

### Main news

**The DataLiner product is Datamar's flagship. It is a database that provides a complete view of the South American Foreign Trade maritime flow.** This product is highly sought after by both logistic companies and importers and exporters for having reliable, harmonized, consistent and complete data.

A few months ago, Datamar launched intuitive dashboards to merge Dataliner information with a variety of other sources of information, resulting in an analytical tool that is easier to understand and handle.

The big novelty that the company will demonstrate at Logistique is the detailing of the goods handled. In addition to providing traditional information such as importer and exporter of cargo, origin and destination, volume in TEUs, pounds and so on, Datamar is now able to break down this information to provide the data each business needs to see their specific niche. This makes DataLiner an even more indispensable tool for making the best decisions when developing your business.

In addition to Dataliner, another highlight of Datamar at the event will be the ECSA Container Terminals Report 2019, produced in partnership with experienced international consultants and maritime economists. ECSA Container Terminals Report 2019, provided in print and electronic versions, presents a detailed analysis of container terminals on the East Coast of South America, outlining the forecast demand and capacity by region over the next five years, the port authorities' planning for terminal concessions, the new configurations of shipowners' services, port restrictions in the face of increasing ship size, the terminal's view of the economy, and the business environment, infrastructure, and equipment.

Logistique expects to gather 180 brands on display and attract an audience of over 15,000 visitors.

### SERVICE

LOGISTIQUE – Logistics and Multimodal Business Fair and Congress

Date: August 27 to 29, from 2:00pm to 9:00pm

Booth: C Street Booth 24.01

Location: Expoville Convention and Exhibition Center – Rua XV de Novembro, 4315 – Joinville (SC)

Information: <http://www.logistique.com.br>

### Ports, terminals and infrastructure

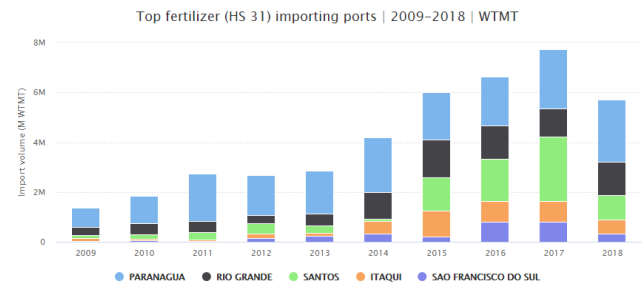
**Fertilizer imports unloaded by the Ports of Paraná totaled US\$1.48bn from January to July 2019. The value, according to the Ministry of Economy, Industry, Foreign Trade, and Services, is 34% higher than in the same period in 2018, when it was US\$1.1bn.**

The numbers confirm that the Port of Paranaguá is the main point of entry of fertilizer that arrives in Brazil. About 30% of all the product that arrives to be applied in the country's crops comes through the Paraná terminals. In addition to serving producers in Paraná, the fertilizer is also sent to the states of Mato Grosso, Mato Grosso do Sul, Goiás, São Paulo, and Minas Gerais.

Considering only the products destined to the Paraná crop, in the last seven months, there were 2.49m tons, totaling US\$770m. "The Port of Paranaguá has the best operating productivity average for

the unloading of products between Brazilian ports, totaling 299 tons per hour," says the CEO of the public company Portos do Paraná, Luiz Fernando Garcia.

The following chart, based on data from DataLiner, shows the Brazilian ports that moved the most fertilizers from 2009 to 2018:



Source: Datamar

### Organization

There are three preferential berths at the public dock of the Port of Paranaguá for ships loaded with fertilizer. One of these, the 209, has the availability of conveyor belts that carry the product to the Public Fertilizer Terminal (TEFER, which can store up to 20,000 tons), which in turn has interconnection with other private warehouses.

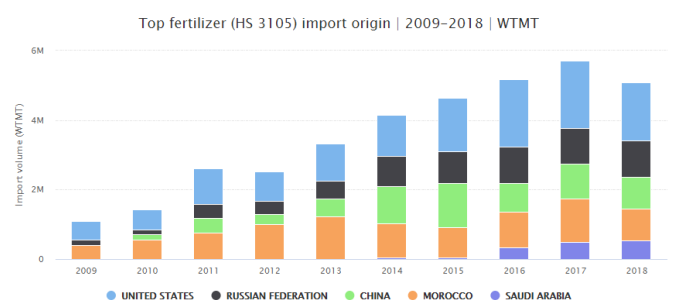
In addition to these priority berths, fertilizer ships can dock and unload cargo at any other unoccupied public berth. Port of Paranaguá also has a private pier with two exclusive berths and there are two other berths for the product in the Port of Antonina.

### Equipment

There are six MHCs (mobile harbour cranes) that unload the products. Trucks that access the dock to pick up fertilizer have three gates with four weighing platforms each (two in and two out). The platforms are 30 meters long and 3.20 meters wide.

