



# Questions Port Authorities and Cargo Terminal Operators Should Be Asking

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XIX Congreso  
Latinoamericano  
de Puertos





## Major Themes

- ◆ **Aging industrialized nations' populations and economic development in emerging markets are creating opportunities and risks.**
- ◆ **To increase competitiveness, investments must be made when many of the normal business markers say otherwise.**
- ◆ **To get it right, decision-makers must make sure they are asking the right questions, and listening to the right answers.**
- ◆ **When global economies emerge from crisis it is more important than ever to watch the indicators and analyze market forces.**



**What sectors of the world economy are going to drive the next business cycles and which ones will struggle? How is Latin America likely to be affected?**



## Leading Industries Vary Across Business Cycles

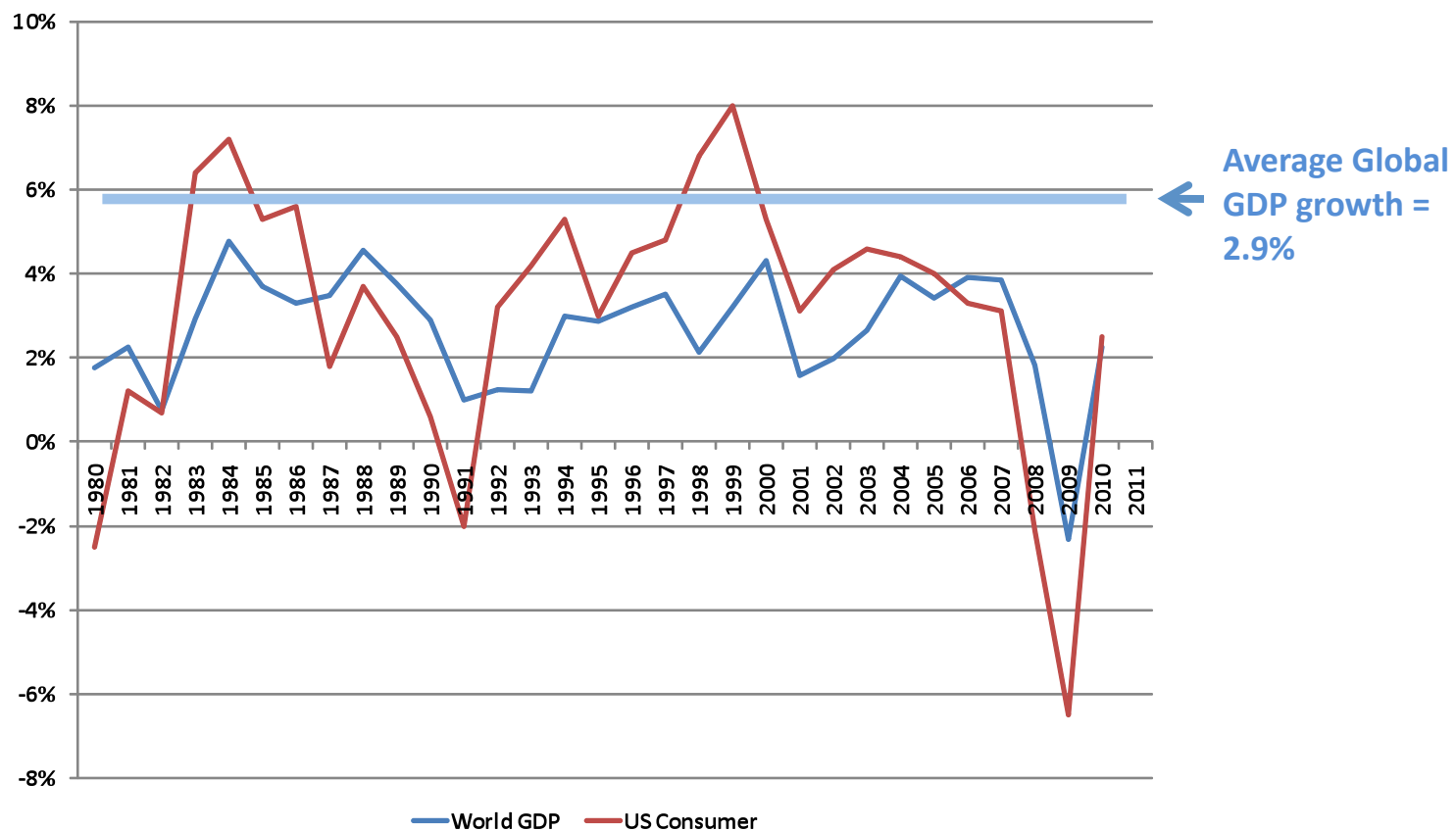
- ◆ **1960s: Chemicals, plastics, transistors, televisions (color).**
- ◆ **1970s: Oil, metals, and other commodities.**
- ◆ **1980s: Aerospace, defense, industrial equipment.**
- ◆ **1990s: Information technology, Telecommunications.**
- ◆ **2000s: Construction, oil, metals.**
- ◆ **2010s: Probably not what led the last business cycle.**



**How will consumer demographics be affected by population age groupings in Latin America economies?**

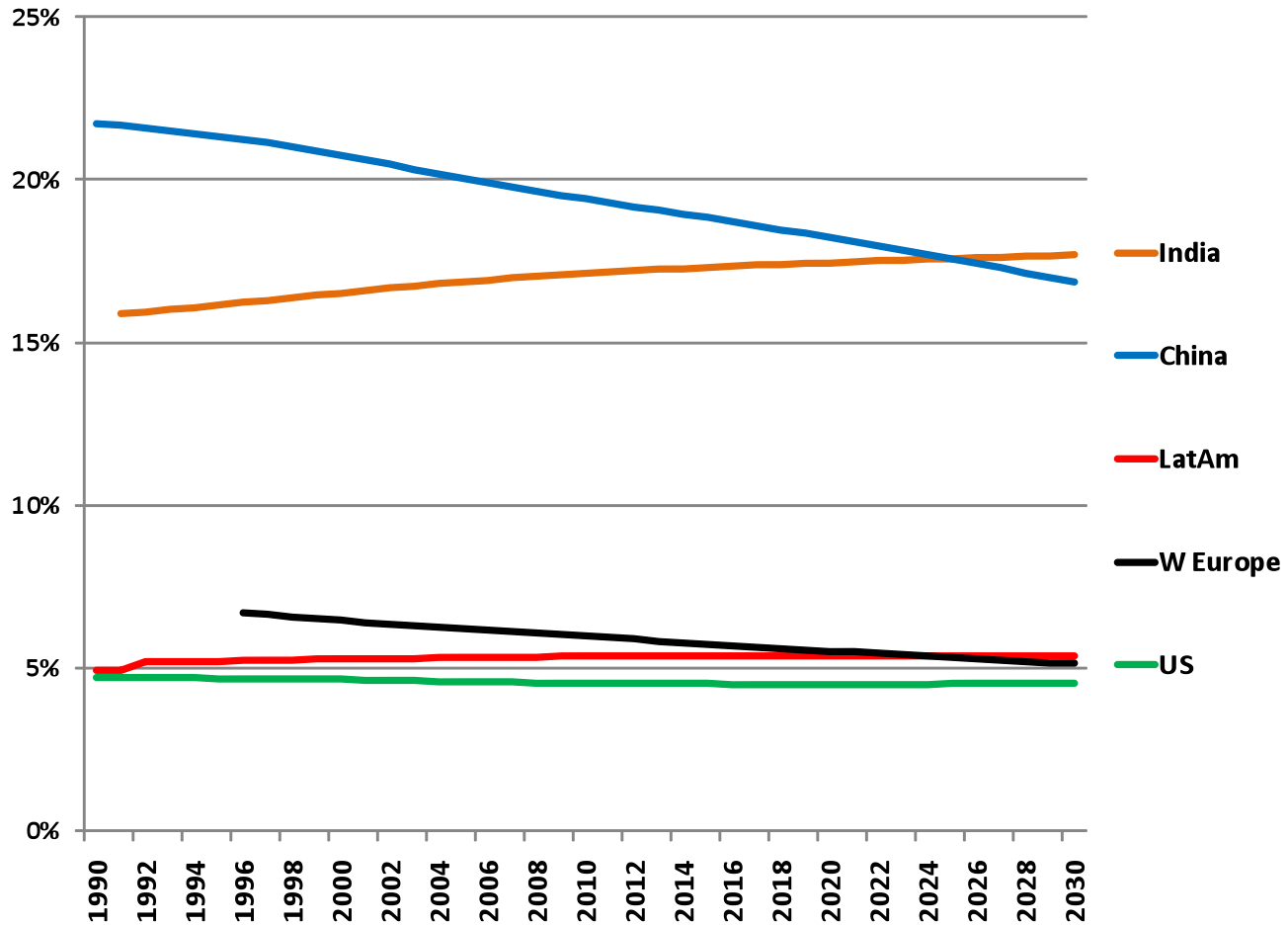
## World Economy Recovery Depends On the US

