

Main news

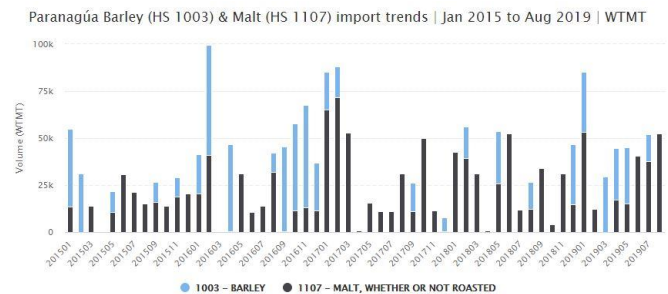
Andrew Lorimer, director of Datamar, was one of those interviewed for the special booklet “Valor Setorial Infraestrutura e Logística” (Valor Infrastructure and Logistics Sector) released today by Valor Econômico. The 100-page booklet provides a complete overview of Brazil’s infrastructure and logistics, with interviews with leading transportation and distribution specialists in the country and forecasts for the future.

In the publication, Andrew talked about the container market, which, despite the crisis, has grown three times faster than GDP – 2.9% from January to July. According to the director of Datamar, the solid bulk market is impacted by specific events, such as the Brumadinho disaster, which affected iron ore exports. “This is a factor that may have caused the 3.04% drop in the total movement in foreign trade,” he told the publication.

Andrew’s interview was based on his market experience and data from Datamar’s flagship product, DataLiner, which provides data and insights that enable the deepening of all imports and exports by sea on the East Coast of South America and Chile.

“Regarding malt, there was an increase in beer consumption in the country between September last year and March this year. The main hypothesis to explain this movement is that the buyers of the product bet that the increase in beer consumption would continue,” says Klarke.

The following chart, made from Datamar DataLiner data, shows imports of malt and barley from January 2015 to August 2019 in Paranaguá Port:



Fonte: DataLiner/Datamar

As a malt producer, all barley imported by Agrária, according to the sector’s commercial coordinator, is used within the industry itself.

“Brazil is a country that does not produce all the barley that the industry needs for production, that is why the cereal needs to be imported. Today we supply our malt to over 1,200 breweries in Brazil, from the large brewer groups to the nano breweries,” says Klarke.

The expert points out that something similar happens with wheat. “We need to look abroad, as the country does not produce enough to serve the domestic market,” he adds.

Wheat: This year, until September, cereal imports totaled 287,500 tons. In the same nine months of 2018, the volume was 216,700 tons. This year, 109 ships docked to land the product in the Port of Paranaguá. The origin is mainly Argentina.

Both wheat, malt, and barley were unloaded in bulk and, to a lesser extent, in containers. The amount of wheat that arrived in containers was 9,400 tons, while malt and barley was just over 15,000 tons.

According to the Director of Operations of the Ports of Paraná, Luiz Teixeira da Silva Júnior, in the Port of Paranaguá, in bulk landing, cereals have priority in the preferred berth for the unloading of products, which is the 206, as determined by the work order number 145/2018.

“These operations must meet a minimum productivity of 6,000 tons per day. When these ships arrive in Paranaguá with these products they are in a single line to occupy the preferred berth. It is the arrival date that counts for the order of the queue,” he explains.

In the total of solid bulk imports, according to the balance of the nine months of this year, there were about 7.6m tons unloaded in the Port of Paraná. In addition to cereals, this volume includes fertilizers and salt imported in the period.

**Ports, terminals and infrastructure**

The importation of malt and barley entering the Port of Paraná increased by 29% in the comparison between January to September 2019 with the same period last year. Another import bulk that showed an increase at the end of the period is wheat: 33% more than cereal.

In the first nine months of this year, 385,700 tons of malt and barley were landed by the Port of Paranaguá. In the first nine months of 2018, the volume totaled 299,400 tons of bulk.

The 63 ships that arrived loaded with the products from January to September this year brought these cereals from Argentina, Uruguay, Spain, Australia, and Ukraine, with the destination being Paraná itself.

One of the main importers of malt and barley entering the Port of Paranaguá is the Agroindustrial Agrária Cooperativa. Malt’s commercial coordinator, Alexandre Klarke, explains that the weather conditions during the last cycle have reduced the national barley crop. To meet domestic demand, it was necessary to import a larger volume.

In the importation of fertilizers, the highlight is the increase registered by the Port of Antonina. There, from January to September, 380,100 tons of fertilizers were discharged, 34% more than in 2018, with 283,600 tons.

In Antonina, in the period, total cargo handling reached 622,900 tons. In addition to imported fertilizers, exports of sugar and soybean meal also increased.

The amount of sugar was 48,919 tons – 59% more than the volume registered last year: 30,733 tons. Of bran, 193,856 tons, 0.5% more than the volume of 2018: 192,963 tons.

The total movement of the Ports of Paraná from January to September this year totaled 39.7m tons. Of this volume, 26.2m solid export and import bulk only: grains, bran, cereals, salt, and fertilizers.

