

Main news

According to Ceca  (Brazil's Coffee Exporters Council), coffee exports from the Port of Santos grew 29.3% in the first seven months of 2019, compared to the same period last year.

The Santos pier continues to be the main coffee export port, accounting for 77% of all bags shipped in the country.

The Ceca  survey found that between January and July 2019, the Santos port complex shipped more than 18,200 bags of 60 kilograms of coffee. In comparison, there were 14,100 bags during the same period of last year.

In July, 3.2 million bags of coffee were shipped, which is the largest number of shipments in the last five years for the month. During the same period, coffee exports in the country grew 28.2% compared to July 2018, when Brazil shipped 2.5m bags.

Although the volume increased, the average price of the coffee bag fell from year to year, down 18% to US\$119.7/bag. As a result, the foreign exchange revenue generated this month was US\$378.2m, representing an increase of 5.1% compared to July last year.

The survey also showed that coffee exports from January to July 2019 were the highest in the last five years for the period, with the shipment of 23.5m bags, up 37.6% over the period from January to July of last year. Foreign exchange revenue, in this case, reached US\$2.9bn, also increasing by 11% over the same period of 2018.

Arabica coffee was the most exported variety, accounting for 71.4% of total foreign sales, equivalent to 2.3m bags, followed by conilon (robusta) coffee, with 18.2%, while soluble coffee accounted for 10.3% of exports.

"The 19/20 harvest is practically finished and everything indicates that we will maintain good results until the end of the calendar year. Once again, the Brazilian coffee business abroad is consolidated, thanks to the efficiency and strong commitment to the sustainability of the entire productive and commercial chain in Brazil," says Nelson Carvalhaes, president of Ceca .

According to the executive, the first seven months of the year saw an increase in coffee exports to the United States and Germany, followed by Italy and Japan. Together, the four countries consume 51.7% of Brazilian coffee.

Ports, terminals and infrastructure

The Port of Paranagu  was elected by the Ministry of Agriculture, Livestock, and Supply to test a remote documentation analysis project for the release of some import and export products, which streamlines the control and release of loads.

According to the Ministry, the Port of Paranagu  was chosen "because it is the second largest port in the country and because this mode of control provides greater agility, especially in the plant area, where the port stands out."

The technology covers imported goods as "raw material" for the manufacture of fertilizers, regardless of the form of packaging. In these processes, only documentary conference is made, being exempted from the inspection.

The conference is held remotely by servers housed in other units of the International Agricultural Surveillance System (Vigiagro). The remote analysis has allowed even more fluidity and speed to the processes.

Although still in the testing phase, the idea is that it will be expanded to other units as of October if the project is successful.

Model

The Port of Paranagu  is already a good example of speed in the procedures of control, inspection, and release of exported meat. According to Fernando Mendes, Assistant Secretary of Agricultural Defense, of the more than 300 cases per day, in the Port of Paranagu  alone, 99% are released automatically.

"It used to take up to 60 hours. Today, it is a matter of minutes. Release time has dramatically reduced because we invest in technology. In Paranagu , we were able to greatly increase efficiency and reduce time for the user," he adds.

According to Mendes, this was possible thanks to the investment in technology and computerization. According to the Ministry, one of the changes was the inclusion of animal products submitted to the Federal Inspection Service (SIF) in the Single Foreign Trade Portal, also accessed by the Federal Revenue and National Health Surveillance Agency (Anvisa).

In addition, another factor that expedited the release of cargo would have been a new platform for management and control of international transit operations of agricultural products (SIGVIG 3.0).

The technology has allowed the certification that the national product can be exported to be viewed by importers remotely. This, they say, eliminates previously very bureaucratic steps, such as physical document protocol and manual certificate completion.

According to Estad o, the National Agency for Water Transport (Antaq) must decide on a project to expand the Manaus Port Terminal through the privately owned company SuperTerminais.

The Manaus Port expansion has been the subject of legal dispute since 2009, with its competitor, Porto Chibat o, which is also a concessionaire to operate the port. Movements in court have also been preventing the issue from entering the agenda of Antaq's board meetings since 2014.

Last month, the Union, through the National Secretary of Ports and Waterway Transportation, Diogo Piloni, forwarded a letter to the Ministry of Infrastructure expressing the Union's interest in joining the process, since the movement in court would be impacting the functional autonomy of the Regulatory Agency and directly affecting SuperTerminais's growth of capacity and handling.

The two port operators occupy neighboring lands on the Negro River. Together, they account for almost all the cargo movement of about 550 companies using the Amazon port. The SuperTerminais project foresees the installation of a floating pier and the expansion of the storage yard, with investments of R\$150m. SuperTerminais claims that, with the embargo, the company has already accumulated losses of about US\$30m and

was forced to dismiss more than 140 employees. Sought for, Porto Chibatão did not manifest until the closing of the note.

The Filipino group ICTSI maintains “high expectations” about its operation at the container terminal it recently acquired from the port of Rio de Janeiro (renamed as T1Rio), which was operated by Libra Terminais.

In addition to the T1Rio terminal of ICTSI concession agreement in force until 2048, the group is also responsible for the Argentine TecPlata container terminal.