### US Consumer Spending and Global Real GDP Growth



# LatAm Is Expected To Slightly Gain Share of World Population

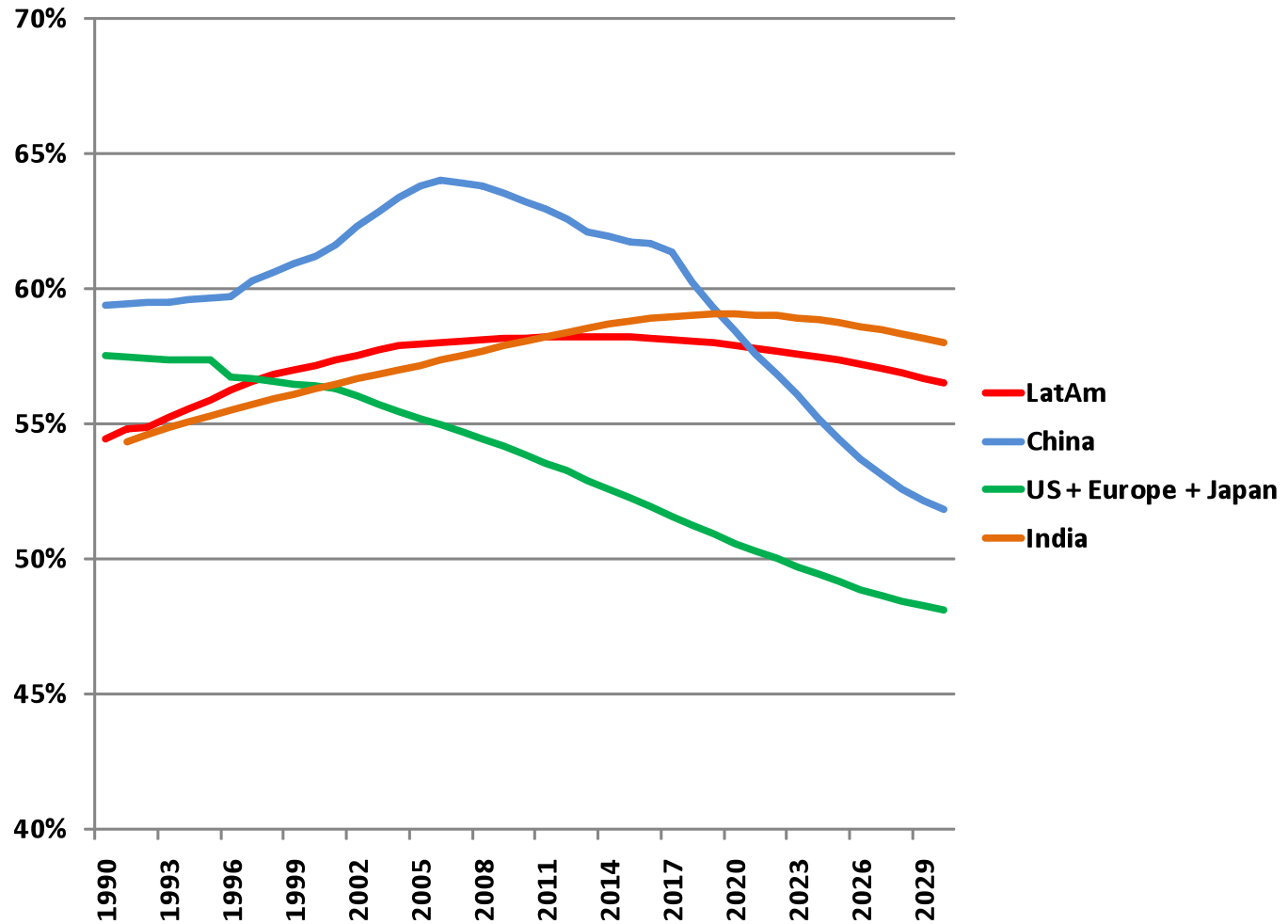
**Shares of World Population 1990 - 2030**