This structure of the gates ensures safety and agility for the entry of trucks that access the primary range to pick up the product. Scales are automated and system information (about vehicles and drivers) is interconnected with the entire system. The trucks take less than a minute to leave. The operation also requires skilled labor such as checkers, ushers, dockers, and lookouts.

The chart below, with data from DataLiner, shows the main countries of origin of the fertilizer imported by Brazil from 2009 to 2018 (by all ports):



Source: Datamar

**The Port of Rio de Janeiro handled 3.5m tons of cargo in the first half of 2019. The biggest increases were containerized**

**cargo and solid bulk, which grew 14.7% compared to the same period last year.** The data were released by the Market Intelligence and Statistics Management of Companhia Docas do Rio de Janeiro (CDRJ).

In the total volume of cargo handled, there was an increase of 6.5% over the first half of 2018, with 2.01m tons of containers and 1.02m tons of solid bulk. Containers and solid bulk handling accounted, respectively, for 57.6% and 29.1% of the total operated at the Port of Rio de Janeiro.

The two container terminals – Libra Terminal Rio and MultiRio Port Operations – handled 172,000 TEUs together, an increase of 13%, with growth in both long-haul and cabotage.

Considering the busiest solid bulk in the port of Rio de Janeiro, it is worth highlighting the 62% growth in pig iron exports to the United States and 31% in imports of zinc concentrate from Calao, Peru.

**The Argentine terminal of Puerto Rosario (TPR) increased its cargo handling operations by 75% compared to 2018 due to the opening of new markets and the incorporation of new loading and unloading modalities.** By the end of the year, the expectation is to continue growing.

The increase in the number of operations was possible thanks to the improvements introduced by TPR. As a result, importers and exporters – including companies from Cordoba – who previously chose other ports, generated an increase in both bulk and container cargo operations.

In July, for example, container handling reached 9,000 TEUs, roughly the same volume that until recently used to be moved in a whole year. One of the great advantages of TPR is to consolidate cargo on a round trip, allowing it to send and receive cargo by rail.

Among the main products handled by the port are autoparts, peanuts, vegetables, citrus, sugar, oil, and wheat.

One of the highlights of this port is its geographical location, which directly impacts logistics costs, bringing great efficiency. The terminal is located in the bioceanic corridor, participating in South America's terrestrial interconnectivity network and can carry cargo from the Atlantic and Pacific oceans.

**The Port of Itajaí continues its excellent performance and recovery in the domestic port market. Proof of this are the positive numbers released each month when compared to the same period last year.**

When comparing July 2018 and July this year, APM Terminals (leaseholder of Ports of Itajaí's berths 1 and 2), alongside the public dock, recorded a 10% growth in TEUs, increasing from 36,190 to 39,813 TEUs.

Based on movement in tons, the number was also positive, from 407,164 to 419,295 – highlighting a stable 3% increase in the overall sum of loads. As for the numbers of vessels moored on the right bank of Rio, five more ships docked from 34 to 39, resulting in a 15% increase.

In comparison with the Port Complex, the numbers are also stable, but relevant in July's statistics scale this year. The number

of 20-foot containers increased by 1% over the same period of 2018 (97,142 to 98,047 TEUs).

At berthing, the growth was 8% with 91 ships at berth. The handling in tons fell slightly by -4%, which can still be considered a stable variation within the second semester.

“The behavior of July follows the pattern of the rest of the year where all the months from 2019 to date are being recorded with numbers higher than the months of 2018. In practical terms for the Itajaí Port Superintendence, the trend of loads have remained within a constant level where we seem to compete with ourselves, that is, to surpass month by month those results that are already being higher than last year”, observes Héder Cassiano Moritz, Senior Technician of the Superintendency at Port of Itajaí.

#### *Product Comparison (US\$/FOB)*

##### *Export:*

In the month-to-year comparison of the main products exported to the Itajaí Port Complex in July, we highlight: mechanical and electronic products with 64.8%, paper and derivatives with an increase of 52.2%, apples with 51.2%, plastics and rubbers with 39.8%, ceramics and glass with 37.1%, meats 34.7%, and textiles and miscellaneous with 19.1%. Other commodities such as tobacco, fish, chemicals, wood and its derivatives, and chicken fell by an average of 31%.

##### *Import:*

Regarding the main products imported by the Itajaí Port Complex in July, the most notable commodities are: wood and its derivatives with 41.1%, ceramics and glass with 36.9%, paper and its derivatives with 31.3%, fish with 27.3%, food in general with 14.4%, mechanical and electronic with 9%, and plastic and rubbers with 8.2%. Chemicals, textiles and miscellaneous goods, vehicles and other products registered an average drop of 14.6%.

