

**Main news**

**Last week, Datamar's director Andrew Lorimer was the source of two articles published by the newspaper Valor Econômico.**

On October 17, Andrew projected growth in container handling in Brazil between 2018 and 2023 in the special magazine about ports published by the newspaper.

In the interview, he stated: "Container movement is driven by economic growth and is usually two to three times higher than each country's GDP performance. For example, if the economy advances 1%, containers grow by 2% to 3%," Andrew explained in the interview.

The magazine's main theme was "Innovation and efficiency that transform port operations" and covered topics such as concessions and privatization, innovation and investments, among other topics related to the sector.

On Friday, 10/18, Andrew was one of the interviewees of the report "Santos discusses possible 'bus' for containers" published in the Valor Econômico newspaper.

The report heard from the main players in the sector about the occupation of the Port of Santos. Andrew said there were no warning signs. "Before the crisis, the terminals invested a lot and had idle capacity. You have to be vigilant for the long term, but I don't think there will be a bottleneck in the next five years," he told the publication.

Datamar and Andrew Lorimer had already been the source of the special booklet "Valor Sectorial Infrastructure and Logistics" published on October 10 in Valor.

**Ports, terminals and infrastructure**

**A ruling by the Santa Catarina Court of Justice (TJSC) signaled victory for the ports in the dispute with the retroport terminals – the so-called dry container storage ports – over the collection of fees at the Itajaí-Açu Port Complex, second largest mover of cargo in the country.**

The TJSC upheld the lower court decision and found Portonave's charge for Container Delivery and Segregation Services (SSE), valid at Navegantes. The tax is the target of a long battle between ports and retroports – which, although not receiving ships, fight for storage of the cargo arriving at the port terminals.

The lawsuit was filed by the Localrio retroport terminal, which questioned the legality of the fee. SEE is charged in Itajaí and Navegantes when the customer decides to transfer the cargo to the retroport. The value includes the separation and delivery of containers.

For the judges, the service is effectively provided and therefore the collection is due. It does not constitute duplicity or abuse, but a market relationship – the company that proposed the action can still appeal.

On Friday, October 18, Portonave hosted a meeting convened by the National Agency for Water Transport (Antaq) with the participation of APM Terminals, leaseholder of the Port of Itajaí, and representatives of the Union of Retroportuarial Terminal

Operating Companies of Itajaí and Region (Sinter). Among the subjects discussed was the collection of SEE. The ship-receiving terminals, Navegantes and APMT, advocate broadening the dialogue with the retroports. The meeting ended with the expectation of creating a joint agenda.

The clash between ports and retroports involves two major players in foreign trade. On one hand, the deepwater port terminals, which claim to have high equipment and infrastructure costs to attract cargo – and without them, there is nothing to store. On the other are the retroport terminals, which provide an important warehousing service that has made the region a reference in logistics. There are already nine companies in the sector in the region of Itajaí and Navegantes.

**Last week, Navios South American Logistics, considered one of the largest logistics companies in South America, operating today in Uruguay and Paraguay and with an office in Corumbá, presented to the governor of Mato Grosso do Sul, Reinaldo Azambuja, the project of a terminal in Porto Murtinho, which is expected to operate in December 2020.**

The new structure will have silos with a capacity for 800,000 tons of grain and four 15,000 m<sup>3</sup> tanks and will export soybeans and corn and import liquids and fertilizers.

Navios South American Logistics will invest R\$120m to build a river port in Porto Murtinho, taking advantage of the logistic potential of Mato Grosso do Sul to export commodities through the Paraguay Waterway and the strategic position of the border municipality with Paraguay to become a new Paranaguá.

The idea is that, covering the state's largest grain producing region, Porto Murtinho will become a state export hub by waterway and highway, concentrating a new port complex and corridor of the Bioceanic Route (Atlantic-Pacific), with the construction of the Brazil-Paraguay bridge over the Paraguay River. In addition to the Navios Logistics terminal, two more will be built in the municipality – one of which is from FV Cereais, scheduled to operate in March 2020.

During the meeting, which was attended by the Secretaries Eduardo Riedel (Government and Strategic Management) and Jaime Verruck (Environment, Economic Development, Production, and Family Farming), Reinaldo Azambuja announced to the group that, in October, the State Government will open the bidding for the road contour work, which will serve the three ports designed in Porto Murtinho. The state investment will be of R\$28m.

The governor also assured the new investors that the definitive license to install the new terminal will be delivered on October 25, and said he is dealing with Minister Tereza Cristina Dias (Agriculture, Livestock, and Supplies) about the phytosanitary issues to meet the new regional production outlet corridor. He also said that he began negotiations with Infraero about the concession of the Porto Murtinho airport.

According to Secretary Jaime Verruck, the presentation of the new port project and the statements of the representatives of the Chinese and Taiwanese food industries present at the meeting, made clear the dimension of logistics and the high degree of competitiveness of the state's new export route. "Murtinho is the best option, where the producer will have an additional gain of ten dollars per ton," he noted.