Bruno Porchietto, CEO of TecPlata, said: “We are following this process with great expectations and we are celebrating that ICTSI is able to operate such an important and strategic port for the region.”

“From our point of view, it is a great opportunity to continue capitalizing on synergies with the Port of La Plata and to continue promoting, as we have done, a greater container trade with Brazil, one of the country’s most important strategic partners,” he added.

The Filipino group recently began receiving direct service between Brazil and Argentina in La Plata, and hopes to strengthen its activity in South America where it also has operations in Guayaquil, Ecuador, and the Brazilian port of Suape.

The group’s new terminal has a total area of 19 hectares and 715 meters of pier, with a depth of up to 16 meters which allows to operate with large ships.

With an estimated capacity of 530,000 TEUs, the Rio de Janeiro terminal is equipped with state-of-the-art facilities including five cranes and a wide range of equipment with over 16 gantries.

In 2018, the Rio de Janeiro terminal performed approximately 135,000 TEUs and the company’s expectations are to operate at full capacity.

Chilean public ports movements only grew by 0.12% during the first semester of 2019.

According to the Public Company System (SEP), the ten port complexes distributed between Arica and Punta Arenas handled a total of 24.37m tons.

The report of Chilean ports movements shows that containerized cargo handling increased from 16.81m tons to 16.95m tons. Bulk cargo volume also increased from 4.57m tons in the first six months of 2018 to 4.62m tons in 2019.

The volume of fractional general cargo, in turn, fell from 2.96m tons to 2.79m tons this year.

Regarding ports, the main one was the San Antonio port complex, with a total of 11.40m tons handled and a growth of 17.21%. In second place is the Port of Valparaiso, with a fall of -17.99% and handling of 4.96m tons.

A similar fall was experienced by the ports of Talcahuano, the state port on which the ports of San Vicente and Talcahuano depend on. These ports had a decrease of -17.69% and a flow of 2.62m tons in 2019.

The decline, according to SEP statistics, stems from the results from the Port of São Vicente, operated by the SVTI concessionaire, which moved from 2.96m tons between January and June 2018 to 2.38m in the first six months of this year. By contrast, Talcahuano Port Terminal increased by 237,847 tons, surpassing 219,674 last year, to the same date.

Ports managed by the Bahia State Dock Company (Codeba) hit a new record in cargo handling. Tariff revenue from operations carried out at the Ports of Salvador, Aratu/Candeias, and Ilhéus reached historical values in July 2019, reaching R\$15.6m, an increase of 40.42% compared to the previous month.

The brand also surpassed the record already registered in January this year, when it reached a total of R\$14.3m. This year, Bahian ports have already handled 16.7m tons. The products most handled last July were fertilizers, naphtha, and liquid and gaseous bulk. In financial terms, most of the revenue refers to the handling of containers and general cargo.

The Federal Audit Court (TCU), under the report of Minister Benjamin Zymler, monitored the destatization of a terminal for the handling and storage of containers (SUA05), located in Suape Port Complex (PE).

“This terminal to be tendered comprises of a 770-meter pier and a 270,000 m² retro-area. Investments of R\$1.2bn are expected, with the potential to generate R\$9bn in revenues,” explained the reporting minister.

Prior to the publication of the tender for the bidding for Terminal SUA05 in the Port of Suape, TCU ordered the Ministry of Infrastructure (MInfra) and the National Agency for Water Transport (Antaq) to implement several measures.

The Court of Auditors determined that the bidding notice and the contract shall have clauses stating that the tenant holding the SUA05 area will not have any preemptive rights in relation to the use of the areas adjacent to the terminal.

The TCU also determined that the notice should include clauses dealing with the bidding of the current tenant of the container handling terminal of Suape Port, Tecon I. The objective is to avoid market concentration in only one operator, which would be contrary Granting Authority’s goal with the bidding of SUA05.

The studies concerning dredging will have to be corrected. “To be more efficient and economical, the inclusion of a tug for the dredger mobilization and demobilization services to be used should be reviewed, as larger equipment has its own propulsion,” explained reporter-minister Benjamin Zymler.

Shipping

According to Valor, Atlântico Sul Shipyard (EAS), located in Ipojuca (PE), suspended its activities indefinitely. The reason is the lack of ordering of ships.

The company’s controllers, Camargo Corrêa and Queiroz Galvão, are trying to renegotiate a debt of R\$1bn with BNDES (National Economic and Social Development Bank).

Valor found out that an installment of R\$20m with the bank expires on the 10th, which must be paid. Today, the yard has R\$160m.

Maersk is now the only container carrier to operate in the Port of Mar del Plata after MSC decided to discontinue its services in the port due to the lack of a crane and other investments by the port.

For industry experts, MSC's disruption of service will lead to increased logistics costs at the port, as well as increased risk of goods theft and breakdown of trucks, among other factors. In summary: Mar del Plata will not be a multimodal port.

As service capacity declines, many companies who are exporting their products through the port should consider returning to land freight and operating at the Port of Buenos Aires.

To accountant Emilio Bustamante, one of the owners of Container Terminal Two (TC2), "MSC is no longer coming because the port did not make the necessary investments to operate the ships they were operating. I have been warning for some time that this would end up happening because we need to make investments. The public port declares that it has no money, but neither does it encourage private parties to do so, although we are willing to do so," he said.