#### *PUTs – Private Use Terminals of the Itajaí Port Complex:*

The other terminals showed favorable performances in July 2019. At Portonave Terminal, in Navegantes, the handling performed in July was of 49 calls, increasing the accumulated handling of the year to 295 moored ships, a decrease of 5% compared to the same period last year, which totaled 309 ships at berth. In July, 5,234 containers (TEUs) were handled, a decrease of 4% compared to 2018. In July, total cargo handled was 649,449 tons operated on the left bank of the river.

Roll On Roll Off Operations: In July, two Roll On Roll Off ships were moored, registering the unloading of 1974 vehicles in berth 3 of the Port of Itajaí, thus far totaling 29,038 units with 24 berths of this cargo operations system.

**The Santos Port Authority (Codesp) was qualified by the government to be privatized through the Investment Partnership Program (IPP).** The decision was made at the 10th meeting of the IPP Council, held last Wednesday (0/218) in Brasilia. Another 32 initiatives, including two in the Port of Santos, were included in the program.

Responsible for managing the Port of Santos, Codesp is a 100% publicly owned company, with over 99.99% of the shares in the hands of the Union and less than 0.01% owned by the city of Santos. According to the schedule, the studies are expected to be

approved in November 2020; the notice to be published in July 2021; and the auction to be held in November 2021.

According to Santos Port Authority President Casemiro Tércio Carvalho, the inclusion in the IPP is another step towards the revitalization of the company: "It shows that we are on the right path. We understand that the best form of privatization for the Port of Santos is an IPO (initial public offering), as it includes the company in an environment of B3's New Market practices, ensuring good governance and transparency in management, as well as strengthening the capital market in Brazil. We will work closely with the government to bring the best proposal to market, one that meets the interests of the port community and the country as a whole," he said.

The leasing of two areas in the Port of Santos was also announced: STS 14 and STS 14A, today occupied by Libra Terminais. Announcements are expected to be published in February 2020 and auctions to be held in May of the same year.

Qualified infrastructure projects in the IPP form part of the program portfolio and have since become a national priority. The meeting was attended by the President of the Republic, Jair Bolsonaro, and several ministers, among them Infrastructure Minister Tarcísio Gomes de Freitas, who is responsible for various projects in the IPP portfolio.

In just over three years, the IPP delivered relevant results for Brazil's infrastructure and economy. Of the 248 projects qualified in the previous nine CPPI meetings, 151 have already been auctioned and will generate investments of R\$262.5bn in the coming years, not to mention the collection of grants of about R\$52.3bn for the Union.

**From January to July 2019, the Port of Itaqui in Brazil imports more than 1m tons of fertilizer. The volume is 5% higher than in the same period of 2018. If we consider all of last year, almost 2m tons of fertilizers were discharged in the public port of Maranhão. The expectation is to close 2019 well above this mark.**

The importation of fertilizers by the Port of Itaqui is an excellent alternative as a return cargo. This is because the place is the main outlet for grain production (soy and corn) in the Midwest region of Brazil. Itaqui is in the top three in soybean outlets among Brazilian public ports and is the fifth in the importation of additives for agricultural production.

Russia, Egypt, and Israel are the main sources of fertilizers handled by the Port of Itaqui, accounting for 51% of the total. According to the National Fertilizer Dissemination Association, in 2018 Brazil consumed 35.5m tons of fertilizers. Of this total, only 8.1% is produced in the country, which imported 77% of what was delivered to the market, which is equivalent to 27.7m tons.

To meet this demand for fertilizer imports, Maranhão's public port in Brazil is making an investment of R\$140m in COPI (Port Operator Company of Itaqui) for a new fertilizer terminal, with works that have already started. The project foresees the construction of a warehouse with capacity for 80,000 tons and will allow the movement of up to 3.5m tons of fertilizers per year.

The new structure will be the most modern in the country for this type of operation, with interconnection of the warehouse to Itaqui

berth 101. COPI's lease covers an area of 16,000 square meters for the handling of solid bulk and general cargo.

### Shipping

**Through its newly opened CLX service, which directly connects exports of Chile with iconic ports such as London, Rotterdam, and Antwerp, Maersk has been exporting products such as nuts, fishmeal, wood, wine, and copper in recent weeks.**

Ignacio Lara, sales manager of Maersk Chile, said: "The European Union has always been very important for Chile's trade. We are very happy and committed to being able to bring such varied products from different parts of the country to this market."

The new CLX service transports dry cargo weekly, contemplating landings in Panama and Colombia before arriving on the European continent, and although the route leaves San Antonio, several Chilean ports are involved in shipping products: fishmeal, wood, wine, and copper are shipped in Arica, San Vicente, San Antonio, and Iquique respectively. On travel times, direct service has an average of 24 days for Antwerp, 26 for Rotterdam, and 28 for London.