ANTAQ has authorized the company DP World Santos, based in Santos (SP), to carry out general or containerized cargo handling activities, in Section I of the new pier and in the two mooring dolphins with their respective catwalks, in a total area of 8,046 square meters, in compliance with ANTAQ rules and regulations, and specifically, the Adhesion Agreement No. 17/2014 – ANTAQ. The authorization was published this Monday (14) in the Official Gazette.

The Operation Release Term (TLO) is number 14 of October 11, 2019.

TCP, the company that manages the Paranaguá Container Terminal, inaugurated in 10/10 the expansion works of the Terminal, which received investments of over R\$600m. The works include the extension of the quay and the backyard.

With the completion of the works, TCP's quay increased from 879 meters to 1,099 meters in length and from 40.75 meters to 50 meters in width. It also began the operation of two new container cranes manufactured by the Chinese company ZPMC (Shanghai Zhenhua Port Machinery Co. Ltd).

With the expansion and the consequent possibility of the terminal to operate three of Latin America's largest and most modern container ships simultaneously – in addition to a car transport vessel (which will dock in exclusive dolphins) – the Paranaguá Container Terminal will increase its handling capacity by 60%, from 1.5m TEUs/year to 2.5m TEUs/year.

The works also include the extension of the terminal backyard, which will be expanded from 330,000 m² to about 500,000 m² and are part of the agreement for early renewal of the terminal lease for another 25 years, starting from 2024, signed in April 2016 with the Federal Government.

"With this, we are prepared to support the growing demand for exports, imports, cabotage, and transshipments in our coverage area for the next 30 years," says Juarez Moraes e Silva, the company's institutional director.

The expansion works had advanced technology based on piles instead of landfills, which, in addition to better final quality, ensures less environmental impact. "Usually, the expansion of a terminal is done through a landfill over the sea, which generates more environmental impact and less final quality. In our case, all

the expansion was based on piles under the sea," explains Moraes e Silva.

The berth, for example, has been equipped with double mooring bollards and double tapered fenders, allowing for dredging works of up to 16 meters, which will enable the largest container ships to be operated for the next 30 years. "In addition, it also features signaling systems, LED lighting, fire fighting systems, and an innovative protection system for catching oily waters, which demonstrates TCP's constant concern for the environment."

The backyard, in addition to being built on a pile system, was equipped with LED lighting systems, three power substations, drainage systems, monitoring systems that meet the most stringent international standards, and an extensive network of dry infrastructure prepared to receive, in the future, the modernization of electrical container handling equipment. "For environmental protection, the expanded area will also use a protection system so that in case of oil spills and other hazardous products, these products are trapped in the separation system preventing them from reaching the sea," concludes Moraes e Silva.

The Operating License, required for the operation of berth 9 of the Port of Pecém to start running, should be issued in November this year by the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama).

According to the Pecém Industrial and Port Complex (Cipp S.A.), the terminal's administrator, the berth is scheduled to open in December this year, a project in which approximately R\$200m was invested for the construction of the structure.

"Berth 9 represents the last stage of the completion of our second expansion. We will now receive 10 ships simultaneously. This means that we will have even more capacity for our various customers," said Danilo Serpa, CEO of Cipp S.A.

Berth 9 also represents another stage of the expansion of the Complex after the partnership with the Port of Rotterdam in the Netherlands. The administration of the European port has been leading operations in Pecém since December last year, and for the next three years intends to build a tank terminal for storage and transshipment of fuels; a train connection to the mooring terminal; and a project to supply Liquefied Natural Gas (LNG) to a new thermoelectric plant in the Complex.

The Dutch authority is also preparing to move twice the current production of the steelmaker (the largest venture in the Complex), which should rise from 3m to 6m tons of steel per year. The forecast comes from the new chief operating officer of the Port of Pecém, Corné Hulst, and was published in an article reproduced on the Port of Rotterdam website in July.

He classifies Pecém as a "good business with low risk and high growth potential," which offers "considerable investment opportunities". "We differentiate ourselves by selling our knowledge in the market. We do this by demonstrating how well organized, transparent, and reliable we are," says the Port of Pecém's chief operating officer.

"Big international clients want to establish offices here," he adds. Prior to arriving in Pecém, Hulst worked in port operations in Egypt, Oman, and Mozambique. Over the past 10 months, the Rotterdam Port Authority has been implementing its own culture in Pecém. One of the changes pointed out by cargo operators is the less bureaucracy of procedures and greater efficiency in serving

importers and exporters. To this end, the port has been investing in digital innovations that reduce logistics costs.

From January to September this year, the Port of Montevideo, Uruguay, handled only 338,000 containers, which implied a drop of 7% over the previous year.

The general manager of the main public dock operator, Montecon, Juan Olascoaga, commented that not only Montevideo has shown a slower pace of activity, but also the city of Buenos Aires, Argentina, where there were even more significant casualties.