The new terminal will be built over an area of 215 meters facing the Paraguay River and will employ state-of-the-art design and support operations with the ability to handle multiple cargoes including corn, soybeans, sugar, fertilizers, fuels, and general cargo. Navios Logistics has been operating in Nova Palmira (Uruguay) since 1956, with solid bulk and ore terminals, and has fuel terminals in Paraguay.

**On 10/16, the Federal Court ordered the suspension of the works of expansion of the Container Terminal of the Port of Salvador (Tecon). The project's investment is of R\$715m, as foreseen in the Union's Partnership and Investment Program.**

The injunction of Judge Ávio Mozar de Novaes (12th Federal Court-BA) complied with a request from the Federal Public Prosecution Service (MPF) to annul the effects of an addendum that extended Tecon's concession in advance, in 2016, for another 25 years. Responsible for the venture, the Wilson Sons group can appeal.

The judge describes elements "sufficient" to point out illegality in the resolution of the National Agency for Water Transport, which approved an extension of the concession term. For the MPF, there must be a new bid.

With the deal, the Wilson Sons Group expanded the total leased area at the port from 44,300 m<sup>2</sup> to 216,500 m<sup>2</sup> and the final concession value went from R\$37.6m to R\$12.8b. For the judge, "technical, operational, or economic infeasibility of bidding for new lease" was not proven. According to the injunction, the non-suspension of the contract may result in "irreversibility of the expansion works of the Salvador Terminal port facilities".

In the process, Tecon claimed "massive expenses" with the extension, which would bring economic damage. For the judge, however, the claim has not been proved: documents show that expenses already incurred were "reduced values when compared with the value of proposed investments and the overall amount of the contract".

The works in the port are steeped in legal impasse. In 2017 (April), a federal judge suspended the intervention. A year later, the group Wilson Sons managed to overturn the decision. In 2017, the MPF filed a public civil action that culminated in this Wednesday's injunction, alleging that the extension was based on "outdated and not exempt" studies, with opinions and technical notes in favor of Tecon. In May, another injunction halted the work: a lawsuit called for suspension of the project and revocation of the municipal license, alleging suspicion for the license granted in "record time".

The action also pointed out that the company did not do a Neighborhood Impact Study (EIV) and that the project did not meet the Coastal Management Plan.

In March of this year, the Municipal Secretariat of Development and Urbanism (Sedur) embargoed the work due to lack of urban license to start the work. After delivering the necessary documents to the city, the company was allowed to continue – until 10/16.

With the expansion, the expectation is that the metropolitan Container Terminal will be the largest in the Northeast. In 2018, 203,979 containers were handled. With the expansion, the

capacity should reach 715,000 annually. In the first phase of investments, the berth of the ships would be extended from 377 meters to 800 meters.

**Mato Grosso Governor Mauro Mendes (DEM) informed the Ministry of Economy of the resumption of the implementation of the Export Processing Zone (EPZ) of the municipality of Cáceres, as the works were suspended. The information was transmitted to the executive secretary of the National Council for Export Processing Zones (CZPE), Thaise Dutra, in Brasília.** The Council is part of the structure of the Special Secretariat of Productivity, Employment, and Competitiveness of the Ministry of Economy (Sepec/ME).

According to the governor, the works restarted after the project review and analysis of equivalent solutions adopted by other EPZs at different stages in the country. Currently, Brazil has 20 authorized EPZs, of which 19 are under implementation, distributed in 17 states.

Mauro Mendes also reported that the state government has been negotiating with potential investors to disclose the EPZ project and its benefits for the exportation of production in Mato Grosso and the region. For economic viability, it is mandatory to submit the industrial projects for approval before the EPZ goes into operation.

Export Processing Zones are characterized as free trade areas, intended for the installation of companies focused on the production of goods to be traded abroad. They are considered primary zones for customs control purposes. Companies that settle in EPZs have access to specific tax, exchange, and administrative treatments.

**The Bahia State Dock Company (CODEBA) welcomed directors and the general coordinator of port leasing modeling from the Ministry of Infrastructure, private investors, and lessees to discuss improvements at the Port of Aratu and new exploration possibilities at Port of Ilhéus.**

The main point of the agenda was the confirmation of the interest of private actors in investing in the Port of Ilhéus.

There is pent-up demand that can be met by the Port of Ilhéus, and this shows that Ilhéus has vast potential that can be explored. One of the goals of the agenda is the search for better use and, therefore, the expansion of the Terminal's capacity to attract new companies. "For this, an EVTEA (Economic and Environmental Technical Feasibility Study) will be prepared, which will be monitored by the Ministry and thus define the best investments to be placed in the Port of Ilhéus, which loads. Only then will we have an investment value for Ilhéus," said the director of the Ministry of Infrastructure, Fábio Lavor Teixeira.

