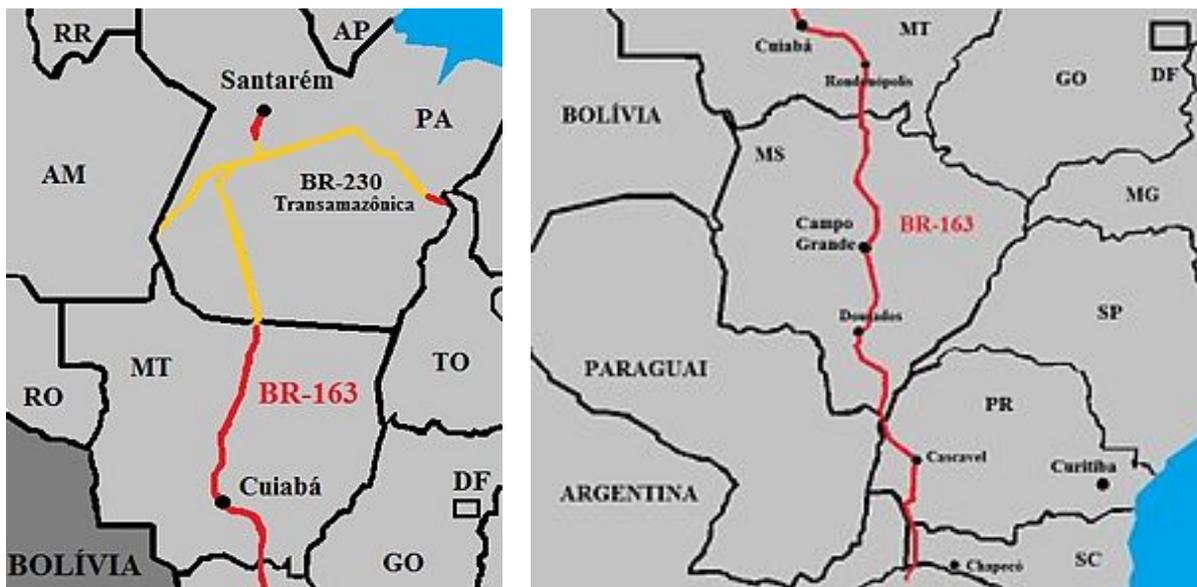


Fig 1 – Highway BR-163 stretch between Rio Grande do Sul to Mato Grosso (right) and from Mato Grosso to Pará (left)

Earlier this week the BR-163 traffic jam that started forming two weeks ago, involved some 4,000 trucks stuck fast in the mud or otherwise unable to advance or return to the point of origin, with their drivers stranded in a region with no food, water, fuel and toilet facilities available.

#### 4. Emergency response

Emergency drainage and pulling of trucks by tractors commenced during Carnival holidays and substantially reduced the congestion but a few hundred trucks are still stuck in the road where food, water and toilet facilities are scarcely accessible to the stranded truck drivers. Engineers and equipment from the Brazilian Army were dispatched to assist in the emergency works along with the Civil Defence and the Federal Highway Police. Airlifts have also deployed supplies and victuals to the truck drivers and motorists.

The National Department of Transport Infrastructure DNIT, an autarchy of the Ministry of Transport, just reported that the southbound traffic of BR-163 (towards Cuiabá, Mato Grosso's capital city) has now been cleared and the trucks in the northbound traffic (towards Santarém in Pará) are slowly being pulled through with the help bulldozers and tractors.

The traffic is expected to be resumed this weekend providing weather conditions improve.

Unfortunately, plenty of rain is forecast for the next two weeks and industry sources say the congestion is likely to last during the entire summer albeit to a much lesser extent.

DNIT reported to be working in the improvement (widening, draining and asphaltting) of a 60km-section of BR-163, to be completed still this year, with the paving of the entire highway in Pará along with construction of bridges, overpasses and intersections, due to complete late 2018.

The Ministry of Transport formed a Working Group composed of various federal ministries, the Army, Civil Defence, Highway Police and representatives of leading grain exporters using the BR-163 (Amaggi, ADM, Cargill, Bunge and Cofco). The purpose of the Group is to devise the strategic logistics to guarantee the trafficability along the highway during peak seasons.

## 5. The reflexes in the ports

The financial losses resulting from the congestion at BR-163 are still being accounted for. A preliminary report by the Association of Cargo Carriers of Mato Grosso – ATC indicates a daily loss of about US\$ 3.5 million to the trading companies in haulage costs alone whereas the Brazilian Association of Vegetable Oil Industries – ABIOVE and the National Association of Cereal Exporters – ANEC project daily losses of US\$ 400 thousand with demurrage charges.