## LatAm Age Profile Compares Well to Other Regions

### Shares of People 15 – 55 Years Old By Region

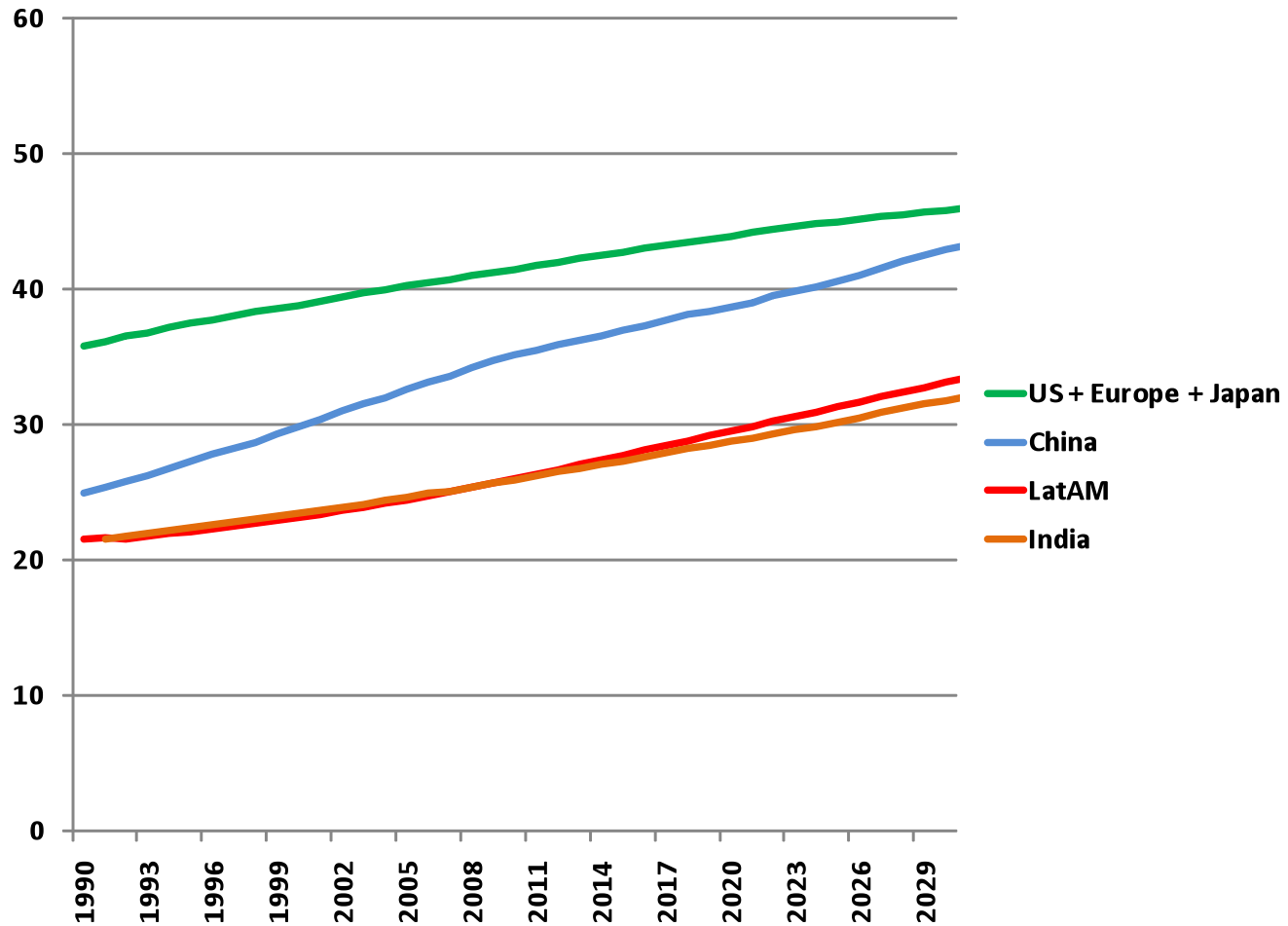






## Medium Age In LatAm Indicates Strong Consumer Base

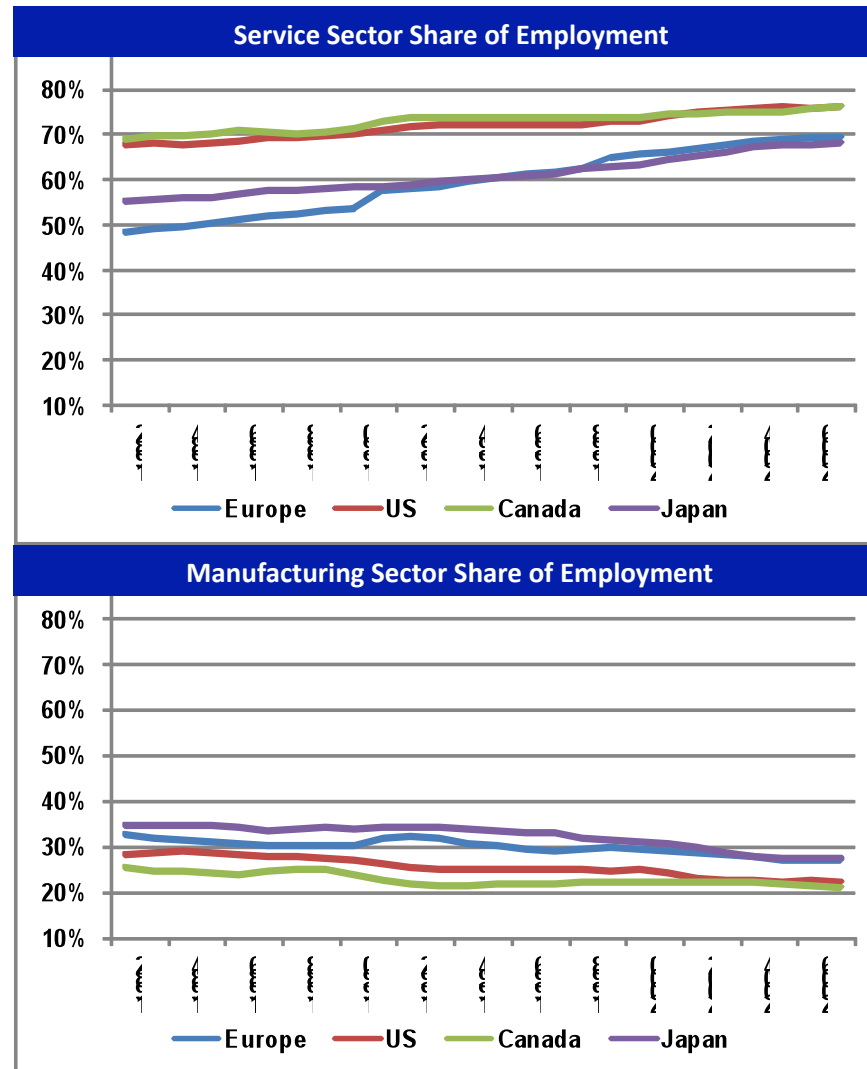
### Median Age By Region





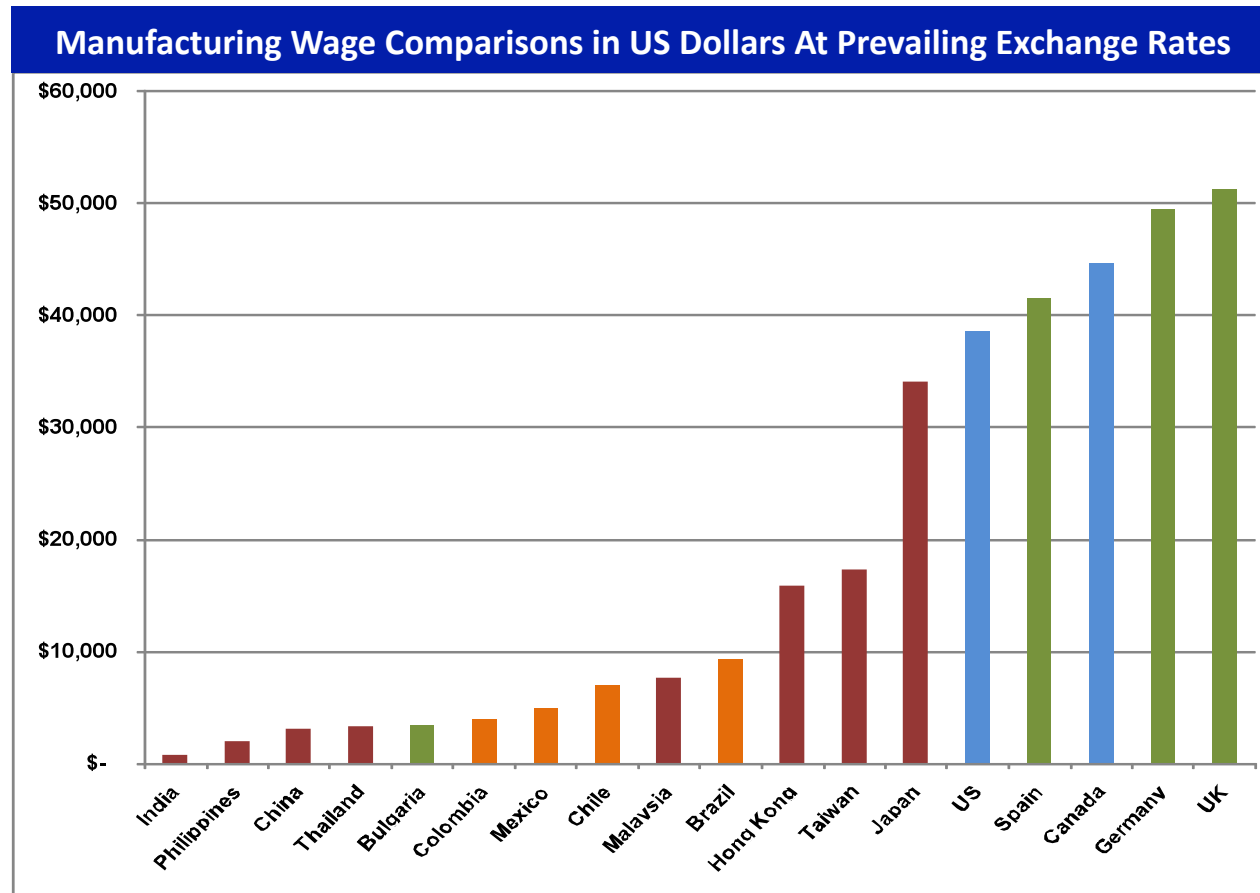
**Can Latin America take advantage of near sourcing opportunities as North America, Japan and Europe continue to outsource?**