According to Disney Barroca Neto, general coordinator of port leasing modeling at the Ministry of Infrastructure, the fact that the Port of Ilhéus does not have any existing lease agreement allows the construction of a new history. "The Port of Ilhéus is very good precisely because it is a free port, that is, it is much easier to identify a custom financial modeling. Let's model the need for the Port of Ilhéus, respecting the seasonality of products and usually leases get stuck because sometimes it is conditioned to move only one type of product. Most likely it will not be the case with Ilhéus, which will operate the way it is. It is a lease for a multi-use terminal comprising miscellaneous products."

In the agenda discussed for the Port of Aratu, the Investment Plan of Tecmar's lease which was extended for another 20 years, provides for investments in the order of R\$309m. A project to build a new pier was presented, which will enable to operate all types of liquid fuels and chemicals, as well as the construction of new storage areas. "This will dramatically decrease demurrage, which is the surcharge paid to the ship's owner for not being able to dock in the berth for lack of space. We had reports of ships waiting 13 days to dock. This drives up the cost and directly interferes with logistics," explained the director of the Contract Management Department at the Ministry of Infrastructure Flávia Morais Takafashi.

Director Takafashi added other advantages of the Investment Plan presented by Tecmar. "Expansion of the area for the construction of a tanking park, road platform, administrative building, parking for tanker trucks, new fire fighting system, construction of galleries, among others."

**At the trial session on 10/16, the Monopolies and Mergers Commission (Cade) condemned the company Tecon Suape for abuse of dominant position in the container storage market in Suape Port, Pernambuco. For anti-competitive conduct, the port operator will have to pay a fine of US\$7.1m.**

The case began in September 2017, following the complaint of Suata Unified Storage Service and Terminal Customs and Atlantic Terminals. The companies accused Tecon Suape of anti-competitive conduct by imposing, in addition to the basic box rate, a surcharge called "ISPS", for the recovery of investments and maintenance of equipment to meet the requirements of the ISPS Code.

Tecon operates under a monopoly regime in the port operations of the Port of Suape. In addition, it offers customs warehousing services to exporters and importers, in which it competes directly with customs warehousing companies located outside the port area, such as Suata and Atlântico.

According to the complaint, it would be Tecon's responsibility, as a port operator, to bear the costs of adapting to the ISPS Code, as security is an essential condition for the provision of cargo handling services. Thus, according to the complainants, separate charging would not be justified, as if it were a new service, as this would benefit the operator.

In a vote presented today, Councilor Mauricio Oscar Bandeira Maia pointed out that the collection of the ISPS fee as it is performed today by Tecon Suape artificially increases the costs of bonded warehouses, causing damage to competition in this market. For the counselor, the expenses incurred with the ISPS are regular and ordinary and should be demanded from the shipowners (who unload and move containers between the ship and the terminal gate) as part of the box rate, not the bonded premises.

"By charging ISPS for bonded premises, the representative transfers to such agents the security cost of the service provided to shipowners. In this way, Tecon Suape obtains, due to its monopolistic performance, the power to make compensation and discounts on storage to importers, artificially unbalancing the conditions of competition in the storage market," he assessed.

The president of Cade, Alexandre Barreto, fully followed the understanding of Bandeira Maia and stressed, through a vowel

vote, that the collection also generates negative effects because it causes legal uncertainty. In this sense, he accompanied the counselor in the deliberation condemning Tecon, termination of conduct, and sending Cade's decision to the National Agency for Water Transport (Antaq).

"Cade is fully interested in working in synergy with Antaq to achieve this goal," he said.

For the anti-competitive practice, the Court ordered Tecon Suape to pay a fine of R\$7.1m. It was also determined that the port operator refrain from charging customs warehouses and importers storing cargo the costs incurred to adapt and comply with ISPS Code obligations. In addition, Tecon Suape will not be able to create any new charges that have the same purpose.

Before Barreto and Bandeira Maia, Councilor Paula Azevedo and former Councilor João Paulo de Rezende had already voted for the condemnation of Tecon Suape. Former counselors Paulo Burnier (case rapporteur) and Polyanna Vilanova voted to close the case.

With the decision, the insertion of greater competitiveness in the sector is expected, with the consequent reduction of costs for the activities of importation of goods in the market.

**The Port of Itaquí has already received a license from the International Agricultural Surveillance System (Vigiagro) to move live cattle and other licenses for moving solid bulk (soybeans, corn, and other grains) are in progress.** Licensing becomes mandatory starting December 2, according to Normative Instruction No. 39/2017, of the Ministry of Agriculture, Livestock, and Supply (MAPA). In addition to the port, all terminals, warehouses, and enclosures that deal with the international transit of these cargoes must be licensed.

MAPA's federal tax auditor Jorge Rosenfeld Kroeff was in Port of Itaquí on Monday (07) to present the standard to the port community and explain how the private terminals in operation at the public port and the others involved should proceed for habilitation.