One exception: the bulk terminals of Rosário (Argentina) and Nueva Palmira (Uruguay), due to higher grain production in the last summer season. According to information from the Uruguayan Logistics Institute (Inalog), cargo movement at this terminal grew 10% from January to June.

However, these years of container transit through the Montevideo terminal accumulated a 5.7% drop.

Olascoaga explained that the latest data from September were particularly negative for the Uruguayan city, as imports at this time of year often show a different face, as they begin preparing for the end-of-year harvest and this has not happened.

In addition, he added that the greatest uncertainty is set in Argentina, because the direction of port policy after the presidential elections is unknown.

Montecon's manager said that activities for 2020 and 2021 will be complicated for Uruguay as a result of building four projects that will require an investment of about US\$1.6bn.

The first of these is the construction of a 1,800-meter overpass with two cargo ramps to the port that will cost US\$125m.

The second is the specialized pulp terminal of the Finnish paper mill UPM, in which US\$280m will be invested. Meanwhile, the train for the road that will enter the port will require US\$1.100m.

The fourth job is the Capurro fishing pier, by the Teyma-Chediack consortium. Regarding this project, the director of the National Port Administration (ANP), Juan Curbelo, stated that they are still "detailing" so that the project can happen. Initially, an investment of US\$95m was budgeted, but there were project corrections and the cost was increased by US\$115m. "We will be very attentive to these negotiations so that the costs are not much higher than those agreed in the original contract," Curbelo said.

The Japanese Marubeni put up for sale the Terlogs port terminal in San Francisco do Sul (SC), according to four sources familiar with the matter, aiming to pass on an asset that faced strong competition with rival ports in the South.

Marubeni in Japan did not immediately respond to a request for comments on the issue.

In February, Marubeni issued a statement expressing concern about the loss of competitiveness of the Terlogs terminal. The company asked authorities to modernize the state port so that it could remain competitive against ports such as Paranaguá and Rio Grande.

Marubeni made its first investment in Terlogs Terminal Marítimo in 2005, when it bought a 25% stake in the grain export terminal. Six years later, Marubeni bought the stakes of the other partners in the venture.

After five days of an intense operation, the first shipment of manganese in the Port of Pecém was completed in 10/05. The ship African Raptor, from the South African port of Durban, docked at the Ceará terminal to load 55,000 tons of manganese extracted by the company Zeus Mineração Ltda, from the municipality of Pentecoste, Ceará.

"We were inspired by an operation in St. John's, Canada. We contacted the port there and were able to purchase an equipment similar to the one they use. And today, finally, we are using this equipment for the first time without having to put this load on the floor. That is, an environmentally friendly operation," says Waldir Sampaio, Executive Director of Operations of Pecém Industrial and Port Complex.

The equipment used for the first time in Pecém is called Bulkbraze. It has high operational efficiency as it provides fast loading of bulk carriers. The first shipment of this type of ore is being considered a milestone in the history of the port's operations.

"The innovation of this new equipment opens the possibility of attracting new solid bulk exporters through Pecém, which undoubtedly has a privileged and strategic geographical location. Here we shorten distances with American, European, and Asian ports through the Panama Canal," says Carlos Alberto Alves, Commercial Manager at Tecer Terminais.

"We realized the operational potential and the growth potential of the Port of Pecém. We were offered a service with the possibility of large volumes to be moved, so it became very viable due to the distance from our unit and the partnership that was established. We were pleased with the service that was provided and were very happy that the first shipment was a success," said Luis Gustavo Moretti, director of Zeus Mineração Ltda.

From the Port of Pecém the ship continued to the ports of Bahodopi (Indonesia) and Tiasin (China), where the ore will be unloaded. Manganese (Mn), the name given to a gray white metal, has important qualities for use in the steel industry.

"There are 55,000 tons of manganese leaving Ceará for two countries in Asia. Thus we generate more jobs and income both at the Pentecoste mine and here at Pecém. This was just our first shipment of this type of ore. And we will still have, this year, two more shipments for the manganese to enter the Ceará export agenda," said Danilo Serpa, president of Pecém Industrial and Port Complex.

On October 25, a new shipment of manganese should be exported by the Ceará port terminal that is part of the Pecém Industrial and Port Complex.

Shipping

Samsung Heavy Industries (SHI) is the highlight in large-scale shipbuilding with the development of six 23,000 TEU container ships worth a total of US\$920m for the Taiwanese company Evergreen Marine Corporation.

The new constructions will be 400 m long, 61.5 m beam and 33.2 m high and capable of carrying exactly 23,764 TEUs. According to SHI, they surpass the largest container ship in the world today: the MSC "GÜLSÜN", which has a capacity of 23,756 TEUs, a ship that was also delivered by SHI to the Mediterranean Shipping Company (MSC) in July this year.

Evergreen-ordered ships can sail safely and economically thanks to their SVESSEL, an intelligence system developed by SHI. High efficiency smart ships can reduce fuel consumption by up to 7%.