"This is a market that is growing and becoming increasingly significant. We hope this trend continues and that we can continue to see good spaces for products that go beyond copper, especially nuts and wine," Lara said.

**With an eye on the strong growth of exports through the ports of Arco Norte in recent years, Hidrovias do Brasil, controlled by the Pátria fund, has sought to expand its presence in the region. The comfortable cash position also allows the company to map opportunities in the southern logistics corridor, where it sees room for consolidation, and in geographies where it does not yet operate.** Proof of this is the recent acquisition of a port lease in Santos (SP), which will be part of a future salt movement project from Rio Grande do Norte (RN).

In an interview with Broadcast (Grupo Estado's real-time news system), Hidrovias do Brasil's vice president of finance, Fabio Schettino, says the plans involve doubling the total grain handling capacity to 13m tons, expanding the northern operation.

Currently, operations in the region include a Cargo Transshipment Station in Miritituba (PA), where pusher and barge convoys are loaded with export goods arriving by truck via the BR-163 and leaving towards the private terminal of use of the company in Vila do Conde (PA). In July, the company reached full monthly capacity for the first time in the region with the transition from soybean to safrinha corn. "Our terminal can live with both corn and soy, so it doesn't have to close the soy program to get into corn," he said. "In the crop transition, this is very important in terms of competitiveness."

As the main investments in its own infrastructure have already been made, Hidrovias do Brasil estimates that the project would require between R\$700m and R\$750m, about half of the invested to date in the region. The final decision on the amount may take place next year so that disbursements begin in 2022 or 2023, after the volumes anticipated in long-term contracts (maximum operating capacity, including long-term contracts and those closed each season) have already been fully achieved.

The executive also points out that the flow of cargo through the North should increase if the federal projects of Ferrogrão and the BR-163 concession come to life. According to him, recent government efforts to move ahead with paving the BR-163 and coordinate road traffic have already impacted monthly freight prices between Sorriso (MT) and Miritituba (PA), and contributed to the fall from R\$260/t to R\$190/t. "Ferrogrão is able to reduce (freight) by another R\$60 to R\$70 per ton. If there is a railroad in Brazil that is economically viable today, it is called 'Ferrogrão'. And that's because of the volume of cargo: Mato Grosso produces 60m tons of grain per year," he evaluates.

On another front, Hidrovias do Brasil is also aware of the opportunities for cargo transportation in the Matopiba region – the agricultural frontier between the states of Bahia, Maranhão, Tocantins, and Piauí. An example is the Pedral do Lourenço overturning works, which will enable the navigation of the Tocantins River between Marabá and Baião (PA) throughout the year. The company already owns land in Marabá where it intends to install a Cargo Transshipment Station to take advantage of the future waterway that will lead to Vila do Conde. "We are now resuming the environmental licensing process for this terminal," said Schettino.

#### *Acquisition in Santos*

Outside the North logistics corridor, the company won a strategic position this month in the Port of Santos (SP). In a federal auction, Hidrovias do Brasil acquired the lease of STS20 area for R\$112.5m, intended for the movement and storage of fertilizers and salts in the region of Outeirinhos.

The idea is that the terminal will be part of the salt logistics that is being structured with Salinor in Rio Grande do Norte. Regarding fertilizers, the executive pointed out that São Paulo consumes 4m tons of the product per year, with 70% being imported by Santos. "It has everything to do with our business," he said. "And nothing prevents it from also being a fertilizer route to other regions." The company is expected to move up to 600,000 tons of fertilizer this year through the North Arc.

Regarding the Southern region, Hidrovias do Sul sees room for organic and inorganic growth through acquisitions. "I think the strategy is to consolidate and gain market share," says the CFO.

The business that the company operates in this corridor includes the Paraná-Paraguay waterway (transportation of iron ore, grains, and fertilizers), the Uruguay River (pulp), and the Montevideo Terminal.

#### **Trade**

**President Jair Bolsonaro said on Twitter that Mercosur concluded negotiations on Friday for a free trade agreement with Efta, a bloc that brings together Switzerland, Norway, Iceland, and Liechtenstein.**

"Another big win for our trade-opening diplomacy," Bolsonaro said in a social network post, adding that Efta has US\$1.1tn GDP and is the "9th largest trading actor in the world."

The announcement comes at a time when EU member countries, with whom Mercosur concluded negotiations for a trade deal in late June, are threatening to oppose the understanding between

the two blocs amid the international repercussions of the burning of the Amazon forest.

French President Emmanuel Macron said on Friday his government would oppose the EU-Mercosur trade deal because Bolsonaro was lying when he minimized concerns about climate change at the June G20 summit in Japan.