According to Vigiagro, this qualification will ensure that international transit operations of products of agricultural interest are conducted in physical spaces that have adequate conditions. With this norm, the Ministry of Agriculture seeks a quality action in federal agricultural inspection, ensuring the security that the country needs with the agility that international trade imposes.

**The General Administration of the Ports of Argentina (AGP) has announced a 15% reduction in Port of Buenos Aires tariffs until the end of the year, to cope with the rise of the dollar and the devaluation of the peso.**

Thus, the values for occupancy of real estate or locations will be settled with a remuneration of 15% over the dollar price registered by the National Bank, according to Clarín.

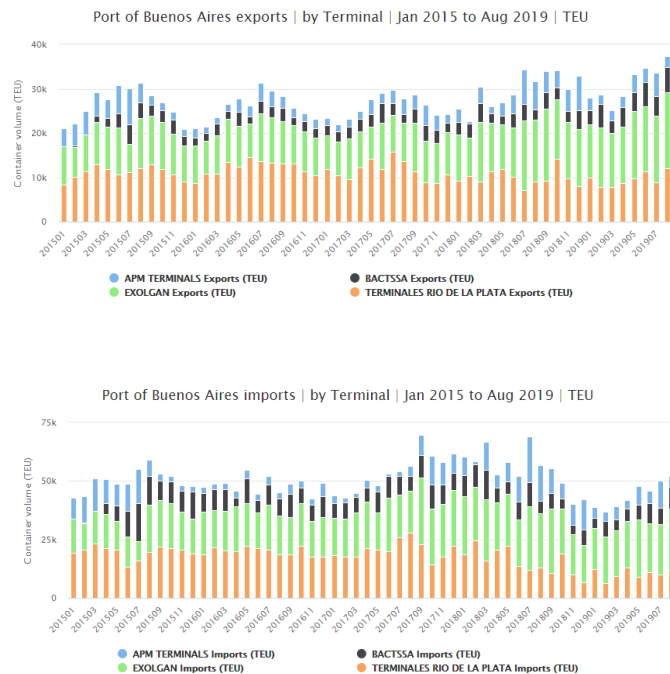
This is because most services related to port activity and foreign trade are quoted in dollars.

Between May 2018 and August 2019, the increase in dollar in relation to the peso was over 122%, while the Consumer Price Index increased by 71.6%. The Wholesale Price Index increased by 71.4% between May 2018 and last July.

The AGP states that these variations significantly affect the services provided, so this measure was implemented to alleviate any economic and social impacts.

The government also approved a US\$760m investment last May to modernize the Port of Buenos Aires and double its cargo capacity. In total, the investment in the project is estimated at US\$1.37bn and will take 50 years to complete.

The following graphs, made from Datamar's DataLiner data, show exports and imports by the Port of Buenos Aires by terminal:



**The first nine months of 2019 were positive for operations carried out at Pier 2 of the Port of Pecém, where the Pecém Regasification Terminal is located – the first flexible liquefied natural gas (LNG) regasification terminal in Brazil.**

From January to September this year, 405,376 tons of this type of liquid bulk were handled. The number is 70% higher than in the same period of 2018.

“The growth is explained by the reactivation of Termofortaleza, which last year had suspended its activities. As this thermal is a major consumer of gas, it naturally increased the movement of this type of liquid bulk in the Port of Pecém,” says Hugo Figueirêdo, CEO of Cegás.

The Pecém LNG Terminal consists of a ship anchored at Pier 2 of the Port of Pecém with a cryogenic tank that stores natural gas in liquid form at temperatures below -160°C. The stored volume corresponds to 80m<sup>3</sup> in gaseous state, equivalent to a compression of more than 600 times its net volume. The anchored ship is constantly supplied by other ships in transit through a liquid cargo transfer.

“Our Pier 2, from its inception, has been specially designed for the operation of liquid bulk. In 2009 we began to dedicate the two

berths of this pier for the exclusive operation of LNG. So we are completing ten years of operation of this type of liquid bulk in the Port of Pecém,” says Danilo Serpa, president of Pecém Industrial and Port Complex.

In 2019 the Ceará port terminal already received LNG tankers coming from ports of the US, Norway, Nigeria, Cameroon, and Argentina.

The first flexible liquefied natural gas regasification terminal in Brazil has the capacity to transfer up to 7m<sup>3</sup>/day of natural gas to the Guamaré-Pecém (Gasfor) gas pipeline, which in turn interconnects to three thermoelectric plants: two in Ceará (Termofortaleza and Termoceará) and one in Rio Grande do Norte (Termoaçu).

### Shipping

**Mediterranean Shipping Company (MSC) has signed shipbuilding contracts with South Korean shipyard Daewoo Shipbuilding & Marine Engineering (DSME) for the construction of five 23,000 TEU mega-vessels for about US\$762m in total.**

The most recent order is an option exercised by MSC as part of an order for 11 ships placed by the company in September 2017. The vessels are likely to be used in the Asia-Europe trading band.