He added: "The port of Mar del Plata has been a fishing port for many years, but that does not mean that it can also export goods, like the rest of the world. Here it always took nothing but fishing and that is a mistake that we are trying to slowly change."

Asahi Tanker Co. Ltd., Exeno Yamamizu Corporation, Mitsui OSK Lines Ltd. (MOL), and Mitsubishi Corporation have announced an agreement to create a strategic partnership to provide new infrastructure services in the marine shipping industry: fully-electric zero emission vessels. Their newly created company, e5 Lab. Inc. (e5 Lab) will work to develop and promote the greater use of these relatively clean modes of shipping.

There are a number of challenges facing Japan's shipping industry that e5 Lab will address by consolidating the technologies, know-how, and networks of its four major shareholders. The new company will develop a platform to provide a service line that leverages electric-powered zero emission vessels and other cutting-edge technology. The goal is to leverage this platform to encourage sustainable growth and development within the shipping industry.

The company's first objective will be to build the world's first zero emission oil tanker by mid-2021. The tanker will be a large-capacity battery-powered coastal vessel and will operate in Tokyo Bay. The company will also develop other types of electric motor vessels.

In addition, e5 Lab will actively promote the electrification of coastal and oceanic vessels and will bring together the technology, human resources, and operational know-how needed to achieve the International Maritime Organization (IMO) GHG reduction target of 50% (IMO wants to see annual emissions fall to half of their 2008 levels by 2025).

"Tesla of ships" hits the seas by year's end

With the same goal of avoiding the emission of pollutants, the Dutch Port-Liner is building two gigantic electric freighters, called the "Tesla of ships". A company spokesman announced that the vessels will be ready by the Dutch fall and that their routes have already been scheduled.

The €100m project, which received a €7m grant from the European Union, is expected to have a significant impact on local maritime transport, which includes the ports of Amsterdam, Antwerp, and Rotterdam.

According to Port-Liner CEO Ton van Meegen: "There are about 7,300 vessels onshore across Europe and more than 5,000 are owned by businessmen from Belgium and the Netherlands. We can build over 500 a year, but at that rate, it would take about 50 years for the industry to operate on green energy."

The first six vessels are expected to pull 23,000 trucks annually from the roads of the Netherlands, providing a low environmental impact alternative.

In addition to Port-Liner building its vessels, it has also developed its own technology to accommodate batteries in a container. The Executive Director explains that "this allows us to modernize vessels that are already operational, which is an advance for the industry's green energy credentials. The containers are loaded on land by supplier Eneco, which provides solar, renewable, and carbon-free energy."

The first ships will start sailing by the end of this year.

French container carrier, CMA CGM is preparing to use 5G internet to optimize its operations. This is because although the commercial development of 5G has not yet been completed, it brings a revolutionary technology. Since its inception, it has aimed to integrate several use cases previously limited by current technology, including the Internet of Things (IoT).

"This is a real leap forward in strengthening connected containers that can be left onshore and offshore for several weeks," says Rajesh Krishnamurthy, CMA CGM Executive Director of IT and Transformations.

In recent years, containerized IoT development has emerged with Traxens, the box attached to the container that enables CMA CGM customers to manage their supply chain in near real-time. CMA CGM was the first ocean carrier to invest in this innovation and has since been joined by other major ocean carriers suggesting that this technology will be standardized in the industry.

With 5G, IoT development is taking on a completely different dimension, explains Rajesh Krishnamurthy of CMA CGM. "This new network allows us to connect a large number of devices per km², ensuring a fast transfer rate. We're talking about a device response time that barely exceeds a millisecond. This offers a crucial differentiator for the industry with constant and almost immediate changes with low power consuming devices. This is a real leap in the strengthening of connected containers, which can often go out for several weeks at sea and on land," he says.

The development of this new mobile network still has a long way to go, both on land and at sea. Regardless of the standard adopted, the CMA CGM Group will continue to position itself to assure customers the most complete experience possible.

The shipbuilding industry in Paraguay is not experiencing its best moment due to falling commodity prices, especially that of the iron ore.

Guillermo Ehreke, the owner of La Barca del Pescador shipyard, says the soybean has had good and bad years, which was not enough to solve the problem of a large number of standing boats available for use. "In addition to the fact that soy is a seasonal product – it is transported in January, June, and July – some harvests were not good, causing the transport to not be used to its full potential," he said.

Another problem was the decrease in fuel imports, which eventually impacted transportation activities. In the first semester of this year alone, Paraguay imported 14% less fuel than the previous year.

Imports and exports of containerized cargo were also affected by the fragile economies of Argentina and Brazil.

Paraguayan Shipbuilding Industry Capacity

Regarding the construction capacity of the shipbuilding industry in Paraguay, Ehreke says it is intact from an infrastructure standpoint. For the professional, it is necessary to keep the human resources updated and with paid salary.

He acknowledged that Paraguay has the capacity to process between 3,000 to 4,000 tons of steel per month without much effort, meaning it can build six large Jumbo barges without problems. Ideally, for him, future ships would be built in the country, which has the quality and capacity to do so.