A few minutes before announcing the deal with Efta, Bolsonaro, also on Twitter, countered Macron, saying he regretted his position. "We are not the ones who released photos from the last century to potentiate hatred against Brazil for mere vanity," said the president.

Ireland, where agribusiness is strongly resisting the deal with Mercosur, also said on Friday it would oppose the deal, which still depends on approval by the legislatures of the two bloc countries.

**The China State Council Customs Tariff Commission announced on Friday (08/23) that the country will impose additional US\$75bn import tariffs from the United States in response to the recent announcement of the United States raising tariffs on Chinese products.**

Based on laws and approved by the State Council, 5,078 US product items will be subject to additional 10% or 5% tariffs. The tariff increase will be implemented in two lots and will be effective from 12:01 pm (Beijing time) on September 1 and 12:01 pm on December 15, the commission said in a statement.

The US government announced on August 15 that it will impose additional 10% tariffs on US\$300bn in Chinese products, effective September 1 and December 15, in two lots.

The commission will continue the work of exempting certain items from additional fees. "We expect China and the US to resolve differences in ways that are acceptable to both sides based on mutual respect, equality, good faith, and consistency of words and deeds," the statement said.

#### *Trump announces additional fare*

Hours after China released retaliatory tariffs on US\$75bn in US goods, US President Donald Trump began a new round of tariffs on Asian products by stipulating an additional 5% tax on about US\$550bn in Chinese products, expanding the escalation of trade war between the two largest economies in the world.

Trump's action, announced on Twitter, prompted the US president earlier in the day to demand US companies withdraw their operations from China. The intensifying Sino-US dispute has fueled fears that the global economy will go into recession, causing US stocks to freefall. The Nasdaq Composite Index fell 3%, while the S&P 500 fell 2.6%.

**The Brazilian trade balance recorded a surplus of US\$700m in the third week of August, according to data released on Monday (08/19) by the Special Secretariat of Foreign Trade and International Affairs of the Ministry of Economy (Secint/ME).** The positive balance is the result of exports of US\$3.99bn and imports of US\$3.29bn.

In the month, exports totaled US\$9.99bn and imports totaled US\$8.77bn, with a positive balance of US\$1.22bn. In the year,

exports are totaled at US\$139.99bn and imports are totaled at US\$110.29bn, with a positive balance of US\$29.70bn.

Third-week exports averaged US\$797.7m, down 7% from the US\$857.4m average by the second week. The reduction reflected the 19.6% drop in exports of semi-manufactured goods – from US\$120.7m to US\$97m – and from 17.5% in manufactured goods – from US\$306.1m to US\$252.5m.

In semi-manufactured goods, the result came from decreased sales of iron/steel, ferroalloys, raw cast iron, semi-manufactured gold, and raw zinc. Manufactured output was impacted mainly by the reduction in sales of aviation engines and turbines, passenger cars, taps, valves, and similar devices, as well as cargo vehicles.

On the other hand, basic sales increased by 4.1%, from US\$430.6m to US\$448.2m, due to soybeans, crude oil, crude cotton, beef, and live cattle.

In imports, the balance pointed to a fall of 16% over the same period of comparison, falling from US\$782.9m on average until the second week to US\$657.5m on the third week average. In this case, there was an impact mainly on expenses with mechanical equipment, organic and inorganic chemicals, electronic equipment, pharmaceuticals, fuels, and lubricants.

#### Month Review

Comparing the average up to the third week of August 2019 with August 2018, Brazilian exports decreased 11.2% from US\$937.1m to US\$797.7m. The main reason was a 24.9% reduction in manufactured product sales from US\$377.6m to US\$287.1m due to flexible iron/steel tubes, centrifuges, and filtering or purifying devices, flat rolled iron/steel, passenger cars and freight vehicles.

The 4.8% reduction in basic exports also had an effect, from US\$459.9m to US\$437.9m, mainly in copper ore, soybeans, soybean meal, crude oil, beef and chicken.

The counterpoint was sales of semi-manufactured products, which rose 20.6%, jumping from US\$91.9m to US\$110.8m. Positive performance was driven by semi-manufactured iron/steel, ferroalloys, raw aluminum, raw cane sugar, and raw cast iron.

Compared to July 2019, however, there was a 4.5% reduction in exports, due to the 8.9% decrease in commodity sales, which went from US\$480.6m to US\$437.9m, and manufactured goods, which fell 1.2% from US\$287.1m to US\$283.7m. On the other hand, during this period, sales of semi-manufactured goods increased from US\$104.2m to US\$110.8m (+ 6.3%).

#### Imports

In imports, the daily average up until the third week of August 2019 was US\$730.7m, 10.5% below the August 2018 average, which reached US\$816.4m. In this comparison, expenses were mainly reduced with copper and its works (-49.8%), fuels and lubricants (-35.5%), motor vehicles and parts (-28.9%), fertilizers (-16.7%), and cereals and products from the milling industry (-14.1%).

