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# Maersk Line and Hamburg Süd will dominate Brazilian reefer market

**CONTAINER:** Based on numbers from Brazilian analyst agency Datamar, Solve Shipping in São Paulo ventures a precise guess as to how big Maersk Line and Hamburg Süd will be on the crucial and profitable reefer market out of South America's large agricultural land.

BY OLE ANDERSEN  
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Maersk Line's planned acquisition of Hamburg Süd will give the two container carriers a market share of more than 40 percent in the combined transport of refrigerated containers, reefers, which carry especially food and perishables out of Brazil, stretching across almost the entire South American east coast.

This is the assessment from shipping analyst Leandro Carelli Barreto of Solve Shipping in São Paulo, speaking to ShippingWatch on the basis of numbers from Brazilian analyst institute Datamar, among others.

Maersk Line's takeover of Hamburg Süd is still subject to a finalized deal between the two carriers, a comprehensive investigation of financials at the German carrier in a due diligence process, and not least on approvals from competition authorities in regions including South America, Europe, the US, Australia, and China.

## South America no longer a shining growth engine for shipping

Brazil, which despite the country's severe economic troubles continues to rank among the world's largest exporters of agricultural commodities, will have a cluster of very few carriers controlling the combined container transport in and out of the South American east coast, with the combination of Maersk Line and Hamburg Süd.



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## Battleground for heavyweights

Reefer transport has in recent years been a battleground for intense competition among the largest container carriers, as there are higher rates for refrigerated containers and a growing global demand for food.

Swiss-based MSC, Maersk Line's partner in the 2M alliance, will handle about 25 percent of the transport from Brazil.

In other words, the three carriers Maersk Line, Hamburg Süd, and MSC will control two thirds of the market, which for shippers is also highly concentrated in two large Brazilian exporters, namely JBS and BRF, which represent more than 50 percent of Brazil's reefer transport.

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It will be a fight among heavyweights"

— Leandro Carelli Barreto, analyst, Solve Shipping

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"It will be a fight among heavyweights," says

Carelli Barreto, pointing out that the analysis for Brazil is the same for all of South America's east coast with Argentina, Uruguay, and Paraguay, because of the increased concentration among only a few carriers.

Hamburg Süd, currently the world's seventh largest container measured in total capacity, has developed its business on the North-South routes and particularly the freight of containers in and out of Latin America, where reefer volumes play a big role.

### Maersk Line looking to beat reefer peers with GPS

The aggregate global reefer market, in which Latin America's share amounts to about 35-40 percent, is estimated to constitute about nine million teu. In relation to the total reefer capacity in the global container fleet, Maersk Line has a total capacity of about 20 percent of the global market, which makes Maersk the world's largest carrier, also in the refrigerated container segment.

Maersk Line has in recent years gambled big-time on "high value" transport of reefer containers with new services, and by entering new partnerships with producers in certain larger types of goods. Meanwhile, Maersk Line has invested in thousands of new reefer containers.

The North-South services, where Latin America plays a pivotal part, were characterized a few years ago by analysts as the golden routes for large container carriers as a counterpart to the key routes – which are also unstable – going East-West between the Far East and Europe.

## Domestic routes cause problems

After Hamburg Süd made its own acquisitions and increased its presence in Latin America, and Hapag-Lloyd took over Chilean CSAV's container business, Maersk Line's possible takeover of Hamburg Süd has increased the concentration of container carriers.

For Brazil's competition authorities, the domestic seaborne transport, cabotage, has already been pointed to as the most problematic aspect of Maersk Line's acquisition of Hamburg Süd. In Brazil, this has given rise to concern because a combination of Maersk Line, Hamburg Süd, and the Maersk-owned Mercosul Line would control 80 percent of the combined capacity on the domestic cabotage routes.

According to Carelli Barreto, seaborne transport only makes up a modest portion of the Brazilian transport sector, where competition would mainly be directed at truck transport, which also constitutes an environmental issue in Brazil, which the country's authorities might address in favor of transport at sea.

## Producer partnerships

Shereen Zarkani, Global Head of Reefer Management at Maersk Line, told ShippingWatch in an interview earlier this year, that partnerships with

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producers in various and larger food groupings today feature more prominently among Maersk Line's reefer activity priorities than ever before.

"Looking at the South American east coast, especially Brazil, we're shipping large volumes of proteins, meat and chickens. And we have noted growth in the market from Latin America to Asia, to China, in particular within the past 1-2 years. This illustrates that the Chinese middle-class is eating more meat and the actual Chinese demand for imported food items has increased in spite of the general economic climate in the country," stressed Zarkani, citing also the technological developments in the new reefer containers which make it possible to transport perishable products for longer periods of time, thus opening doors to new markets.

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**CONTAINER:** Even though Maersk Line's acquisition of Hamburg Süd is seen as the last remaining piece of the consolidation puzzle taking place in the global container sector, there is sure to be more on the way, says Maersk Line CEO Søren Skou, who plans to maintain Hamburg Süd's brand and Hamburg headquarters.

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end up controlling a vast majority of the combined container volumes in Brazil if Maersk Line acquires Hamburg Süd.

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