"Demand for large container ships is likely to continue as shipowners around the world have cut costs thanks to economies of scale. Based on advanced technologies, including smart ships and reduced energy consumption, as well as new shape designs, Samsung Heavy will continue to lead the ultra-large container ship market," said a SHI official.

The contracts obtained by SHI so far total US\$5.1bn, representing 65% of its annual target of US\$7.8bn, with 35 different types of vessels, including 14 oil tankers, 11 LNG vessels, six container ships, two product transport vessels, a special vessel, and an FPSO.

The Chilean government has decided to introduce a bill to open shipping of cargo to foreign shipping companies. The initiative corresponds to one of 40 measures that the Ministry of Economy has included in the Economic Re-Impulse Agenda. The text's content is being gradually defined.

According to government minutes, the necessary measures are being taken in order to not affect the development of small shipping companies operating mainly at the far end of the country.

"Cabotage will be open to foreign ships whose deadweight exceeds a certain ton limit to safeguard the competitive southernmost cabotage market and to promote competition in large cargo markets."

In addition, the bill aims to revise "certain tax regulations applicable to foreign vessels provided by Chilean law to equalize tax charges to enable cabotage to be exercised in Chile under market conditions and to eliminate artificial barriers to entry."

This is because currently, for example, if a foreign shipping company carries out cabotage under the exceptions of the law, it is taxed at 20% or 35% of gross amounts paid abroad, 20% for lease or freight contracts and 35% for maritime freight contracts.

Therefore, today cabotage is reserved for Chilean vessels, with three exceptions in which foreign vessels may operate: public bidding in the case of volumes exceeding 900 tons; special authorization or exemption for cargoes under 900 tons, provided that there is no availability of Chilean flags; and temporary registrations of foreign vessels as Chilean vessels.

According to a recent study called "Maritime cabotage reserve and free competition: the Chilean case", conducted by Claudio Agostini and Ignacio Briones, of the Adolfo Ibáñez University, and by Benjamín Mordoj, of the University of Chile, such a measure would save consumers between US\$300m and US\$400m annually on this mode of transportation, while reducing the prices of this service by 40%.

As an example, it costs Codelco US\$45 to transfer a ton of copper from Valparaíso to Angamos, while from Valparaíso to Shanghai it costs US\$50.

Meat

The Ministry of Agriculture, Livestock, and Supply (Mapa) confirmed the registration of a classical swine fever outbreak (CSF) in the state of Alagoas, located outside the free zone recognized by the World Organization for Animal Health (OIE).

The outbreak has been confirmed in the municipality of Traipu, in a swine farm not linked to technified production systems, and has been notified to the OIE. The last occurrence of CSF in Alagoas had been recorded in 1994.

Since the confirmation, the property has been closed and the state veterinary service has sacrificed and destroyed all of the swine on the property. Other measures taken include investigations of properties within 10 kilometers around the outbreak and properties with some epidemiological link, and prompt attention was given to all suspicious reports.

"The state of Alagoas is part of the non-free zone of CSF, along with ten other states (AM, RR, PA, AP, MA, PI, RN, PB, and PE) and this new occurrence does not interfere with the status of the non-free zone of CSF recognized by the OIE, not justifying impacts on the international trade of pigs and their products," emphasizes the deputy director of the Department of Animal Health of the Secretariat of Agricultural Defense, Bruno Cotta.

The clinical signs observed were circulatory disorders and erosive skin lesions, accompanied by conjunctivitis in adult animals and neurological disorders in young pigs. The diagnosis was confirmed by the Federal Laboratory of Agricultural Defense in Recife (PE), through molecular techniques.

Brazil's CSF-free zone concentrates over 95% of the Brazilian pig industry. All Brazilian pork exports and their products come from the free zone, which incorporates 15 states (RS, SC, PR, MG, SP, MS, MT, GO, RJ, ES, BA, SE, TO, RO and AC) and the Federal District and has not reported an occurrence of CSF disease since January 1998.

The boundaries between the CSF free and non-free zones are protected by natural barriers and checkpoints, where surveillance and risk mitigation procedures to prevent the introduction of the disease are continually adopted, according to rules and procedures established by Mapa. Since the beginning of CSF occurrences, these actions have been intensified in the region.

"Following the confirmation of outbreaks of CSF in the state of Ceará in October 2018, the Department of Animal Health, along with state veterinary services, promoted intensified surveillance activities for the disease in all northern and northeastern regions of the country, which contributed to the detection of the disease in Piauí in April 2019, and now in Alagoas," explains Cotta.

CSF is a notifiable disease in Brazil that only affects swine and is not transmitted to humans or other species.

In a note, the Animal Protein Association (ABPA) clarifies that the outbreak recorded in the state of Alagoas refers to a case of Classical Swine Fever (CSF), a different disease and of notably less

severity than African Swine Fever (PSA), a disease that has affected nations of Asia, Africa, and Europe.