Brazilian company invests in shipbuilding

Meanwhile, in Brazil, the Posidonia Shipping, which specializes in cabotage and long haul activities, has just invested around R\$15m in the construction and rehabilitation of two vessels, the Posidonia Bravo and Santa Maria.

Bravo is the company's first vessel built with its own resources and can perform special mining operations and transport of minerals in the ocean. With a capacity to carry up to 3,000 tons of cargo, it has a sustainable disposal system and 55,000 m3 daily dredging pumps.

The Santa Maria general cargo ferry, which also has a capacity of 3,000 tons and was built in 2005, underwent restoration and classification work to transport umbilical reels (flexible connections for oil transfer between vessels) in cabotage.

Posidonia should close 2019 with revenues of R\$100m, representing a 50% increase over the previous year. From January to June this year, the volume of cargo carried by the company reached about 500,000 tons.

Sugar & ethanol

According to Valor, the South-Central mills in the country processed more sugar cane in the second half of July of this crop compared to the previous one. Nevertheless, they reduced sugar production by betting on ethanol.

According to information released by Unica – Union of Sugarcane Industries, 49.69m tons of cane were crushed in the second half of July, a 4.3% increase over the same period of 2018. Sugar production decreased 5,5% on the same basis of comparison, to 2.48m tons.

Yet the production of ethanol increased, driven by hydrous ethanol, whose production rose 3.1%, to 1.82bn liters. Meanwhile, anhydrous ethanol production decreased by 3.4% to 835m liters.

It is worth remembering that production was limited by the deterioration in raw material quality after the frost in early July.

While the milling in São Paulo is 5.8% lower in the accumulated of this crop, totaling 179.5m tons, in the other states there was a slight growth of 1.8%, to 128.3m tons.

Logistics

The National Agency for Water Transport (ANTAQ) approved in a board meeting held last Friday (08/09), at its headquarters in Brasilia, the standard that establishes regulatory parameters to be observed in the provision of handling and storage services of containers and volumes at public and private port facilities. The previous standard approved by the Resolution No. 2,389-ANTAQ, from 2012, will be repealed as the new standard comes into play.

The approved standard establishes the criteria to be taken into consideration when charging the Terminal Handling Charge (THC) and the Segregation and Delivery Service (SSE), also known as THC-2.

The THC is the price charged as reimbursement of expenses for cargo handling services between the port terminal gate and the vessel's side, including the transitory storage of cargo for the term agreed between the maritime carrier and the port facility or operator, in the case of exportation, or between the vessel's side and its placement in the port terminal stack, in the case of importation.

SSE, on the other hand, refers to the collection, on importation, by the cargo handling service between the stack in the yard and the port terminal gate, not being part of the services paid by Box Rate, nor of the services whose expenses are reimbursed through the THC.

In accordance with ANTAQ regulations, the SSE will be charged with the prior electronic scheduling by the facility or port operator of operating windows to be continuously and regularly spaced to serve all customers/users.

Once the new standard is in force, the private container handling terminals are also subject to regulation. The inclusion of TUPs is in line with Law No. 12,815/2013 and Decree No. 9,046/2017.

Box Rate and other services

In accordance with the standard, the services done in the Box Rate will be performed by the facility or port operator, upon freely negotiated remuneration established by contract or disclosed in the price list.

In turn, the services not covered by the Box Rate and by the storage, when demanded or requested by customers/users of the terminal, will obey the freely negotiated service and remuneration conditions. The maximum values must be previously disclosed in price lists, observing the commercial conditions stipulated in the lease agreement and ANTAQ rules, forbidding abusive or harmful competition practices.

As a result, port facilities are required to disclose the maximum prices and detailed description of the services that will be charged to users, including application rules, deductibles, and exemptions, if any, at least 30 days prior to the commencement of validity on their e-mail addresses and terminals.

The government intends to nearly double the percentage of freight carried by trains over the next eight years. The information comes from the Minister of Infrastructure, Tarcísio Freitas. "With what we have planned, we take the participation of rail transport from 15% to 29% in eight years," he said during a lecture held on Thursday (08/08) in São Paulo.

He said creative solutions are being sought to address resource shortages and get projects off the ground. "We will make assets without relying on budget," he said.

As an example, Freitas said that part of the Ferrovia de Integração do Centro-Oeste (FICO), which is expected to dispose of the region's grain production, should be built by mining company Vale in return for the renewal of the Vitória-Minas Railroad concession contract. "That grant that you were going to pay to the Treasury, you will build a railroad, you will give me the completed asset," emphasized Freitas about the deal.

The Federal Government published Decree No. 9,957 on Wednesday (08/07), which regulates the Brazilian contracts relicitation of the road, rail, and airport sectors. Law 13,448, of June 5, 2017, already established general guidelines for the Brazilian relicitation of contracts, but there was a need to specify the procedures for their implementation.

Relicitation is an innovative alternative to lengthy legal disputes, where users are normally penalized, says Infrastructure Minister Tarcísio Gomes de Freitas. "With the decree, until the conclusion of the relicitation and the signing of the new partnership agreement, the former concessionaire must ensure the continuity of the provision of essential services, under contractual penalties," says Freitas.

