



# Transport Outlook for 2022

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In Argentina, the level of the Paraná River is expected to remain low during summer. Meanwhile, long-term tender for the waterway are being prepared and short-term tender for dredging and beaconing are progressing.

## Sea Shipping

The current exceptional freight market situation, caused by global supply chain disruptions, is expected to continue until at least the first quarter of next year.

In particular, in container transport, demand continues to exceed ships' hold. The latter remains restricted by delays caused by congestion in ports and in logistics systems outside ports.

Corrective measures taken by shipping companies extend this situation to ports less affected by this dynamic, which causes a vicious cycle, aggravating and generalizing the congestion, as is the case in Buenos Aires.

As is already known, as a result of the cancellation of calls and the unloading of containers in Buenos Aires, the export cargo of several ships accumulates in the port along with the transshipped containers, "over saturating" the capacity of the arriving ships, generating shifts of export cargo from ship to ship and extending the length of stay, which reduces the capacity of the port and generates inefficiencies.

The transport capacity would only increase and balance with demand as of 2023, when the ships that are under construction are finished.

Demand continues at high levels, although very uneven between regions and ports, mainly due to post-pandemic economic incentives on the part of many nation states around the world. This demand increased in recent weeks due to lack of stock and the proximity of the holidays, and in anticipation of the Chinese New Year. The fundamental driver is the US market, which is significantly absorbing shipping and container capacity globally.

## Prospects

It is estimated that it is not feasible, in the short term, to increase the transport capacity. Therefore, this situation will depend on the control of demand. The United States is analysing the elimination of financial aid and an increase in interest rates to "cool down" its economy. Something similar is being analysed in Europe.

Ocean freights will continue at high levels until 2023, when transport capacity is expected to increase. Shipowners are encouraging multi-year contracts to guarantee space and freights that are not subject to variations in supply and demand.

Orders for the construction of new vessels have increased significantly in 2021, but it takes about three years to build and deliver one, according to specialists.



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In order to regain productivity and efficiency, it is imperative to relieve ports and logistics systems, but this would take between 3 and 6 months, if demand is aligned with the actual capacities of the moment.

Shipping companies and ports cannot improve their capacities and/or efficiency on their own. For shipping companies to return to pre-pandemic itinerary reliability, they need the port to improve its productivity to previous levels. However, ports cannot improve their productivity/efficiency if shipping companies do not reliably meet docking windows.

Unfortunately, everything is subject to the progress of the pandemic, and the possible new impact of the Omicron variant.

### **Land transportation in Argentina**

In terms of rail transport, if the investments that are being made continue, both in the trunk branches and in the accesses to the port terminals of our region, the prospects are positive and, although there is still a lack of progress in some regulatory aspects of the cargo railway system, it is probable that both the tons transported and the tonne-kilometres produced will keep an increasing trend.

Regarding freight trucking, in particular that of grains, the number of scalable trucks and smaller bitrains seems to be increasing.

Obviously, support is required in terms of financing for the acquisition of this equipment and also to advance in improvements of roads, both increasing the capacity of national routes and improving access to industries and port terminals of our region.

It is forecast that during 2022 the number of trucks unloaded at Rosario port terminals will be close to two (2) million units, while the number of wagons could be from 220,000 to 230,000, approximately.

It will be crucial to closely monitor the evolution of internal costs and the exchange rate, due to the impact that the cost of transportation of our export products will have, measured in US currency.

### **Fluvial-maritime freight transport-dredging and beaconing concession contract of the Main Waterway of the Paraná River**

Given that during 2021 the concession for the dredging and beaconing of the Main Waterway of the Paraná River that Hidrovia S.A. had ended, there were many navigation changes in the Paraguay-Paraná Waterway. On the one hand, the General Administration of Ports (AGP, for its Spanish acronym) was appointed as concessionaire of dredging and beaconing of the Inland Waterway, who had to contract the maintenance dredging services of the main inland waterway to Compañía Sudamericana de Dragados S.A. and beaconing services to Emepa S.A. The hiring was done directly as a matter of urgency, so as not to discontinue the canal conditioning labor.

During the current month, AGP opened the process of two tenders, one for dredging and the other for beaconing, both for a period of 180 days with the possibility of extension. The successful bidders are expected to begin work within the first months of next year.

On the other hand, in August 2021, Decree N° 556/21 created the Inland Waterway Control and Management National Board, which has the power to control the adequate provision of services and other aspects of the main waterway comprised between kilometre 1238 of the Paraná River, a point called *Confluencia*, to the Deep Natural Waters Zone, in the outer Río de la Plata. In addition to this, the Board will be in charge of preparing and approving the terms and conditions that will govern the bidding processes related to concessions and/or public works contracts granted on waterways.



In the first months of 2022, the formal start-up of said Board is expected, whose president has already been appointed: Mr. Ariel Sujarchuk. Once the Board is completed, it will be able to continue with for the elaboration of the tender specifications with a long-term strategic vision on the Waterway. It is expected that these tenders will take place during this coming year.

### Water level of the Paraná River: a complicated first quarter

In the last two years, the situation of extreme shallowness of the Paraná River has generated very high costs for the agribusiness export sector of the Up-River. The possibility of loading less tonnage per ship, the need to relocate cargo, among other various incidents that this situation generates, increases the cost of placing domestic production in foreign markets and generates losses in competitiveness for the chain as a whole.

The Argentinian National Water Institute's forecast for the coming months is not encouraging, and low water conditions are expected to continue at least during the summer period. According to their estimates, the height of the Paraná River will fluctuate between 20 and 40 centimetres until the first week of March, in a clear stable-decreasing trend.

It is very likely that the shallowness situation will complicate, for the third consecutive year, the operation of ports in full coarse-crop season 2021/22 if the conditions are not reversed.

### hydrometric forecast for Paraná River

Week	Hydrometer located in Rosario
25-dic-21	0,33(*)
1-ene-22	0,28
8-ene-22	0,33
15-ene-22	0,22
22-ene-22	0,28
29-ene-22	0,31
5-feb-22	0,38
12-feb-22	0,32
19-feb-22	0,25
26-feb-22	0,22
5-mar-22	0,25

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