Argentine Minister of Agriculture, Livestock, and Fisheries Luis Miguel Etchevehere announced that the United States has enabled five more Argentine slaughterhouse plants to export beef to the country.

The United States Department of Agriculture Food Safety and Inspection Agency (FSIS/USDA) has published that the new authorized slaughterhouses are Quickfood SA, Logros SA, Forros-Beltrán SA, Azul Natural Beef SA, and Alberdi SA. With this announcement, there are 16 Argentine facilities authorized to export meat to the United States.

The announcement came at the 6th meeting of the Argentine – United States Joint Agribusiness Advisory Committee, where Luis Miguel Etchevehere met with US Under Secretary of Foreign Trade and International Agricultural Affairs, Ted Mc Kinney.

The United States reopened the market for Argentine boneless beef imports in November 2018 after 17 years of embargoes. The agreement now signed between the countries limits Argentine exports to 20,000 tons per year.

Oil and gas

The Minister of Mines and Energy, Bento Albuquerque, and the general director of the National Agency of Petroleum, Natural Gas, and Biofuels (ANP), Décio Oddone, said in 10/10, in Rio de Janeiro, that the 16th Bidding Round exceeded all expectations, raising R\$8.9bn in signature bonuses, a record value in Brazil for oil and gas exploration and production auctions under the concession regime.

Twelve of the 36 blocks offered were sold, and even then, the auction had a 322% premium, as the sum of the minimum expected signing bonus amounts was about R\$3bn.

The minister said that the result shows the right policies have been made for the sector. "I believe we are on the right track so that the country can use its wealth and generate jobs, income, and development," said Bento Albuquerque. He predicts that the upcoming auctions in November will have effective participation by Petrobras and several international companies.

ANP general director Décio Oddone stressed that the signing bonus is the most visible part of the success of the round and drew attention to other indicators. "The most important is the collection that will come later. We are sure that the investments will be made. There are 10 companies that will operate in these blocks, which gives us the certainty that there will be no shortage of financial, human, and material resources," he said.

ANP estimates indicate that the auctioned blocks should generate a production of 400,000 to 500,000 barrels of oil per day, which will produce a collection of R\$100bn to the public coffers throughout the concession contract. Three or four new platforms are expected to be installed as a result of these contracts.

All the blocks are in areas with more consolidated geological knowledge, 10 of them in Campos Basin and two in Santos Basin. The blocks in areas considered of new frontier did not receive offers, but will be included in the ANP's permanent offer, being available to companies that are interested later.

"In the permanent offer, companies will have time to evaluate. We do not expect to attract a very large investment for border basins in an auction like this," he said.

Among the blocks that did not receive offers are the Camamu-Almada and Jacuípe basins, whose auction was questioned by the Federal Prosecutor of Bahia for potential risks to the Abrolhos Marine National Park in case of leaks.

The Minister of Mines and Energy, Bento Albuquerque, said he believes that the decision to participate or not in the blocks is a strategic matter for the companies and noted that other blocks did not receive offers either, including three from Campos Basin, nine from Santos Basin, and five from the Pernambuco-Paraíba Basin.

"The process, as the [ANP] Director-General himself put it, was done in accordance with the legal system and with the participation of the institutions," he argued.

Petrobras will pay R\$210m to the Union for part of the oil production of Tartaruga's shared reservoir, which is located between the fields of Tartaruga Verde and Tartaruga Verde Sudoeste, in the Campos Basin, in the state of Rio de Janeiro.

The amount was settled through an agreement between the oil company and the state-owned Pré-Sal Petróleo, which is in charge of pre-salt concession contracts.

According to Pré-Sal Petróleo, when Petrobras began exploring the BM-C-36 area in 2004, it discovered two deposits in the area. One, however, extended to a sector that was not part of the concession contract.

When an oil field goes beyond the concession area, the oil company must sign a production individualization agreement whereby the Union is entitled to a share of production and an equivalent responsibility for spending.

In the Shared Tartaruga Reservoir, the Union holds a 17.85% stake. In the calculation, which adds the revenues and subtracts the costs, called Equalization of Expenses and Volumes (EGV), the Union had a profit of R\$210m.

This is the third EGV completed by Pré-Sal Petróleo. Between December 2018 and April this year, agreements with the BM-S-9 consortium, which operates the Sapinhoá field in the Santos Basin, resulted in gains of R\$955m for the Union.

Grain

Brazilian corn exports rose more than 130% between January and September this year compared to the same period of 2018, according to the Ministry of Agriculture's Department of Trade and International Relations.

Shipments of grain, which had a record harvest in 2018/2019, grew 134.7% in revenue, reaching US\$4.98bn, with 29m tons traded, an increase of 130%.

According to the government, the main buyers of Brazilian corn were: Japan (US\$605.13m), South Korea (US\$386.40m), European Union (US\$371.25m), Vietnam (US\$293.96m) and Taiwan (\$292.61m).