MSC has already received two 23,000 TEU vessels from DSME this year, and the delivery of these last ordered ships is scheduled for 2021.

It is worth noting that Evergreen Marine Corp. from Taiwan recently ordered six ships of the same capacity as MSC ships from Samsung Heavy Industries Co., another Korean shipyard, for about US\$920m. France's CMA CGM SA, the world's fourth largest shipping line, received in August the first of nine 23,000 TEU ships it has ordered.

### Meat

**Uruguayan meat exports totaled US\$1.66bn between January 1 and October 12, 2019, up 8% from the same period in 2018, with China and the European Union being the top destinations, according to a report from the National Meat Institute.**

The document details that the sale of cattle reached 367,803 tons and US\$1.39bn; sheep totaled 9,677 tons and US\$43.5m, and offal US\$86m.

Beef accounted for 84% of total sales, with an average price of US\$3,774 per ton.

**The Animal Protein Association (ABPA) has cut the estimate for pork exports this year from 12% growth (forecast in August) to 3 to 5% growth. For chicken shipments, ABPA estimates an increase of 1%, compared to the 4 to 5% previously projected.**

According to the association, the prospects of recent months have been too optimistic. “We imagined that the Chinese would buy everything,” explained ABPA. “This has not been confirmed. Chinese are very skilled at negotiating and know that if they started buying they would inflate prices. They had stock, strategy,

and also did a lot of preemptive slaughter, so they felt no need to import. The previous forecasts were too optimistic.”

Despite ABPA figures, throughout the year, SC increased the amount of pork exported to China and Hong Kong by 26.4%, totaling 168,500 tons between January and September. Shipment revenues are already over US\$342.2m, 38% more than in the same period of 2018. The figures were released by the Ministry of Economy and analyzed by Cepa (Center for Socioeconomics and Agricultural Planning). China already accounts for 57% of all Santa Catarina revenue from pork exports in 2019.

**Minister Tereza Cristina (Agriculture, Livestock, and Supply) said on 10/15 that the suspension of foot-and-mouth vaccination in the state of Paraná opens the prospect of new markets for Brazilian beef.**

“Brazil has a giant opportunity to be a great exporter not only to China but to other countries. So Paraná takes an important step, but things don’t happen overnight. Everything has a step-by-step, and Paraná started with the right foot,” she said.

In a ceremony at the Iguacu Palace in Curitiba, the minister signed the Normative Instruction authorizing the suspension of foot-and-mouth vaccination in the state. With this, starting in November, the state’s herd of 9.2m cattle and buffaloes will no longer be vaccinated against foot-and-mouth disease. Withdrawal of the vaccine means there are no reported cases of the disease in the area.

The Ministry will monitor Paraná to assess the performance of border checkpoints and, subsequently, will recognize the state nationally as an area free of foot and mouth disease without vaccination. This stage is within the Brazilian objective of gradually expanding the areas without vaccination against the disease, foreseen in the strategic plan 2017-2026 of the National Program for Eradication and Prevention of Foot-and-Mouth Disease (PNEFA 2017/2026).

Finally, following the procedures of the World Organization for Animal Health (OIE), in September 2020, Brazil will claim the international recognition of Paraná as a foot-and-mouth free area without vaccination, which should be officialized by the OIE in May 2021.

### Oil and gas

**On 10/14, the Foreign Trade Chamber (Camex) approved a resolution that redistributes the Brazilian import quota of 750m liters of tariff-free ethanol according to the period of the year.**

The measure seeks to balance the availability of imported ethanol – especially from the United States – so as not to disrupt the sugarcane mills in the Northeast. In practice, most of the import quota may be used only during the northeastern sugar cane off-season.

As a rule, up to 200m liters may be imported by Brazil between the interval that began on August 31 this year and runs until February 29, 2020 – still in the production phase of the plants in the Northeast. Another 275m liters will have to be drained from March 1 through May 31, 2020, and the remaining 275m liters from June 1 through August 30, 2020.

With this measure, the government seeks to assuage criticism from ethanol producers in the Northeast and thus maintain the agreement signed during the March visit by President Jair Bolsonaro to US President Donald Trump. At the Washington meeting, Brazil pledged to increase its quota-free Brazilian ethanol import quota, which was of 600m liters and expired in August.

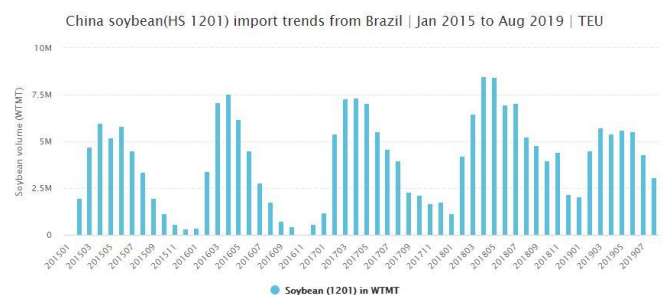
### Grain

**Chinese importers are busy making new purchases of soy from Brazil this week, despite the White House announcement that China has agreed to buy up to US\$50bn in US agricultural products annually during the trade negotiations that took place last week.**

Two traders said China had ordered at least eight shipments, or 480,000 tons, worth US\$173m, of Brazilian soybeans since October 14.