## Mature Economies Are Increasingly Service Intensive



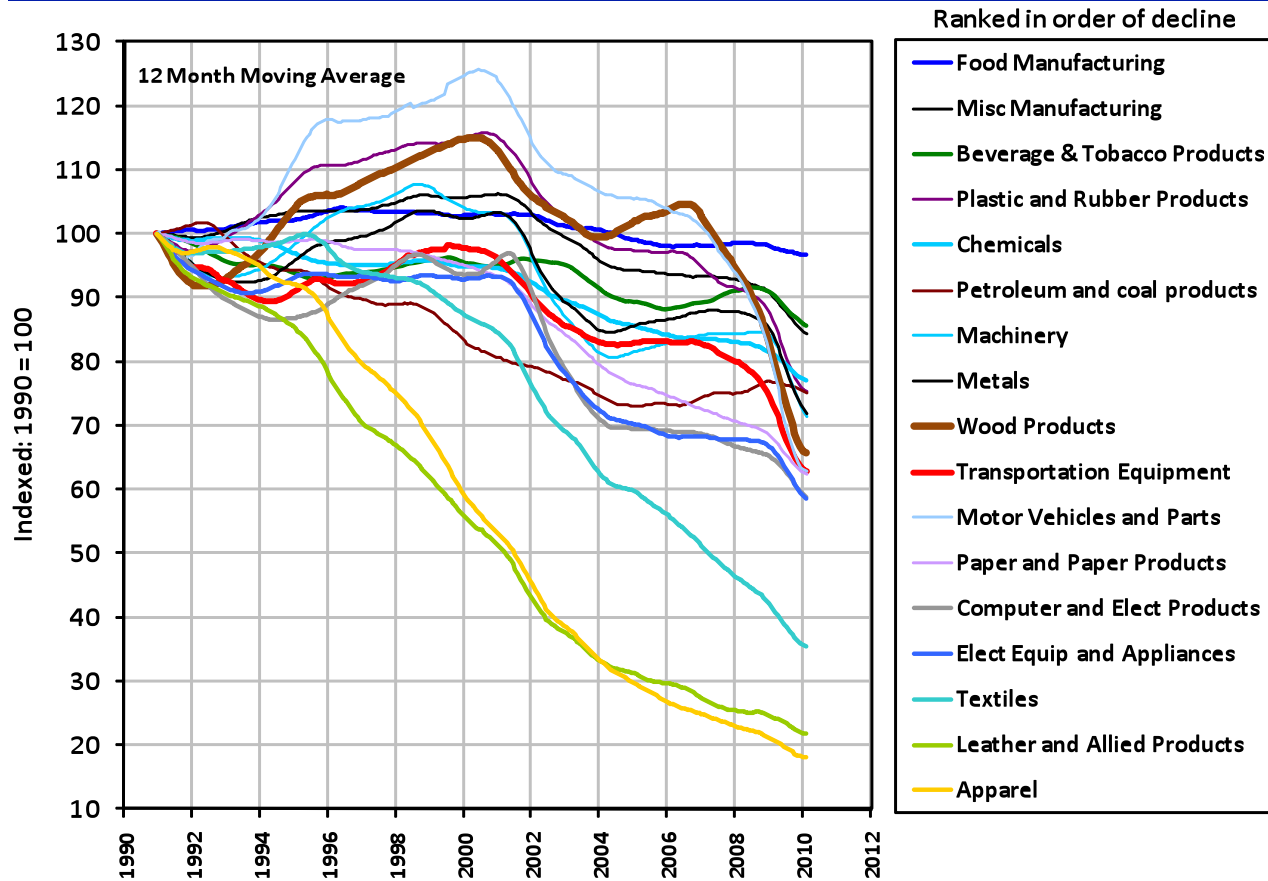


## Manufacturing Industry Wage Comparisons



# Plenty of Outsourcing Left

## US Manufacturing Employment Trends By Industry

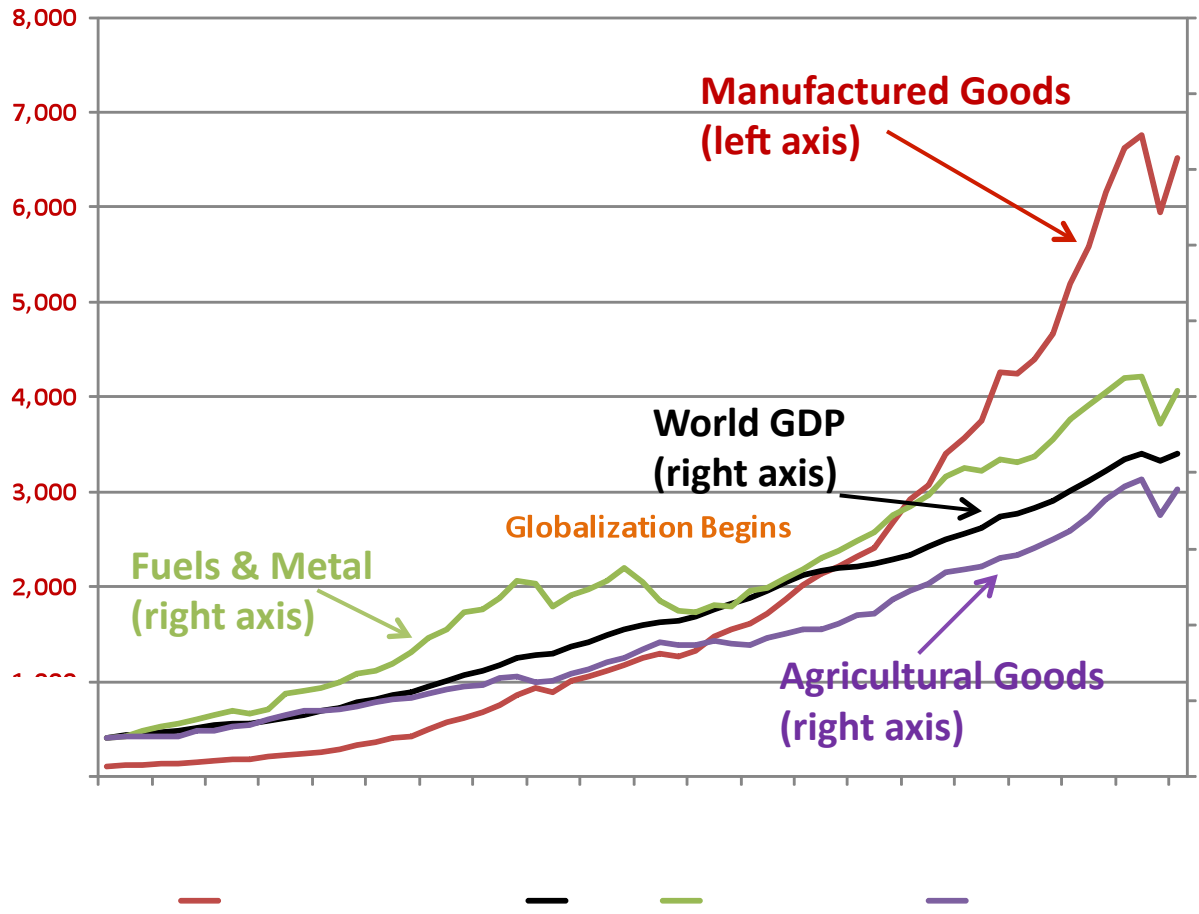




**What will be the key issues that companies within Latin America have to face in order for their business models to survive the next global cycles?**