The difference between the export price of US corn to Brazilian corn is narrowing since the US has been uncompetitive against the South American exporter for almost seven months, according to data from the International Grain Council. The export price of Brazilian corn (US\$171/mt) was higher than the US export price (US\$170/mt) on October 9, according to the data.

Although the export price of Brazilian corn dropped below US corn on Thursday, the spread was still far from the US\$19/mt seen at the end of July. The export price gap between US and Brazilian corn has been less than US\$5 since the last week of September, according to the data, as Brazilian farmers shift their focus to soybeans. After exporting at a record pace, Brazilian corn producers are now slowing sales and expecting higher prices.

US exports were hit hard this year due to increased exports from Brazil and Argentina following record harvests in both countries in 2018-19.

US corn exports in the first eight months of the year fell by 35% to 31.99m tons, according to data published by the US Department of Agriculture's Foreign Agricultural Service.

China's soybean imports in September fell 13.6% in the month to 8.19m tons, the General Administration of Customs informed on Monday, October 14.

In the first nine months of 2019, soybean imports from China totaled 64.5m tons, down 8% from the same period last year according to the data. African swine fever and the China-US trade dispute have been the main factors that have dampened Chinese demand for soybeans since January, said Matheus Pereira, director of ARC Mercosul, an agribusiness consultancy.

According to the Ministry of Agriculture and Rural Affairs, China's pig herd has been reduced by 39% due to the outbreak of African swine flu since August 2018, when millions of pigs were slaughtered.

According to industry sources, the slaughter of pigs in China due to the disease could reach 55%. China processes 80% of imported soybeans into soybean meal, which is then mainly used as animal feed. As the herd of pigs decreases, the demand for animal feed decreases simultaneously.

So far in 2019, soybeans of Brazilian origin accounted for 80% of total Chinese soybean purchases. However, as US-China trade relations have recently improved, US soybean exports to China have increased, with more than 2m tons of US grain shipped to the Asian country in recent weeks.

China is the world's largest soybean importer, accounting for 64% of global soybean purchases, while Brazil is the world's largest soybean exporter.

The amount contracted for Brazilian rural credit operations in the first three months of the 2019/2020 crop (July to September) was R\$59bn, up 3% compared to the previous crop (2018/2019). Costing operations totaled R\$35.9bn (+ 4%), investment, R\$11.9bn (+ 8%), trading, R\$6.3bn (-28%), and industrialization, R\$4.7bn (+60%).

The highlight in the increase of the contracted value was the costing, which increased R\$1.5bn, and the National Program for Supporting the Medium Rural Producer (Pronamp) had the best performance (+29%). To this end, the National Program for the

Strengthening of Family Farming (Pronaf) showed a 14% growth in hiring and the credit cost to other producers dropped by 5%.

Regarding investment contracts, there was an increase of R\$841m. Highlights are the investment programs ABC (Low Carbon Emission Agriculture) and Inovagro (Incentive Program for Technological Innovation in Agricultural Production) for presenting the highest level of disbursement in the first quarter of the crop (39% and 36%, respectively). Compared to the 2018/19 crop, Brazilian rural credit contracts for sale have shown a 28% decrease in value, despite the 1% increase in the number of contracts.

The figures are part of the Balanço de Financiamento Agropecuário da Safra 2019/2020 (2019/2020 Harvest Agricultural Financing Balance), released in 10/11 by the Secretariat of Agricultural Policy (SPA) of the Ministry of Agriculture, Livestock, and Supply (Mapa), based on data from the Rural Credit Operations System and Proagro (Sicor) of the Central Bank.

The first survey of the 2019/2020 grain harvest, released in 10/10 by the Food Supply and Statistics Agency (Conab), points out that the Brazilian production is estimated at 245.8m tons, which represents an increase of 1.6% or 3.9m tons compared to the 2018/19 harvest. Thus, the current crop remains as a record.

In the methodology used for this 1st survey, around 900 informants were used, between September 22 and 28, to seek information related to the intention of planting the summer crops that are beginning right now. The estimated yields for this crop reflect normal yield conditions and are calculated using the statistical analysis of the historical series and the technology packages, existing in the Company's database.

The result of the study shows that the first crop of corn has an estimated production of 26.3m tons, 2.5% higher than 2018/19, with a growth of 1% in area, totaling 4.14m hectares. The second crop of corn, which represents about 70% of the grain's total, will begin to be planted after the soybean harvest, which is currently in force. Soybean has been maintaining the growing trend in cultivated area and points to a growth of 1.9% in relation to previous figures, with 120.4m tons.

Regarding the first crop of beans, due to problems of rain in previous harvests, the first forecast of 2019/20 indicates a reduction of 3.9% in the area to be cultivated. At this time, the crop loses space for corn and soybeans, which have better profitability. Rice has a production of 10.6m tons, 1.9% higher than 2018/19, even with a reduction of 0.6% in the area to be cultivated, totaling 1.7m hectares. As for cotton, there was a small increase of 1.2% in the area, reaching 1.6m hectares. For wheat, the 2019 crop has not yet been fully harvested and the projection is that this cereal will reach about 5.1m tons.