Although Brazil is the largest soybean supplier to China, large purchases of the Brazilian product are unusual at this time of year.

The following chart, based on Datamar’s DataLiner data, shows Brazilian soybean exports to China from January 2015 to August 2019:



Fonte: DataLiner/Datamar

Lack of US purchases so far shows that China is in no hurry to buy US products after phase 1 of the trade deal announced last week, which US President Donald Trump expects to be signed next month.

Last week Trump said on Twitter that China has already started making agricultural purchases in the US. However, three US soy exporters said there have been no US sales to China since last week’s Washington negotiations, and no Chinese purchases have been confirmed by the USDA.

“I didn’t have any polls about US [shipments],” said one of the exporters. “There were some boats for November bought in Brazil and several others from the new South American crop, but nothing here.”

Another US exporter said a fall in the value of Brazilian soybeans has spawned new demand from buyers who for more than a year have been unable to profitably import US produce unless they had tariff exemptions.

State-owned companies Cofco and Sinograin, which are exempt from 25% retaliatory taxes on US imports, have “little appetite” to buy unless US prices fall further, a second US exporter said.

Before the trade war, China imported most of its soybeans into the US between October and January and turned to South America around February.

Prices of US soybean loaded to China at the Gulf Coast terminals for November and December are now close to parity with Brazilian prices.

But when soybean values from the two main suppliers are similar, Chinese importers tend to favor Brazilian grain because of its higher average protein content.

Chinese importer Hopefull Grain & Oil bought 10 shipments of Brazilian soybeans 15 days ago, before negotiations between the US and China, and at least three other cargoes last week, two commercial sources said.

Wilmar was also among the buyers, with about five to six shipments purchased from Brazil last week, according to one US exporter and two traders, one based in Beijing and one working in a Chinese trading company. Hopefull and Wilmar declined to comment.

It is believed that in recent waves of takeovers, companies have used their exemptions for duty-free US purchases, said one Chinese exporter and importer.

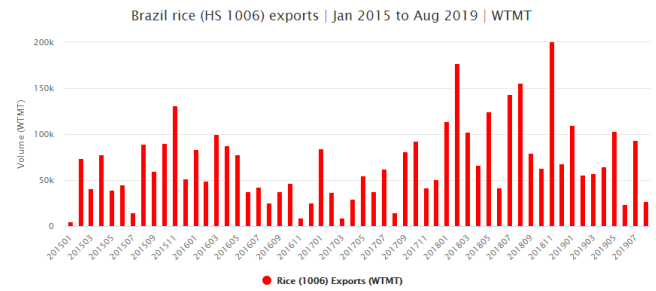
White House economic adviser Larry Kudlow acknowledged on 10/17 that China's "serious commitment" to buying up to US\$50bn in agricultural products would depend in part on business and market conditions.

**Brazilian rice's supply table is now adjusted due to the Brazilian crop failure and stable foreign sales with good demand for the Brazilian product. These are some of the evaluations made by the Federation of Rice Association of Rio Grande do Sul (Federarroz) on the scenario of exports and imports of the cereal.** In addition, according to the entity, the high exchange rate is providing good competitiveness to the Brazilian product.

From March to September this year, 760,000 tons of rice (husk base) have been exported, while imports totaled 636,000 tons, generating a surplus of 124,000 tons of rice until last month. "This picture gives us optimism that we will close this year with a very adjusted picture of import and export and also with low stocks of passage for the next crop year," evaluates the president of Federarroz, Alexandre Velho.

Other points that motivate this optimism is the consolidation of Brazil as one of the major players in the world rice market. In addition, the expectation is that by December the second shipment of 30,000 tons of beneficiated rice will be shipped by the Port of Rio Grande, destined for Iraq, a market that has been demanding Brazilian rice. "We are looking for new markets to bring more support to quotations, with possible deals for Mexico, Panama, and Guatemala. We are optimistic about the numbers seen so far," says Velho. According to Federarroz's analysis, exports, in addition to expanding demand and opening and maintaining new markets, drain surpluses, neutralize imports, and make the producer not hostage to domestic demand, giving greater support to prices.

The following DataLiner graph shows Brazil's month-by-month rice exports statistics:



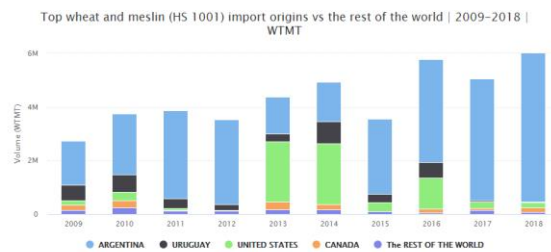
fonte: DataLiner/Datamar

**Brazil plans to open a quota of 750,000 tons of wheat without import duty to countries outside of Mercosur in November, and Canada wants a slice of that quota.** It is therefore preparing to question the details of the distribution of this quota in the World Trade Organization (WTO) Agriculture Committee.