The congestion is directly impacting the river port of Santarém, operated by Cargill, that receives 80% of the grains (soya and corn) from barges supplied by trucks arriving from Mato Grosso to the rivers ports of Porto Velho in the State of Roraima and Mirituba in Pará, the remainder 20% being received directly from trucks arriving through the BR-163 or from local farmers. Other ports also affected to some extent are those of Vila do Conde/Barcarena/Belém, which operators Bunge and ADM are diverting the vessels to ports in the Southeast and South Regions where an overloading may occur within the next weeks.

Otherwise, according to a research we made today, there has not been a significant increase in the waiting times at the other major soyabean exporting ports, as follows:

Port	Average waiting time (days)	
Itacoatiara	Amaggi (0)	
Itaqui/São Luís	Tegram (9)	VLI (0)
Paranagua	Bunge 201 (4)	Pasa (4)
	Bunge 206 (6)	Export Corridor (10)
Rio Grande	Bianchini (1)	Bunge (1)
	Termasa (1)	Tergrasa (1)
Salvador	Cotegipe (0)	
S. F. do Sul	101 (17)	
Santos	ADM Terminal (7)	Export Corridor (16)
	T-Grão (12)	Copersucar (28)
	Rumo (9)	Cofco-Agri (3)
	Tiplam (10)	TGG (14)
	Cutrale (14)	TEG (15)
	TEAG (12)	
Vitória	Vale Tubarão (19)	

**Update:** as at 6 March 2017, the trucks that were stuck on the southbound way of the BR-163 were released and traffic towards Mato Grosso is said to be flowing freely. On the opposite direction, trucks heading northbound are slowing advancing on the 'stop and go' system whereby the traffic flow in one direction is alternated to another depending on the number of vehicles each way.

DNIT expects that until May 2017, the flow of trucks through the BR-163 will be 1,500 per day and 6 million tons of soyabeans are expected to be carried in this road during the 2016-2017 soyabean crop.

## 6. Conclusion

The congestion at highway BR-163 has particularly impacted the northern ports of Santarém and Vila do Conde/Barcarena/Belém; however, because vessels are being diverted to the southern ports to relief the stocks of the producers, it is expected that the average waiting time at the main ports will sensibly increase in the next few weeks to levels slightly beyond what is normally expected at this time of the year, but we believe that the situation will be resolved within the Brazilian summer.

There are practical measures that vessels and operators can take to cope with the current situation and safeguard the Owners' interests:

- Vessels arriving at congested ports must carefully plan taking of provisions, fresh water and fuel and be prepared to either wait at anchor for prolonged periods or else be diverted to far away ports. Attention must be paid to the need of renewing vessel's documents, such as Ship Sanitation Certificates which are not obtainable at any port;
- While there is so far no indication that the congestion in the flow of the soyabean from Mato Grosso to the loading ports has caused significant deviation to the quality of the soyabeans, the Masters and crews must heighten the vigilance during cargo operations and monitor the visual cargo condition. The Owners should consider engaging experienced surveyors to check the temperature and moisture content of the grain at regular intervals to ensure they meet the cargo quality parameters shown in the cargo document and to assist the Master with cargo-related matters; and
- Since Brazil is currently in the rainy season, the crews must increase the weather lookout and ensure that loading equipment is removed from within the cargo holds and hatch-covers closed on a timely fashion to avoid cargo being affected by flash rainfalls which are particularly common at the ports of the Northern Arc

We are monitoring the progress of this matter and will advise you of significant developments.

Editor: Ricardo Martins/Rodrigo Nascimento

**(UPDATED 6 March 2017)**

**[www.proinde.com.br](http://www.proinde.com.br)**

### Disclaimer

The purpose of this publication is to provide a source of reference to the benefit of our clients and associates. Whilst we have taken every care to ensure the information provided is correct and up to date, we give no warranty or representations whatsoever about the accuracy, reliability and suitability of the information for the purposes to which it is applied.

We accept no liability whatsoever for any loss or damage, direct or indirect, arising out of or in connection with the use and reliance on the information provided herein. This publication is not a legal advice nor is not intended to be any comprehensive or to replace any other guidelines issued by the flag State, relevant health authorities and liability insurers.

© Proinde 2017. All rights reserved