As for the forecast of the total planted area in the country, it is expected that 63.9m hectares will be cultivated, a positive variation of 1.1% compared to the previous crop.

According to Cecafé, Brazil's Coffee Exporters Council, the country exported 3.2m bags of coffee in September this year – considering the sum of green, soluble, and roasted and ground coffee. The volume represents a 2.6% increase over September 2018. Foreign exchange revenues generated by

exports last month reached US\$410.3m, down 4.5% over the same period last year. The average price of a coffee bag was US\$126.9/bag, a decrease of 6.9% over the same month of 2018.

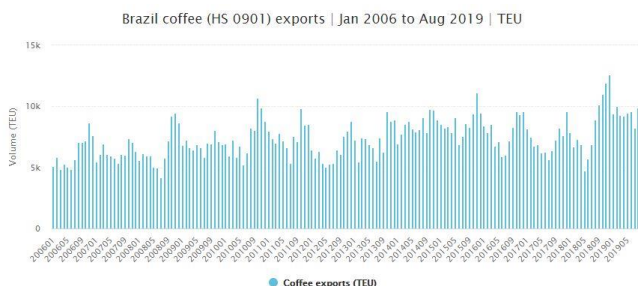
In September, Arabica coffee accounted for 81.8% of the total exported volume, equivalent to 2.6m bags. Conilon (robusta) coffee accounted for 8.1%, with the shipment of 263,100 bags, while soluble coffee accounted for 10% of exports, with 323,100 bags exported.

Coffee volumes exported in September registered the best result of the month in the last five years. The accumulated performance of the last 12 months also marks a very significant increase in sales abroad, reaching around 42.2m bags.

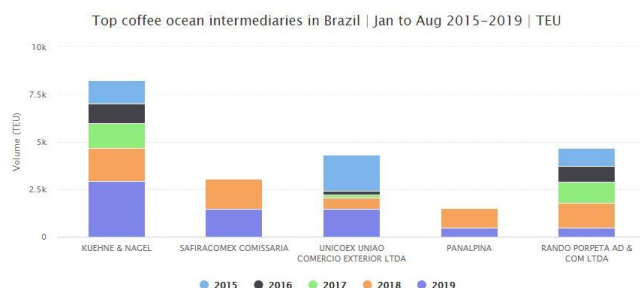
Another factor that should be highlighted is the strong growth in sales to the 10 largest buying countries, including the USA, Germany, Japan, Belgium, and Spain, with the exception of the United Kingdom. These results show the increase in Brazilian participation in world exports, according to data obtained by ICO (International Coffee Organization), and once again confirm the high quality of the most sustainable coffee in the world, which is Brazilian coffee.

Total coffee exported in the calendar year (January to September 2019) remains the highest in the last five years for the period, with the shipment of 30.4m bags. The volume represents a growth of 27.7% compared to the same comparative base of last year and the foreign exchange revenue, in this case, also presented growth of 6.5%, reaching US\$3.8bn.

The following chart, based on Datamar's DataLiner data, shows Brazilian coffee exports from January 2006 to August 2019:



DataLiner data from Datamar show Brazil's leading oceanic intermediaries in coffee transportation from January to August over the past five years:



Fonte dos gráficos: Datamar

According to the consultancy AgRural, on October 3, soybean planting had reached 3.1% of the estimated area for the Brazilian crop of 2019/20, against 0.9% from a week earlier, which sets the beginning of the slowest harvest since 2013/14, when 2.7% of the area was planted in early October.

For the agency, the drier weather this year and irregular rainfall make producers more cautious in carrying out the planting, which at this time in 2018 had reached 9.5% of the planted area.

"Some rain showers last week gave more rhythm to the planting of the 2019/20 soybean crop in Paraná and Mato Grosso. Even so, the delay compared to last year and the average of five years continues, as rainfall continues to be irregular..." AgRural said in a report.

According to the consultancy, many areas within the main producers in Brazil still do not have sufficient humidity to ensure safe planting and germination.

AgRural reasoned that while the slow start of soybean planting worries producers and fuels speculation about a narrower window for the second crop, the expected improvement in rainfall over the course of October, coupled with the very fast planting capacity of most producers, tends to minimize the delay observed in this early season.

"For that to happen, however, the rains need to get more regular as soon as possible," he added.

Trade

US President Donald Trump and his top diplomat said on 10/10 that they support Brazil's steps to join the Organisation for Economic Cooperation and Development (OECD), although they are primarily supporting Argentina.

Trump said in a Twitter post that a joint statement he released with Brazilian President Jair Bolsonaro in March "makes [it] absolutely clear that I support Brazil beginning the process for full OECD membership."

"The United States stands by that statement and stands by @jairbolsonaro" he said.