Compared to July 2019, there was a decrease of 5.4%, due to the decrease in aircraft and parts (-51.2%), copper and its works (-

42.9%), fuels and lubricants (-32.9%), pharmaceuticals (-18.6%), and plastics and its works (-8.6%).

#### Ores

**Brazil gold exports have hit a record, following rising international prices prompted by fears that the world is on the brink of recession.** People are buying and storing the precious metal to protect their heritage.

In 2018, Brazil sent 95 tons of gold abroad — a 150% growth in ten years, according to statistics from the Ministry of Economy. Until July of this year, another 51 tons have been exported.

Brazilian gold leaves Cumbica airport and goes to different destinations, mainly Canada, the United Kingdom, Switzerland, and India. Exports currently absorb most of Brazil's production, estimated at 97.1 tons.

This volume corresponds only to formal production, made many meters deep by specialized multinational companies, such as AngloGold Ashanti, which has been mining gold in Brazil for 185 years, or Canadian Kinross.

But there is an informal, unaccountable market in which gold is manually mined by prospectors on river banks or in mines near the surface.

The revival of Brazilian gold production comes at a time of favorable prices – the highest levels in the last six years. Last Friday (08/16), gold closed at US\$1,513 per ounce (traditional measure of this metal), driven by uncertainties generated by the trade war between China and the United States.

According to the World Gold Council, a global organization focused on the development of the gold market, demand is breaking a world record, driven by jewelry consumption in India, by purchases made by banks and brokerages to support the sale of gold-backed contracts, and mainly by purchases from central banks.

In the first half of this year, central banks purchased 374,100 tons of the metal – the largest net increase in global gold reserves in the past 19 years.

Fears of a new global recession, triggered by the trade war started by United States President Donald Trump, led the monetary authorities to increase the purchase of gold to secure the value of their currency.

According to industry experts, companies based in Brazil have been taking advantage of the opportunities generated by the favorable market, because they are now maturing the investments made at the beginning of the decade. Gold mining, they explain, requires high technology, because the mines are getting deeper and deeper.

But there would still be a long way to go. Globally, Brazil is a marginal competitor. According to the World Gold Council, the country ranks 11th in the gold production ranking, far behind countries like China, Australia, Russia, and the United States.

Nothing compared, therefore, with the central role played by Brazilians in the late 18th century, when the reserves of Minas

Gerais made the country, still a colony of Portugal, the world's largest producer of gold, accounting for 40% of the global volume.

The greatest growth prospects would be outside the traditional Minas Gerais producing regions. According to the National Mining Agency, Goiás is today the largest gold producer in Brazil. In 2018, the state accounted for 38.7% of the total extracted in the country, above the 35.8% of Minas. Then comes Pará, with 14.3%.

### Logistics

**The authorities of Brazil and Bolivia involved with the project "Bioceanic Railway Corridor of Integration" will meet in Campo Grande (MS) on August 23 to discuss the border crossing between countries.**

Among the topics are improved customs control and migration, especially in the case of documents that will be required for the passage of the bioceanic train from Bolivia to Brazil.

Another topic to be discussed is the creation of a commercial hub near Campo Grande to receive Bolivian rail freight.

According to official data, the bioceanic train project foresees investments of at least US\$10,000. To date, there are four pre-investment studies prepared by Bolivia and one by Peru.

According to Bolivian sources, the funding would be provided by a Swiss-German private consortium, as well as several European countries that proposed to be partners, including Russia, Spain, and Italy.

**China's state-owned construction giant China Communications Construction Co (CCCC) is preparing an offer to dredge the Argentinean portion of the Paraná River**, the country's main cargo port, which is responsible for transporting soybeans and corn from farms to the South Atlantic sea routes of the world.

Representatives of the CCCC and its Shanghai dredging unit met with the Argentine government and local port authorities to present the idea of the dredging concession.

The Paraná River carries 80% of Argentine agricultural exports. The river is currently highly susceptible to climate change – a drought last year, for example, led authorities to decide that ships would need to lighten their loads along the river.

The Paraná River dredging is the largest logistics contract in Argentina. China is already the largest buyer of soybeans in the South American country, as the Chinese state conglomerate Cofco has become, through acquisitions, the largest operating exporter of agricultural commodities in Argentina.

There have been a series of meetings between the world's leading dredging companies and port operators to prepare a river study, as a preliminary step for companies to be invited to submit their proposals next year, according to the Argentine Chamber of Port and Maritime Activities and the Acsoja Soy Industry Chamber.

The current Paraná River dredging concession is due to be renewed by April 2021 – it involves maintaining a free channel for cargo ships. In return, larger vessels pay up to US\$80,000 in tolls to travel to and from Rosario's grain center.