According to the text of the 2017 law, relicitation is a procedure that involves the friendly termination of the partnership agreement and the conclusion of a new business adjustment for the venture, under new contractual conditions and with new contractors, by means of the bidding promoted for this purpose. With the publication of Decree No. 9,957, of August 6, 2019, it will be possible to relicitate partnership contracts that are not being properly fulfilled or whose partners demonstrate an inability to honor the obligations assumed contractually.

The main advantage of the mechanism is to ensure continuity and regularity of service delivery, without prejudice to users. To this end, the decree establishes ways to safeguard the investments made by the original contractor, avoiding interruption of services by lawsuits, and also termination of the contract by expiry. The

measure also brings more security to future investments in concession projects.

The request for relicitation must be formalized and justified by the original contractor to the competent regulatory agency, observing the other requirements expressed in Decree 9.957. The formal request will be processed and reviewed by the regulatory agency and subsequently by the Ministry of Infrastructure. The relicitation process, with the manifestations of the agency and the ministry, will be submitted to the deliberation of the Council of the Investment Partnership Program (PPI) of the Presidency of the Republic, prior to the deliberation of the President of the Republic.

The Governor of Paraná, Carlos Massa Ratinho Junior and technicians of the Secretariat of Infrastructure and Logistics presented short, medium, and long term rail projects in the state to the China Merchants group on 08/07. The company is one of the logistics industry giants and recently purchased the Paranaguá Container Terminal (TCP). The meeting aimed to accelerate the development of projects that will culminate with the Dourados-Paranaguá railway corridor.

According to government studies, about 10m tons circulated by rail in Paraná to its ports in 2018, compared to 43m tons transported by trucks, which shows the imbalance in the flow.

To cope with the growing demand from society, agribusiness, and the need to structure Paraná as a logistics center in South America, medium-term investments foresee an intermodal corridor between Cascavel and Foz do Iguaçu, with foreseeable project hiring and Evetea (Technical, Economic, and Environmental Viability Studies) for this month and launch of the announcement in 2021. The call is budgeted at about R\$1.6bn.

The project foresees the transportation by water and land between Foz do Iguaçu and Cascavel by the new east perimeter, part of the millionaire project of the second bridge between Brazil and Paraguay, besides the rail transportation, which will materialize expressive increase of the trains and cargo in western Paraná, increasing employment generation and the state's GDP. The change in the largest dry port in the country, in Cascavel, through which 150,000 trucks pass per year, will allow unprecedented and rapid integration between the three routes.

The long-term project is to solidify the Dourados-Paranaguá link, with the integration of the Foz do Iguaçu-Cascavel intermodal stretch, which may bring unprecedented export potential to the State. There will be the Cascavel-Guarapuava-Irati-Lapa-Litoral lines, covering a strategic region for the country and the continent. The new connection would be of 1,000 kilometers.

The idea is that 50m tons of cargo, between exports and imports, will be transported by this extension, including corn, soy, and meat, with the return of fertilizers and limestone from China.

The Chinese group also got to know the Paraná highway concession project, which foresees the expansion of the highway network from the current 2,500 kilometers to 4,100 kilometers, linking important federal and state highways to the port of Paranaguá.

Oil & gas

The Chilean subsidiary of Argentine company YPF found oil in Tierra del Fuego after five years of exploration in the southernmost area of Chile. The information was released last Wednesday (08/07).

The discovery consists of 18 wells with over 11,000 m3 of crude oil and 7m m3 of gas, which will allow commercial exploration of the fuel for 20 years.

The indicated explorations were carried out thanks to a special contract that the company has maintained with Chile since 2012. The extracted oil will be sold to the Chilean ENAP (National Oil Company) according to the agreement signed in January 2019.

According to CNN Chile, the company expects to start exploring the resource starting March 2020. It is awaiting approval by the Chilean Environmental Assessment Service to invest US\$27m in the construction of a transfer station.

Chilean ENAP and Argentina's YPF want to explore new opportunities for hydrocarbon supply cooperation, taking advantage of Vaca Muerta's crude potential and possible joint oil exploration projects in Tierra del Fuego, both in Chile and Argentina.

The ANP (National Agency of Petroleum, Natural Gas, and Biofuels) approved a 10% increase in the proportion of biodiesel blend into all diesel sold in Brazil. As a result, the allowed mixture goes from 10% to 11%.

The measure will be implemented on September 1st. The ANP has even made changes to the volumes that must be negotiated in a biodiesel auction to be held on August 12.

According to the ANP, the measure configures the outcome of measures defined at a meeting held at the end of April this year at the Ministry of Mines and Energy that covered the publication of ANP Resolution No. 798, of 08/01/2019, increasing the value of oxidative stability from 8 to 12 hours. Thus making the use of antioxidant additive mandatory in the production of this biofuel, as well as the MME report edition, giving satisfactory tests and trials to validate the use of B15 biodiesel in engines and vehicles from of results of studies conducted by the National Institute of Technology - INT.

Associations representing biodiesel producers welcomed the decision, saying they are expected to increase domestic processing of oilseeds used to make biofuel, particularly soybeans while reducing imports of petroleum-based diesel.

Currently, about 80% of biodiesel in Brazil is produced from soybean oil. According to the association of the biofuel sector, Ubrabio, the increase of the mixture increases the demand for oilseeds by about 200,000 tons per month.