# Global Trade In Commodities Lags Manufactured Goods

**World Trade and GDP Volume Indexes**





## Brazilian Companies Are Already Positioning Themselves

### ◆ 2006

- ◆ Vale (formerly CVRD) acquired Canada's second largest mining company, Inco

### ◆ 2007

- ◆ JBS (Brazilian meatpacker) buys Swift

### ◆ 2008

- ◆ InBev (Brazilian-Belgian Beer producer) buys Anheuser Busch (US beer company)

### ◆ 2009

- ◆ JBS buys Pilgrim's Pride (US packaged food producer)
- ◆ JBS attempts to buy National Beef Packing Company but US Dept of Justice does not permit it

### ◆ 2010

- ◆ JBS buys Swift
- ◆ Petrobras buys Devon Energy's stake in the Gulf of Mexico's Cascade field
- ◆ Braskem (Brazilian chemical company) acquired the polypropylene business of Sunoco Chemicals
- ◆ Marfrig Alimentos SA (Latin America's 2<sup>nd</sup> largest beef producer) bought US meat processor Keystone Foods LLC to become a supplier to restaurant chains such as McDonald's Corp.



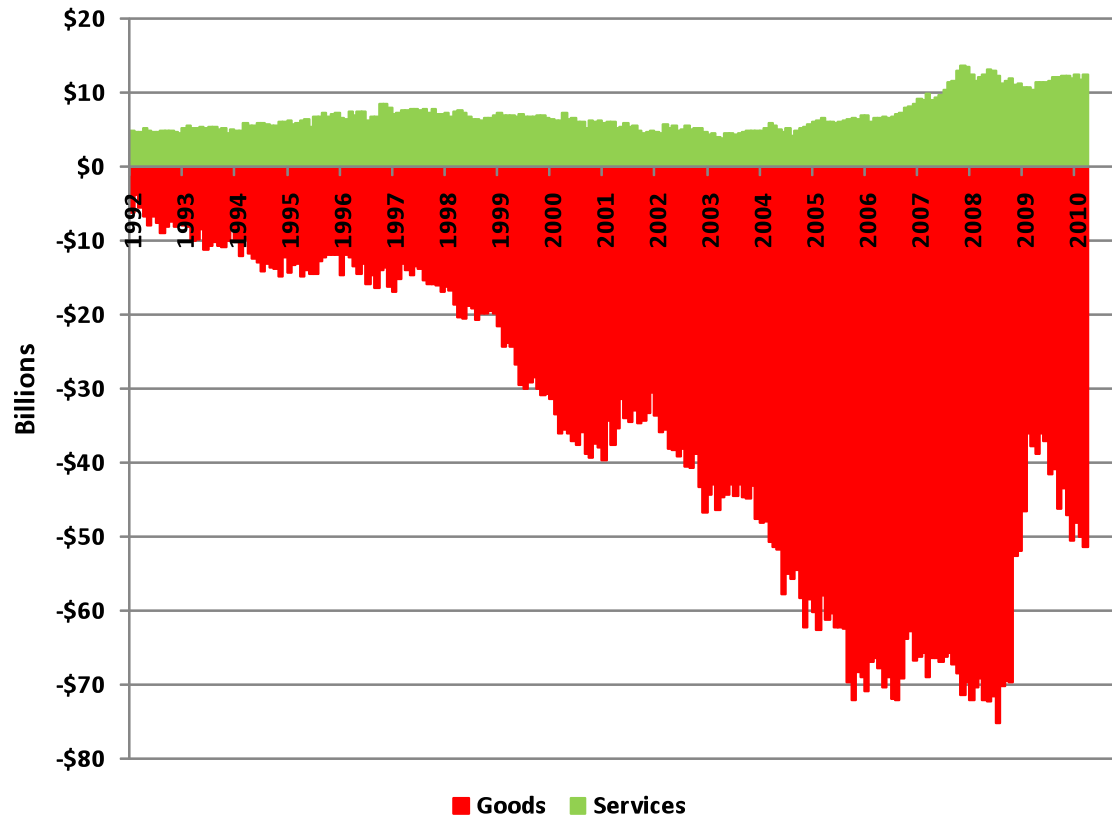


**How will Latin America compete in the increasingly globalized economy?**



## Eventually The US Will Have To Balance Its Trade

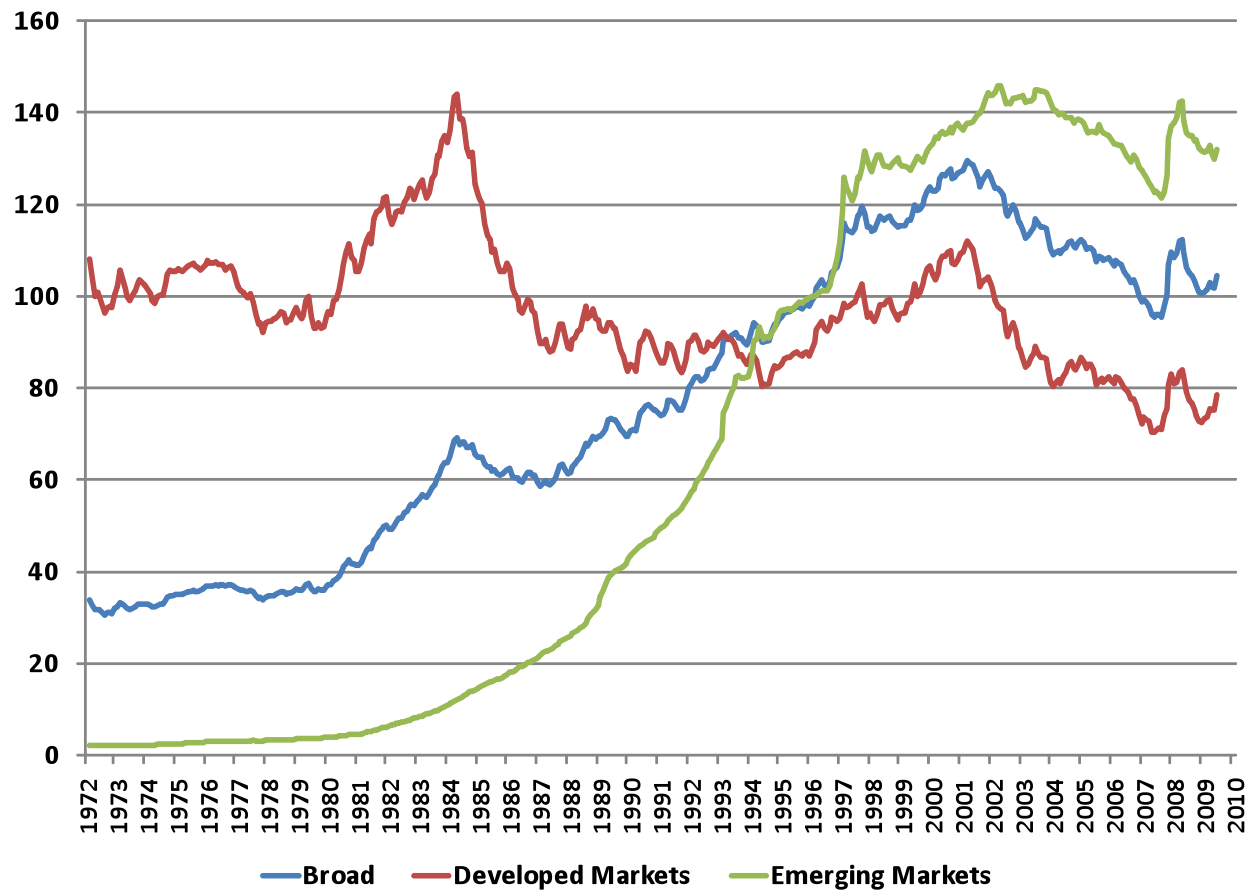
### US Goods and Services Trade Balances