The current holder of the dredging concession is the privately owned Luxembourg-based Jan De Nul. The company will compete with CCCC and other operators for the concession in 2021, according to industry sources with direct knowledge of the situation.

### Oil & gas

**This year Brazilian ethanol production is expected to 30.3bn liters of sugarcane ethanol and an additional 1.35bn liters from corn, giving a total of 31.6bn liters.** This data is from the second survey of the 2019/20 Sugarcane Harvest, released on Thursday (08/22), by the Food Supply and Statistics Agency (Conab).

Anhydrous Brazilian ethanol production should reach 10.5bn liters in byproducts generated from sugarcane, 12.6% more than in 2018/19. This compound is used in blending with gasoline. In hydrated ethanol, the trend is a drop of 14.1% compared to last season, reaching 19.8 bn liters.

Sugar production is expected to reach 31.8mn tons this year, an increase of 9.5%. In sugarcane planting, a study points to an increase of 0.3% in production compared to last season, reaching 622.3mn tons. In compensation, the harvested area is estimated at 8.38mn hectares, a decrease of 2.4%.

### Corn

From the first survey of the 2019/20 harvest, released in May this year, Conab included in the disclosure the total ethanol statistics, which also includes data on corn-based ethanol. This is because cereal has been assuming an increasingly important role in fuel production.

The region that stands out the most for using cereals as fuel is the Midwest, with 94.2% of the national supply in 2019, in other words 1.27bn liters, an increase of 62.4% over the last crop.

### Meat

**Argentina completed the first shipment of pork to China after it obtained authorization last April from Chinese health and customs authorities.**

Last Friday, August 23, the first container was loaded with 28 tons of frozen bone-in pork. The operation was carried out by an export consortium made up of 18 producers, ArgenPork.

"We have been working since 2017 to obtain the necessary export authorizations," says Guillermo Proietto, manager of the exporting consortium, which exports 1,000 tons of pork a month, mainly to Russia, and now China.

According to Proietto, Argentina exports "between 2 and 3% of what it produces" and pointed out that the process of opening markets and enabling plants "was very fast and good". Senasa was in charge of the sanitary procedures, after the delegation made by the Chinese authorities with supervision.

"China is a 2m tons per year market for frozen pork," said the businessman, adding that "we are looking to incorporate more [producers] as long as they meet requirements such as long-term work and commitment to the delivery of the meat."

China suffered an outbreak of African swine flu that led it to sacrifice millions of animals. According to official data, there was a 32% reduction in the country's pork stock.

According to ArgenPork, this situation is not related to pork imports to the country. "This is a project that began two years ago and is now coming to fruition. We expect to start with two to three shipments per week in this first stage, and by 2020 we expect to ship between 8 and 10 shipments per week," said Proietto.

So far, only three Paraguayan meatpackers are able to export frozen pork to China: La Pompeya (responsible for the current shipping), Campos Austral, and Paladini.

**According to the Minister of Agriculture, Tereza Cristina, the country expects the United States to approve imports of Brazilian meat, sending, by the end of August, the report on the sanitary mission on visits to Brazilian refrigerators in June with the goal of ending the embargo on exports of Brazilian fresh meat, which has been going on for two years.**

The inspection of Brazilian refrigerators was carried out by technicians from the USDA. It reached plants in six states: São Paulo, Minas Gerais, Goiás, Rio Grande do Sul, Santa Catarina, and Mato Grosso do Sul. Federal public laboratories were audited and regional visits were made to the national animal inspection service.

The United States suspended imports of fresh meat from Brazilian meatpackers in June 2017 after detecting abscesses (inflammations) in beef shipments from Brazil.

*Vietnam also inspects*

Tereza Cristina also said that Vietnam Veterinary Service technicians are in Brazil carrying out inspections to authorize Brazilian exports of standing cattle. For the minister, there is the possibility of also enabling Brazilian meat fridges in natura. In contrast, the Vietnamese want to sell their shrimp to Brazil.

Recently, Indonesia, through its Agriculture Minister Andi Sulaiman, has also promised to open the market to Brazilian meat, setting a quota for Brazilian protein and conducting a visiting mission to learn about production methods.

## Grain

**The Perspectives for Farming study made by The Food Supply and Statistics Agency (Conab) reveals that, despite the fall in crop yields, the Brazilian grain crop, when considering the four main products, should increase by 3.6% by 2020.** Four commodities – corn, soybeans, rice, and cotton – are in the spectrum of grains analyzed in this project, which also includes meat, beans, and dairy products.