In March, President Jair Bolsonaro announced the decision to set this Brazilian wheat quota. The volume that exceeds the established limit will be taxed at 10%. The United States is primarily interested in taking advantage of the quota, but Russia is another major producer interested in the Brazilian market.

Argentina, Paraguay, and Uruguay, which can already export at zero tariff to Brazil, will not benefit.

The following DataLiner graph shows Brazil's top wheat import origins:



Source:DataLiner/Datamar

At first, the volume distribution will be on the basis of "first come, first served". American producers want to conquer at least 70% of the total volume of 750,000 tons. Canadians and Russians will also enter the fray, and their share of this trade will depend on the prices at which they will want to export.

The quota is an old Brazilian commitment and the US had given a deadline until November for the country to implement it. It was agreed that Brazil would do this after Argentina's presidential elections, so as not to cause difficulties for Mauricio Macri's candidacy.

On the other hand, the United States has been signaling that, once the quota of wheat has been implemented, it will be able to lift the embargo on Brazilian fresh beef, which has lasted two years.

### Ores

**Vale's iron ore fines production and sales increased significantly in the third quarter of 2019 as a result of continued progress in resuming operations in the South and Southeast Systems, as well as strong operating performance and normalization of shipments in the Northern system.**

Iron ore fines production reached 86.7 Mt in 3Q19, 35.4% higher than in 2Q19. The resumption of Brucutu operations and the partial return of dry processing operations at the Vargem Grande Complex, announced in June and July, respectively, contributed to this result.

Vale expects to resume the remaining production of approximately 50 Mt by the end of 2021, as several milestones have been reached and others are underway, including the approval of trigger tests at the mine to resume dry processing operations and authorization of trigger tests at the TFA (Scaffolding Railway Terminal), an important step to disengage the logistics of the Vargem Grande Complex.

The Northern System showed strong operating performance with a production volume of 55.4 Mt in 3Q19, 33.3% higher than 2Q19 and 2.7% higher than 3Q18, including record production of 20.4 Mt from S11D as a result of its successful ramp-up. Vale expects to produce 90 Mt in S11D by 2020.

Vale's pellet production totaled 11.1 Mt in 3Q19, 22.7% higher than 2Q19, mainly due to the higher productivity of the pelletizing plants after the maintenance period in 2Q19 and the resumption of Brucutu operations, which increased the quality of the pellet feed provided to plants in the Southeast System.

Sales volume of iron ore fines and pellets totaled 85.1 Mt in 3Q19, up 20.2% over 2Q19 as a result of the above mentioned production resumptions.

Finished nickel production reached 51.4 kt in 3Q19, 14.2% higher than in 2Q19, as operations gradually returned to regular rates throughout 3Q19 following scheduled and unscheduled maintenance at the North Atlantic refineries and in Asia. In Brazil, the judicial authorization to resume processing and mining operations in Onça Puma, granted in September, was another milestone reached for the stability of production. As all refineries are expected to operate at regular rates throughout the fourth quarter and with the resumption of Onça Puma, stronger production is expected next quarter. Copper production reached 98.3 kt in 3Q19, in line with 2Q19 and 4.0% higher than in 3Q18. Salobo continues to present strong operating performance, with a record monthly production in July, totaling 50.9 kt in the quarter, up 11.4% over 2Q19, mainly due to higher levels and higher productivity at the mine and processing plants.

### Trade

**Tereza Cristina met with GACC's general manager, Minister Ni Yuefeng. The agency is responsible for sanitary and phytosanitary issues in China. On the agenda was the expansion of Brazilian agricultural products exported to China, Brazil's largest trading partner. Technical talks on the theme will continue on 10/22.**

The Brazilian delegation also met with executives from BBFA Brazil, a biological fermentation technology group, to discuss the expansion of investments in Brazil.

Accompanied by the minister are the Secretary of Commerce and International Relations of the Ministry of Agriculture, Livestock and Supply, Orlando Leite Ribeiro, and the Secretary of Agriculture Defense of Mapa, José Guilherme Leal, as well as the

Ministry of Health and Animal Inspection Directors, agricultural attachés, and representatives of the Brazilian Embassy in China.

During the trip, Tereza Cristina will meet with China's Minister of Agriculture and Rural Affairs, Han Changfu.

On Friday (10/25), the minister will join the entourage of President Jair Bolsonaro, who will be in the country.

Tereza Cristina will attend the opening of the Brazil and China Business Seminar, sponsored by the Brazilian Export and Investment Promotion Agency (ApexBrasil), and also a lecture on Brazilian agribusiness. The minister returns to Brazil on October 26.