About 55% of the goods deficit is due to oil imports

## Global Trade In Commodities Lags Manufactured Goods

### Trade Weighted Indexes of the Foreign Exchange Value of the US Dollar





**What factors will enable countries to be winners and losers?**



## Drivers of Robust Economic Growth

- ◆ **Balanced government budgets – avoid crowding private sector out of financial markets.**
- ◆ **Low inflation and low interest rates – keeps the cost of capital investment down.**
- ◆ **Low taxes – increases the returns to investment**
- ◆ **High rate of investment in infrastructure – supports productivity and labor income growth.**
- ◆ **Vibrant domestic consumer market – reduces impact of foreign business cycles.**
- ◆ **Free trade – allows resources to be employed their best and highest value use. Business will naturally seek the most viable and profitable markets.**
- ◆ **Keep a wary eye on the housing market.**



**What do Latin America Port Authorities need to be thinking about in their strategies for growth and expansion?**



**What will be the effect of the Panama Canal expansion on Latin America ports and cargo flow?**



## Caribbean Transshipment Triangle

### Transshipment Cargo Ports in the Caribbean/Central America



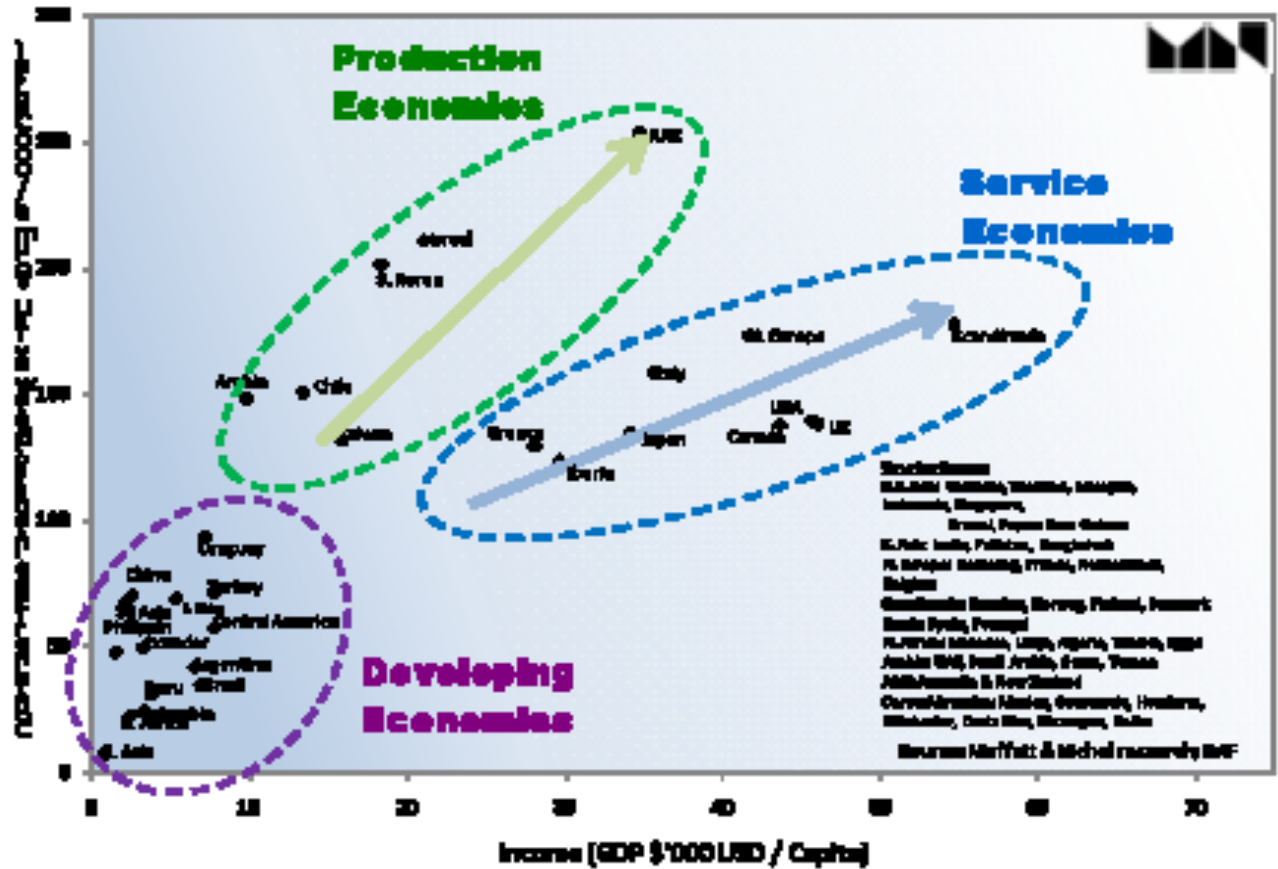




**How will intermodal modes such as road, rail, and truck need to be developed and expanded upon as the result of changing cargo supply chain dynamics in Latin America?**

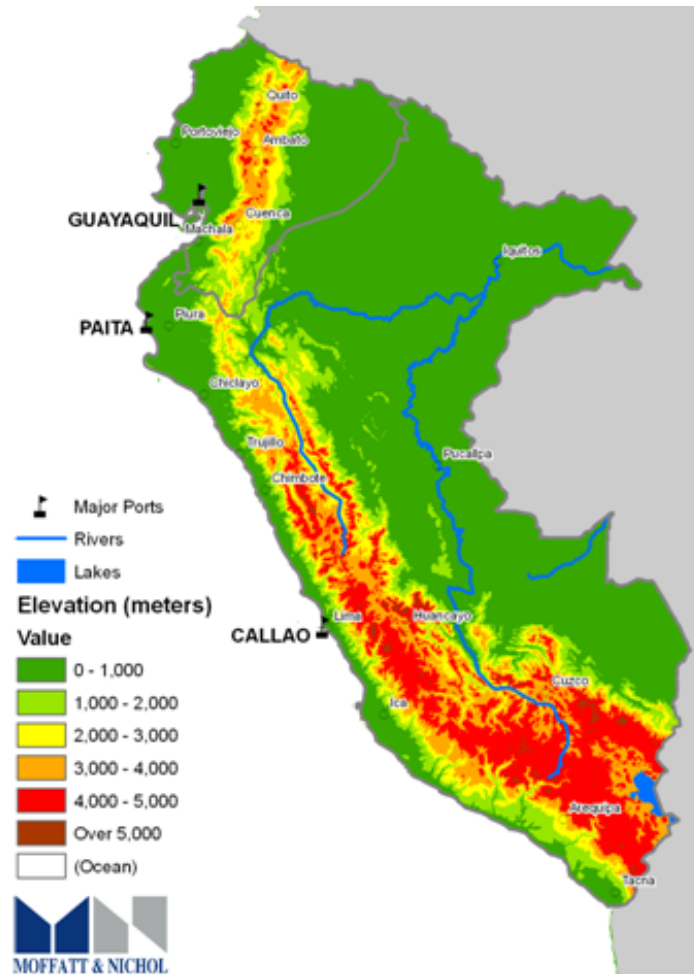
# Low Container Trade Intensity in Emerging Markets