Depending on the problems in the American crop, the country could hit record numbers in exports of corn. "As for the crop numbers, in the current outlook, we are predicting an area increase of 1m hectares, which should lead to 18.3m hectares planted, with lower productivity (-321 kg/ha) and reduction of 38,000 tons in total production, which should close at 99.2m tons in the 2020 forecast," explains the director of Agricultural Policy and Company Information, Guilherme Bastos. "There is also an

expectation of a 2% increase in domestic demand for corn for use in animal feed."

For soybeans, the study shows an area growth of 1.7% by 2020, which is lower compared to previous years. Productivity is expected to grow by around 140kg/ha and this is expected to boost production by 7m tons. "Future market prices are expected to recover, thanks to the reduction in planted areas in the US, reaching 937 cents/bu," explains the director. "The numbers represent an improvement in producer compensation, although they do not reach the levels of previous years."

Regarding the 2019/20 crop supply and demand scenario, the outlook is for a final soybean inventory of 2.8m tons, with a consumption of 48m tons and exports of 72m tons. "We have the possibility of facing problems in transit stocks, which will not be adequate to meet a very strong international demand," says the director. "But Brazil should establish itself as the world leader in soy production, save some climate problem, with production at around 122.1m tons, surpassing the US."

Rice is expected to reduce its area by 19,000 hectares, which will lead to a planted area of 1.6m hectares, still concentrated in the South. The highlight of this commodity, according to the study, is productivity, which comes from growing with migration to irrigated areas and use of more technologies. With this, the rice crop should be approximately 10.7m tons.

Contrary to other products, cotton may suffer a reduction of 6% in area and almost 7% in production due to the increase of stocks and reduction of international prices. With this, the forecast is that the harvest is 2.5m tons with a planted area of 1.5m hectares.

In the agricultural perspectives presented by Conab, other topics were addressed, such as the macroeconomic and geopolitical scenarios in the context of agriculture, infrastructure, market, and commodity production costs.

**Brazil's corn exports continued at a rapid pace in the first three weeks of August, after breaking a record the previous month, according to data from the Secretariat of Foreign Trade (Secex) of the Ministry of Economy.**

In the first 12 business days of August, corn shipments totaled about 4.3m tons, an average of 358,100 tons per day, while the previous month's total average was 274,600 tons daily.

The daily average indicates that August shipments may exceed those of the previous month.

In July, total grain exports were 6.32m tons, greater than the previous record of December 2015. At that time, experts already indicated that August sales could be even higher.

Year-over-year shipments for August 2018 totaled 2.82m tons.

In addition to strong exports, Brazil is also expected to hit a record corn crop this season, at 101.91m tons, according to a Reuters survey of institutions and experts.

**Although Argentina's peso has fallen about 21% against the dollar in recent days, making soybeans more competitively priced, Chinese buyers still prefer Brazilian grain because of its better quality.**

That's because China, the world's largest soybean buyer, processes more than 80% of imported grain into soybean meal, which is mainly used to make animal feed. Soy content is therefore a vital parameter in the purchase of grains.

While Argentine soy protein is 35%, Brazilian soy protein is 37%. According to Chinese crushers, they can start buying more Argentine soybeans only if the price is at least 40 cents a bu lower than Brazil's.

With the trade war between the United States and China, Brazil and Argentina became major suppliers of soybeans to the Asian country.

#### *Russian Soy*

Another soy supplier to China is Russia. That's because crushing industries operating in China expect to see significant volumes of Russian soybeans after the Asian General Administration of Customs approved the importation of grain from all regions of Russia last week.

Still, despite increasing, the volumes sold by the Russians to the Chinese are small compared to those sent by Brazil and the United States themselves.

Russia, which is already the world's largest wheat exporter, plans to invest billions of dollars in grain infrastructure and logistics with the goal of raising its cereal and other grain exports to at least 55.9m tons by 2035.

#### **Other cargo**

**According to the Milk Bulletin, released by Cepea (Center for Advanced Studies on Applied Economics), Brazilian imports of dairy products fell 9.3% in July compared to June, to 10,100 tons, the lowest monthly volume since March 2018.**

For the agency, the drop was influenced by the reduction in purchases of milk powder, as the product represents about 55% of total dairy products purchased by Brazil abroad. Imports of milk powder fell 13.8% compared to June, totaling 5,500 tons in July.

Uruguay reduced the volume of milk powder negotiated with Brazil by nearly 50% compared to June/19, totaling 2,600 tons last month. On the other hand, the volume of butter imported by Brazil in July increased 65% compared to the previous month, totaling 427 tons. Argentina and New Zealand were the main exporting countries of this derivative.

Brazilian exports of dairy products totaled 1,800 tons in July, an increase of 19% compared to June. Condensed milk and sour cream were the products with the largest share in the total shipped by Brazil, with increases of 40% and 45%, respectively, compared to sales made in the previous month. In volume, 553 tons of condensed milk and 581 tons of milk cream were exported in July.

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