In May, the minister was in China when she met with the GACC representative. After the visit, China announced the enablement of 25 Brazilian slaughterhouses. As a result, the number of meatpacking machines authorized to sell meat to the Chinese went from 64 to 89.

China has also enabled 24 Brazilian establishments to export dairy products such as milk powder, cheese, and condensed milk. The certification was agreed with the Asian country since 2007, but there was no Brazilian plant qualified to export. The Chinese are the world's largest dairy importers.

### Other cargo

According to CitrusBR (National Association of Citrus Juice Exporters), total shipments of Brazilian orange juice (FCOJ Equivalent to 66° Brix) in the first quarter of the 2019/2020 season had a 33% increase over the same period of the last season. This season, exports totaled 291,767 tons, compared to 218,768 in the period of 2018/2019. In revenue, shipments for the period totaled US\$508.4m, 23% above the US\$414.7m obtained in the previous crop.

For the European Union, the main destination of Brazilian orange juice, exports totaled 225,462 tons, a 56% increase compared to 144,299 tons shipped in the same period of 2018/2019. In turnover, shipments totaled US\$401.5m, up 48% from US\$271,145.

Exports to the United States fell: between July and September, 37,106 tons of orange juice were shipped, 16% below the 44,238 tons registered in the same period of the previous crop. In revenue, the current drop represented 32%, with US\$57.8m compared to US\$84.5m between July and September 2018. "With greater availability of juice in the square because of the large supply and with depreciated prices this recovery was a possibility, however, we have to consider that the base is low since last year's exports did not perform well," says CitrusBR CEO Ibiapaba Netto.

As for the countries of the Asian continent, Japan and China continue to occupy the position of third and fourth major customers of national orange juice. For Japan, there was a drop in shipments compared to the first quarter of last year. This season already shipped 13,270 tons, 10% less than the 14,697 in the previous season. In revenues, the decrease was 19%, with US\$22.4m this season, compared to US\$27.6m last season.

For China, shipments increased considerably in the period: 9,125 tons of orange juice were shipped to the country, 74% more than

the shipments registered in the first quarter of 2018, which were 5,255 tons. Revenue was US\$13,154, up 17% from US\$11,286 in the first quarter of 2018/2019. "Undoubtedly it is very good that the year starts at this rate, we need to hope that the shipments continue at this rate until the end of this year," says the Executive.

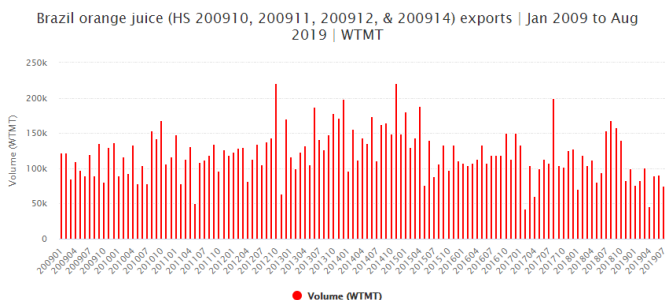
#### Frozen Concentrated Orange Juice (FCOJ)

In the first three months of the 2019/2020 harvest, the volume of frozen concentrated orange juice (FCOJ) exported to all destinations totaled 227,566 tons, 38.5% more than the volume shipped in the same period last year of 164,252 tons. In revenue, the FCOJ obtained US\$383m in the current period, 23.4% above last period's US\$310.2m.

For the European Union, 175,913 tons of FCOJ were shipped from July to September, 65.8% more than the 106,042 tons exported in the first quarter of the 2018/2019 harvest. In revenue, the period totaled US\$303.1m, 51% over US\$200.6m.

For the United States, 22,465 tons of FCOJ were shipped in the first quarter, a decrease of 19.7% over the same period last year, when Brazil exported 27,991 to the country. This season, sales totaled US\$30.9m, 39% below the US\$50.7m of the previous crop.

The following DataLiner graph shows Brazil's month-by-month orange juice exports statistics:



#### NFC (Not From Concentrate)

NFC exports to all destinations also increased in the first three months of the 2019/2020 crop compared to the same period of the 2018/2019 crop. In volume, the increase was of 14.82%, with 353,105 tons compared to 307,526 tons. In revenue, US\$125.3m were obtained, 20% above US\$104.4m in the same period of the previous crop.

To the countries of the European Union, 272,524 tons were exported, 26.28% more than the 215,809 tons shipped between July and September 2018. In revenue, these shipments totaled US\$98.3m, 39.51% above the US\$70.5m. "Unconcentrated juice has been a big star in Brazilian exports," says Netto.

For the United States, NFC shipments in the first quarter of 2019/2020 declined: 80,526 tons of non-concentrated juice went to this destination, which represents a decrease of 12.14% compared to the same period last season, when 91,649 tons were exported. In revenue, the fall was of 20.23%, with US\$26.9m compared to US\$33.8m. "The American crop has recovered quite consistently, so it was expected that there would be some kind of impact on Brazilian exports," says the CitrusBR executive.

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