Ubrabio said the new biodiesel blend rules will lead to record biofuel production in Brazil in 2019, now estimated at 6bn liters.

Meat

BRF, owner of Sadia and Perdigão, will anticipate the reopening of the chicken slaughterhouse in Carambeí, Paraná. It will now resume operation on September 2, about two months ahead of the original schedule.

The employees of this slaughterhouse had their work contracts temporarily suspended since May 27. The suspension was planned to last for up to five months and, in the worst case scenario, the slaughterhouse would not resume production until the end of October.

BRF said in a statement that two chicken slaughter lines will resume in September and a third in October. To this end, the company has already started hatching eggs to later supply the chickens to the farmers.

BRF has been expanding production with the aim of supplying greater foreign demand, mainly from China.

Net income of R\$191m in the second quarter

BRF ended the second quarter of 2019 with a profit of R\$191m. The strong result was the consequence of higher revenues in domestic and foreign markets, as well as better operating and commercial performance.

Growth in net operating revenue totaled R\$8.3bn, up 18% over the same period last year, while adjusted EBITDA was R\$1.5bn. EBITDA margin, which measures BRF's operating efficiency, reached 18.6%, an increase of 13.6% compared to the second quarter of 2018.

The company's debt level, measured by the ratio of EBITDA to net debt, reached 3.74 times in 2Q19. The target for the end of 2019 is 3.15 times, and by the end of 2020 this same indicator will be approximately 2.65x. BRF also worked to extend the average term of its indebtedness and recently raised debentures in the amount of R\$750m and maturity of up to 7 years. As a result, it ended the period with a cash position of approximately R\$7bn, sufficient to cover the company's financial obligations over the next 2 years.

In the Brazilian segment, BRF's net revenue advanced 10.8% over the same period last year and reached about R\$4bn. The company remained the leader in the domestic market, with 44.2% market share. In the international segment, net revenues reached R\$3.9bn, 24% higher than 2Q18 - due to the good performance of the halal (Muslim) market, where the company is also a leader with 43% share.

According to ABPA (Brazilian Animal Protein Association), the volume of exports of fresh and processed pork in July was 67,900 tons, a 0.4% decrease compared to the same month in 2018.

On the other hand, revenue from Brazilian pork exports reached US\$148m, 24.1% more than in the same period last year, which was US\$119.2m.

"The average price of exports continues to rise. In January, it was at US\$1,886 per ton. In July, it reached US\$2,179 per ton, the highest level recorded in the last 12 months," said the president of the organization, Francisco Turra.

Year to date, Brazilian pork exports reached 414,500 tons, 19.62% more than the period between January and July 2018.

Total chicken exports grow

Also according to ABPA, Brazilian exports of chicken meat (considering all products, both fresh and processed) totaled

2.43m tons between this year's January and July. The figure is 5.8% higher than in the same period of 2018, when 2.3m tons were shipped.

The following chart, made from DataLiner data, shows Brazil's pork and chicken exports from January 2015 to June 2019:

With this performance, the sector's sales accumulate a high of 10.8% in 2019, with total revenue of US\$4,07bn. In 2018, shipments generated US\$3.68bn during the same period.

When considering only the month of July, chicken meat shipments reached 387,600 tons. The balance is 16.4% lower than the 463,500 tons registered in July 2018 (the largest monthly volume ever recorded by chicken meat exporters; in June of the same year sales totaled 235,000 tons, performance that was largely impacted by delayed shipments due to the Truckers Strike).

"The average volume and revenue exports of 2019 outperforms the overall performance of the previous year, which is a positive indicator for the year's final balance," said Francisco Turra, president of ABPA.

The average exports in 2019 (January to July) is 347,600 tons, higher than the 341,700 tons of 2018 (January to December). In the last three months (May, June, and July 2019), sales remained above 380,000 tons.

The July 2019 foreign exchange balance, at US\$665.6m, was 6.4% lower than the same period last year at US\$710.9m.

"The international market is hot and prices are rising. We once again recorded average values above US\$1,700 per ton. For comparative purposes only, the average price of 2018 was US\$1,600 per ton," says Ricardo Santin, ABPA's executive director.

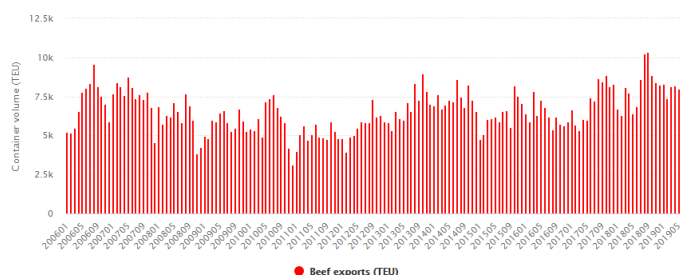
China is the main destination of chicken exports, importing 52,700 tons in July, volume 15% higher than shipped in the same period last year. Mexico, the largest importer in the Americas, received 14,070 tons (+ 3%).

Beef exports from Brazil, the largest global exporter, grew 20.1% from January to July 2019 compared to the same period last year to 982,000 tons, with sales driven by higher demand from China, as reported by the Brazilian Association of Meat Exporting Industries (Abiec) on Tuesday (08/06), based on government figures.