## International Comparison of Gateway Container Trade Intensity



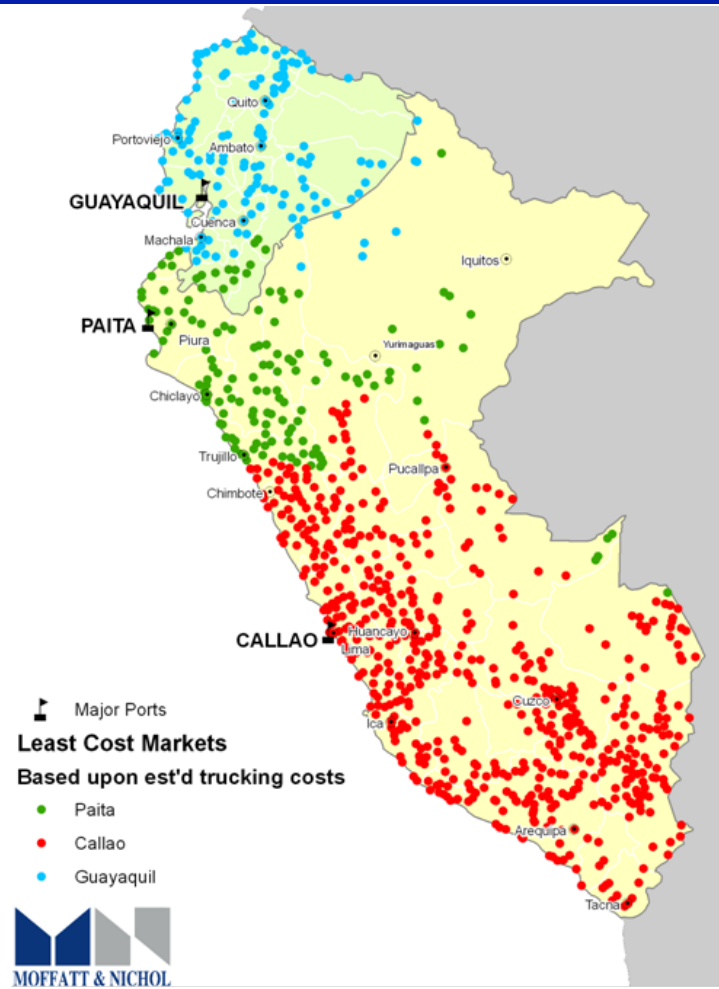
# Case Study: Peru

## Natural Relief and Landside Transportation Infrastructure Maps



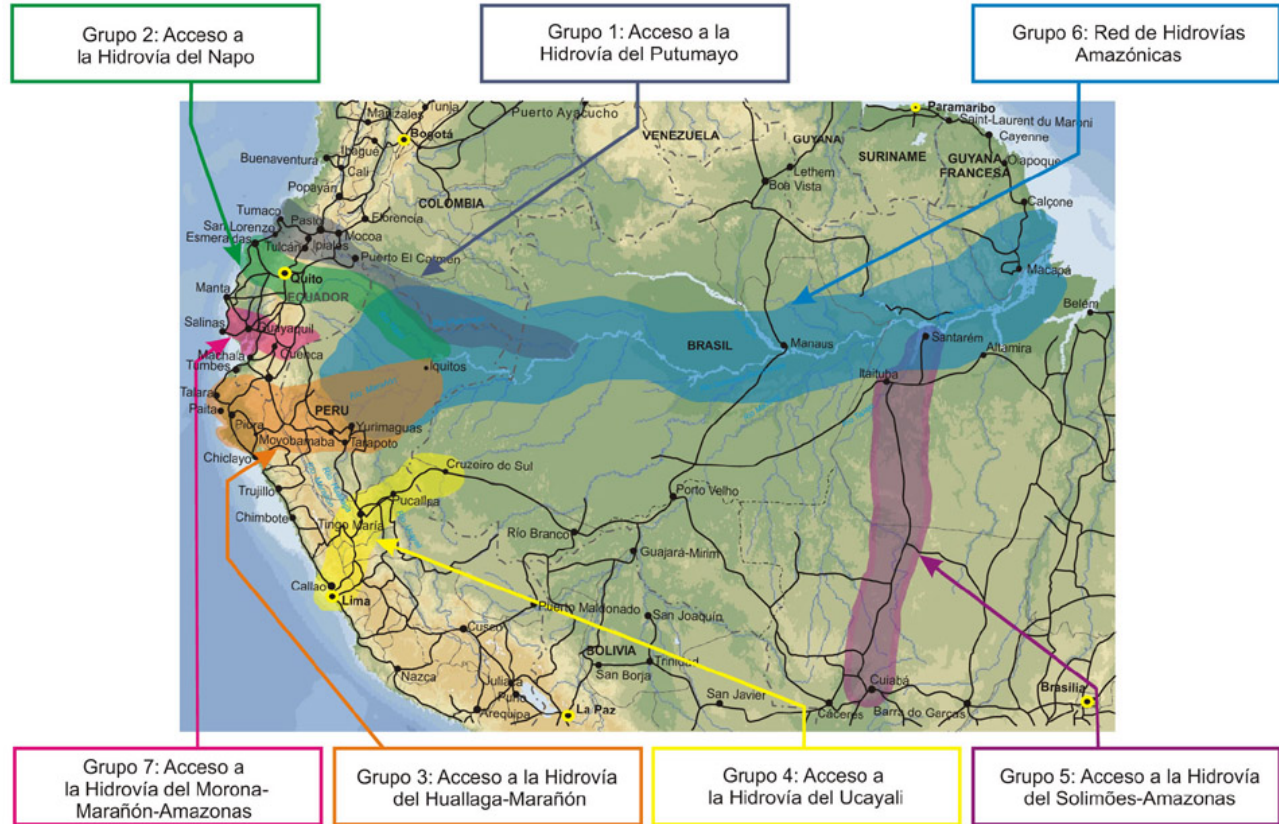
# Hinterland Connectivity Determines A Port's Market Area