In a letter to OECD Secretary-General Angel Gurría in late August, US Secretary of State Mike Pompeo supported offers from Argentina and Romania, but did not mention Brazil, despite Trump's support in March.

Pompeo said in a statement on Thursday: "The leaked letter does not accurately represent the US position on OECD's enlargement."

"We are enthusiastic supporters of Brazil's entry into this important institution and the United States will make a strong effort to support Brazil's accession," said Pompeo.

Bolsonaro, who supported Trump as a model, praised US support for the OECD offer in Brazil as one of his nine-month government's achievements.

Alongside Bolsonaro, outside the White House, on March 19, Trump announced his support for Brazil to become a full member

of the OECD, a forum of three dozen democratic nations with solid market economies.

OECD membership is seen as a seal of approval that increases investor confidence in a country's government and economy.

Bolsonaro downplayed US support for Argentina, saying joining the OECD was a protracted process and that Brazil could take up to a year and a half to become a member. "We're almost there, but there were two countries ahead of us, Argentina and Romania," he said in a live Facebook webcast for supporters.

In December, a report by the Brazilian government said that the main obstacle to its OECD application for the first time in May 2017 was opposition from the United States and the office of the US Trade Representative in particular.

In Latin America, only Chile and Mexico are in the club, while Colombia is on its way to join.

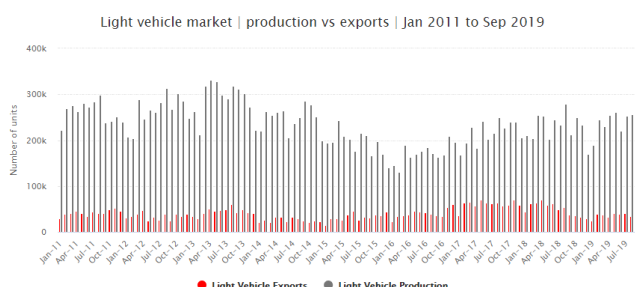
The National Association of Automobile Manufacturers (Anfavea) announced its new projections for the end of the year, with expectations of growth in production, especially in domestic sales. According to a survey of the entity's economic team, domestic sales should end the year with 2.8m units sold, a 9.1% growth over 2018.

The positive highlight is the heavy industry, with a significant growth estimated at 35%, surpassing the 100,000 units sold mark – a figure that was not reached since 2014. Production is expected to grow less, due to the 33.2% drop in exports largely caused by the Argentine crisis. The increase is estimated at 2.1%, representing the third consecutive year of recovery in production.

"Estimates made at the beginning of the year took into account higher GDP growth, more stable exchange rates, and faster approval of pension and tax reforms. In addition, the scenario in Argentina has gotten worse than imagined. In the review now made, 85% of the reduction in production expectations was due to the drop in shipments to our Argentinean neighbors," said Anfavea president Luiz Carlos Moraes.

"Most importantly, we will maintain the third year in a row of growth in the domestic market and production, with good expectations for 2020."

At the end of September, the highlight is the mark of more than 2m vehicles licensed in nine months, the best result of the period since 2014 and more than the entire volume of 2016. This was the second best month of the year in daily average sales, which proves the warming of the market in this second semester, as is common in the automotive sector. Once again, the best performance is in the truck sector, which in nine months reached almost all of last year's sales volume.



Other cargo

Tereza Cristina, the Minister of Agriculture, attended the plenary session of the World Cotton Day on Monday, October 7, at the World Trade Organization (WTO) headquarters, and stressed the importance of cotton culture for the economy and social development in Brazil.

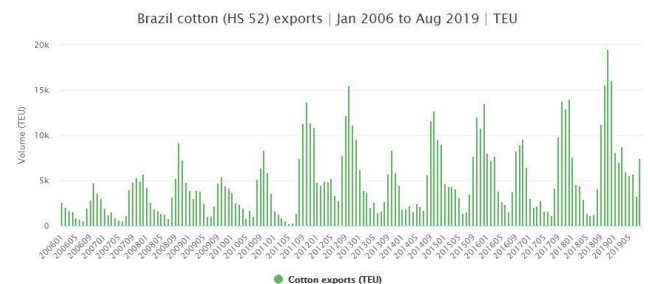
"The GDP of Brazil's cotton production chain is about US\$74.11bn, considering the sales of apparel products. The chain generates jobs and income for 1.2m workers," she said.

The minister recalled that Brazil is the world leader in the social and environmental certification of cotton, with over 80% of certified production.

According to Tereza Cristina, in 20 years, national cotton production grew by 226% and, in the 2017/18 harvest, Brazil harvested 2.2m tons of cotton, 11% of the world's production.

The country is the third largest exporter of cotton, with a share of 10% of world exports, totaling US\$15bn last year. "With 20.5% growth projections confirmed over the next decade, Brazil should expand its share to 15% of the export market," said the minister.

The following chart, based on DataLiner data, shows Brazilian cotton exports from January 2006 to August 2019:



Fonte do gráfico: DataLiner/Datamar

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