Export revenues totaled US\$3.73bn (up 11.6%) during the same period.

The following DataLiner graph shows beef shipment trends in Brazil between Jan 2015 and July 2019:

Brazil beef (HS 0201, 0202) export trends | Jan 2006 to Jun 2019 | TEU



Source: DataLiner

According to Abiec, sales volumes to China advanced 10.9%, reaching almost 175,000 tons in the first seven months of 2019.

"The results are positive and are in line with the projections of growth in Brazilian exports made at the beginning of the year," said Abiec President Antonio Jorge Camardelli in a statement.

China, which was hit by African swine fever, is dealing with a lower supply of pork, which has driven imports of more cuts of various proteins.

Abiec noted that July recorded the best monthly performance of beef exports in the year.

Brazil saw a 15.9% increase in beef exports to 155,650 tons in July 2019, compared to June. In revenue, the increase was 19.1% to US\$615.15m.

Grain

Brazil soybean exports to China reached 6.32m tons in July 2019, a 20% annual drop due to the outbreak of African swine flu in the Asian country, according to the Brazilian Secretariat of Foreign Trade (Secex).

According to Secex, China accounted for 81% of the soybean exports from Brazil in July 2019. From January to July, China bought 39.22m tons of grain, down 10.6% from the same period last year. Even so, the country still accounts for 74% of Brazil's total soy exports according to the report.

China is the largest importer of soybeans in the world, accounting for over 60% of global grain purchases, with an average purchase of 88m to 90m tons per year.

However, African swine flu may limit China's demand for soybeans to 82m tons in the 2018-19 crop, a 13% drop in the year, according to a USDA report released on August 2. This is because the country processes over 80% of imported soybeans to use as animal feed for pigs and other animals.

Despite the threat of African swine flu, Brazilians may start selling more soy to the Chinese market, as the latest escalation of tension between the US and China means that Brazil remains the only major soy supplier according to sources of the sector.

In the first seven months of this year, Brazil exported 53.16m tons of soybeans, down 7% in the year, according to Secex data.

The ports of Santos, Paranaguá, and the Rio Grande were the main suppliers to the Asian markets from January to July. While Santos shipped 15.33m tons of soybeans, the ports of Paranaguá and the Rio Grande transported 6.77m tons and 6.19m tons of soybeans to Asia, respectively, according to the data.

According to Secex, from January to July, Brazil shipped 6.38m tons of soybeans to Europe, its second-largest market.

The main Brazilian ports that transported soy to Europe in the seven-month period were Manaus (1.94m tons), ALF-Belém (1.67m tons), and Santarém (1.26m tons), according to the report.

US corn exports fell in June compared to Brazil and are unlikely to have done better in July, as high prices and

foreign competition continue to stifle the export business of the world's largest corn supplier.

Meanwhile, US soybean exports have hit a record for the month as companies seek to meet the large pending sales to China.

According to data published last Friday (08/02) by the US Census Bureau, the United States exported 3.07m tons of corn in June, the lowest June volume in six years and the lowest in any month since November 2017.

Despite the lackluster US shipments, the world is still getting its corn thanks to competitors in South America. Brazil, the second-largest exporter, shipped 6.3m tons of the grain in July, a record volume for any month.

According to USDA estimates, Brazil, Argentina, and Ukraine combined will export 99.5m tons of maize in 2018-19, about 52% more than last year. The previous record for the top three maize suppliers is 78.9m tons in 2016-17.

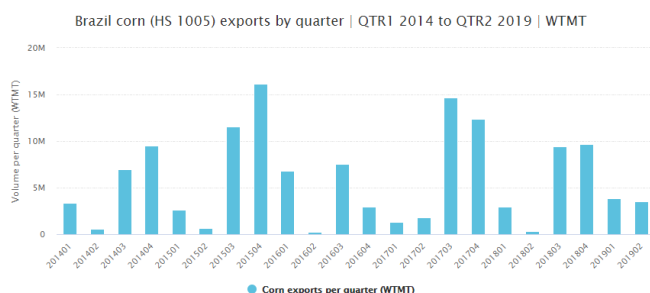
The United States exported 3.19m tons of soybeans in June, surpassing last year's record of 3.12m. Between September and June, shipments totaled 38.95m tons (1.4bn bushels), down 24% on the year.

Exports to China reached 1.73m tons in June, about 54% of total exports in the month. This was China's largest monthly share of US soybean exports and the first time it has exceeded 50% since January 2018.

Shipments to destinations other than China totaled 1.47m tons, substantially below the previous year, but above recent June averages, suggesting that soybean deals with other countries are occurring as usual.

The USDA expects US soybean exports to reach 46.3m tons (1.7bn bushels), which means an average of 3.66m tons is expected to leave US ports in July and August. Inspection data indicates that July shipments exceeded this mark, but the weekly pace is expected to reach nearly 750,000 tons per week from now until August 31, to match USDA prospects.

The following DataLiner graph shows corn exports trends of Brazil per quarter, beginning from the Q1 2014:



Source: DataLiner

This fact depends largely on the fulfillment of Chinese sales. Total commitments for soybeans in 2018-19 stood at 48.7m tons on 25 July, meaning there is some leeway, but not if China suddenly cancels orders.