## Least Cost Competitive Market Areas For Peru and Ecuador Ports



# Hinterland growth Opportunities - Yurimaguas

## Amazon Route – Project Groups





**Is there a need for hub terminals in Latin America,  
and where will those surface?**



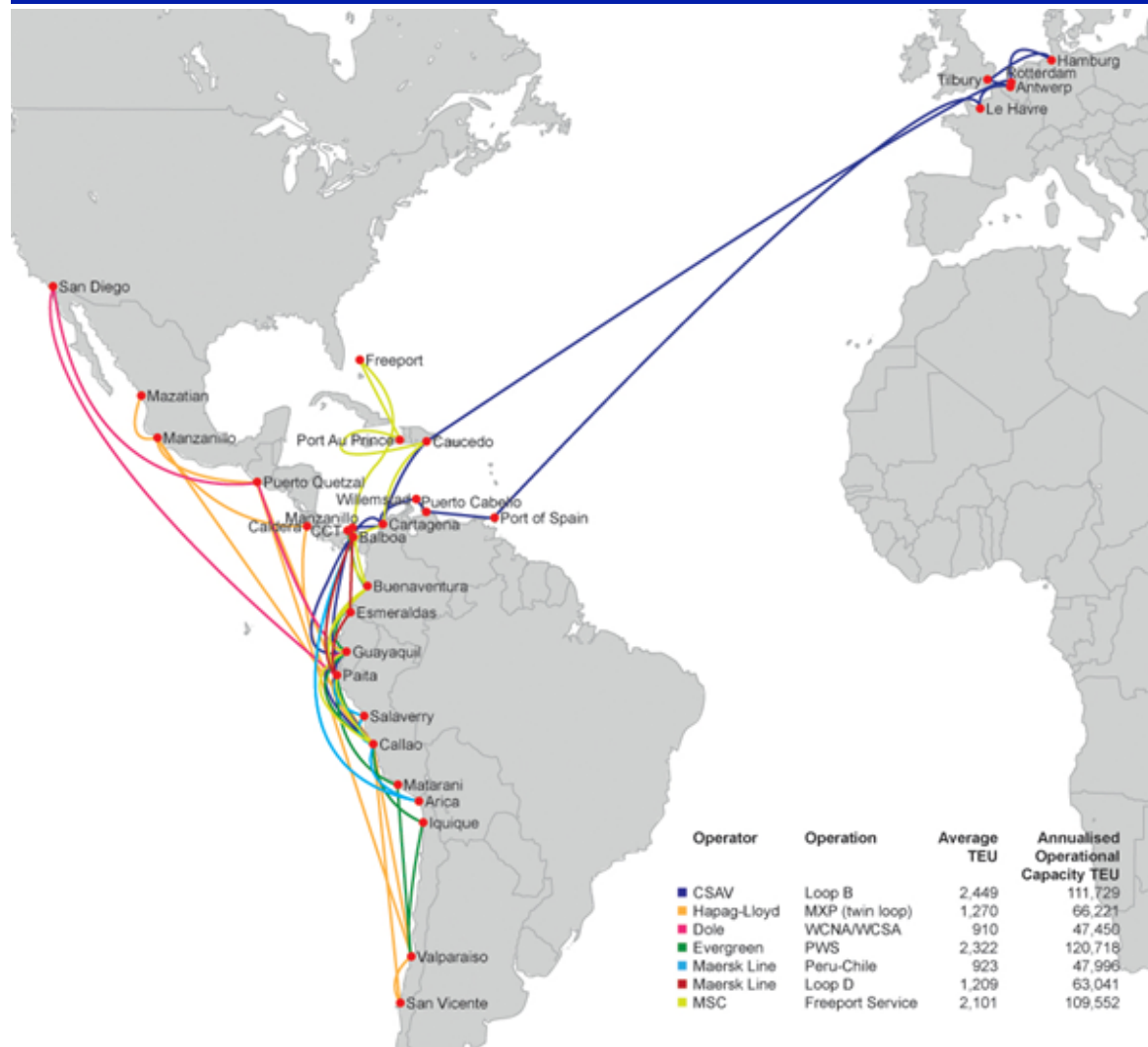
# WCSA Example

## WCSA Container Ports



# WCSA Service Profile By Region

## WCSA Container Service Profile







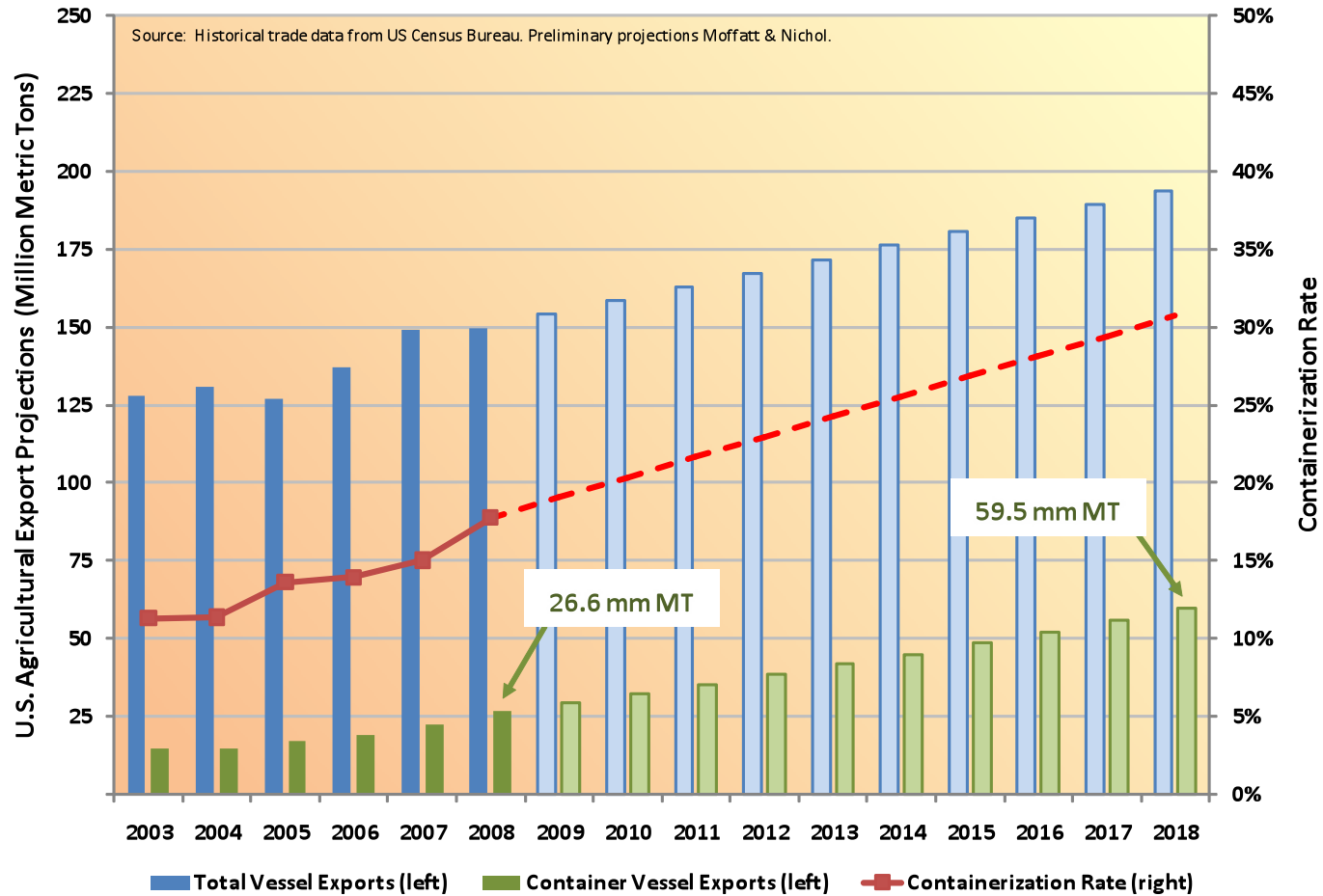
**How will the emerging powers in the global transportation cargo supply chain such as Vietnam, Malaysia, Africa, India, and Brazil affect the business strategies of Latin America countries and the direction of the Port Administrations?**



**Will the future strategies for terminal and port design continue to differentiate between developing bulk and containerized cargo facilities, exclusively, or is there a move toward more multi-purpose facilities?**

# Containerization Would Support Agricultural Exports

## US Grain Export Trends – Bulk and Containerized





**Where and when will environmental concerns and regulation start to drive strategies and business models in the Ports and Terminals within Latin America?**



## Conclusions

- ◆ **Aging industrialized nations' populations and economic development in emerging markets is creating opportunities and risks that we can not afford to pass up.**
- ◆ **To increase competitiveness, investments must be made when it seems to be the wrong time to do so.**
- ◆ **To get it right, decision-makers must make sure they are asking the right questions, and interpreting the market forces correctly.**
- ◆ **Trade patterns are reacting more quickly than ever to the changes in population dynamics and expectations of consumers.**
- ◆ **Ports and terminals need to be efficient, quick to make decisions, nimble and flexible.**
- ◆ **Logistics capability and access to management information will be two of the most important key drivers in Latin America's development strategies.**



**THANK YOU!!**



## Trans-Pacific To US Midwest Carbon Emissions

Total CO<sub>2</sub>e Emissions per 4,500 TEU Intermodal Delivery from Shanghai