But US-China trade relations have soured since US President Donald Trump promised to put tariffs on more Chinese products from September, partly motivated by his claim that China has failed to deliver on its promises to buy large volumes of American agricultural products.

On Tuesday (08/06) morning in Beijing, the Chinese Ministry of Commerce announced that Chinese companies had stopped buying US agricultural products and that China could impose import tariffs on products that were bought after August 3rd.

Apparently, China still planned to honor previous US soybean import contracts, which would be shipped mainly this month and next month. The trade dispute also seriously threatens the US soybean export campaign in 2019-20 if its biggest buyer plans to avoid US oilseed.

Other cargo

The European auto industry expects the EU-Mercosur trade deal to be ratified quickly as it removes 35% of import tariffs imposed by Brazil and Argentina on EU car exports.

The agreement was well received by the European Automobile Manufacturers Association (ACEA), which notes that the South American trading block, which also includes Uruguay and Paraguay, is home to around 270m people and where 3.3m new cars were sold in 2018.

Last year, the European Union exported only 73,000 cars to Mercosur, representing 2.2% of the total market in the four countries of the bloc. This means there is plenty of room for more export sales. "Under the right conditions, there is real growth potential for the EU auto industry given the size of the Mercosur market both in terms of population and GDP," says ACEA general secretary Erik Jonnaert.

Trade deal is also a potential benefit for EU auto parts manufacturers, whose exports currently attract 18% tax on many products they sell to Mercosur countries.

CLEPA (European Association of Automotive Suppliers) notes that trade deal between the EU and Mercosur in auto parts exports will be fully liberalized within 15 years of the conclusion of the agreement. For the first seven years, however, Mercosur tariffs on these products will remain as they are now, but significant tax cuts will follow from the eighth year onwards.

CLEPA notes that the agreement "would consolidate a strategic political and economic partnership and create significant opportunities for sustainable growth on both sides."

As it stands, EU auto parts exports to Mercosur generate more revenue than finished cars. Data from the European State Agency Eurostat show that EU-manufactured auto parts sales to Brazil were €2.1bn (US\$2.3bn) in 2018. This compares to €555m (US\$622m) in cars and €20m (US\$22m) in trucks.

This is the same story for the other major Mercosur market, Argentina, which imported €606m (US\$679m) in EU auto parts last year, compared to €293m (US\$328m) in cars manufactured in EU.

The parts are by far Brazil's largest automotive export to the EU, offsetting exporters with €208m (US\$233.1m) in 2018, compared to just €5m (US\$5.6m) in cars and €26m (US\$29.1m) in trucks.

Argentine exporters sold €197m (US\$ 220.8m) in auto parts to the EU in 2018 and only €2.1m (US\$2.4m) in cars.

The deal is expected to help Brazilian and Argentine exporters increase these numbers as all taxes levied on EU industrial products will be eliminated in ten years. The EU, for example, now charges 10% on imports of cars made in Brazil and Argentina and 3% to 4.5% on many Brazilian and Argentine auto parts.

The National Association of Automobile Manufacturers (Anfavea) presented the automotive industry balance sheet of July and of the first seven months of the year. For the automobiles sector, the result pointed to a 14.2% increase in vehicle production in Brazil compared to June 2019 and 8.4% compared to July 2018. It was the best month of July since 2013 for car production, light commercial vehicles, trucks, and buses.

Year-to-date, the increase is 3.6% over the same period last year, despite the 38.4% drop in exports caused by the crisis of Argentina, our main trading partner.

The domestic market also remains higher than Anfavea's 11.4% forecast earlier this year. In the first seven months, growth is 12.1% over 2018. It was the best July in sales since 2014, up 12% over the same month last year, and 9.1% over June this year, largely due to the four extra business days.

"We are optimistic about the start of the second half, a period that has traditionally had better results than the first half of the year. All the macroeconomic signals indicate a more positive scenario, not to mention all the structural reforms underway and short-term measures to inject resources into the Brazilian economy," said Anfavea president Luiz Carlos Moraes.

Low competitiveness in the international market

In addition to the monthly balance sheet, Anfavea shared with the press a presentation that shows the contradictions of a highly competitive domestic market, but with low international competitiveness.

On the one hand, we now have more than 60 brands competing in the national market for agricultural and road vehicles and machines, with an offer of almost 2,200 models and versions of all types, the vast majority (87.9%) produced locally. Not to mention dozens of brands that have passed through the country in recent decades, but have not resisted the fierce market dispute.

"In other large segments of the economy, the number of companies competing in the Brazilian market is generally counted on the fingers of one hand," Moraes said. On the other hand, the low competitiveness of our market caused by high-cost Brazil prevents the greater access of domestic products to foreign markets. The exception is neighboring Argentina, where Brazilian vehicles represent 63.1% of sales. In Mexico, a free trade partner, only 5.8% of cars sold are made in Brazil.

In the rest of Latin America, which should be a great destination for products produced in Brazil, we did not reach a 10% share. It is even worse in other continents, where Brazilian cars can only snap up less than 1%.

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Your contributions, criticisms, suggestions and, if you do them, press releases, will be welcome. Contact: datamarweek@datamar.com.br

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