

## Main news

**The fall in the price of several international products and the reduction in the shipment of some items made the trade balance (difference between exports and imports) close November with the smallest surplus in four years.** Last month, the country exported US\$3.43bn more than it imported. This is the worst result for the month since 2015 (US\$1.18bn).

With November's result, the trade balance accumulates a surplus of US\$41.08bn in 2019. It is the lowest surplus for the period from January to November since 2015. Last month, exports fell 16% from the daily average, reaching US\$17.60bn. Imports ended November at US\$14.17bn, also down 16% from the daily average.

According to the Ministry of Economy's Foreign Trade Secretariat, the main factor responsible for the contraction in foreign sales was the non-exportation of a US\$1.6bn oil rig that occurred in November last year, which was not repeated this year. Subsequently, the balance was influenced by the fall in international prices and the volume of crude oil exports, whose sales fell by US\$961m in November compared to the same month last year.

Sales of agglomerated iron ore fell by US\$293m due to the decline in export volume since the Brumadinho (MG) dam rupture, which led to disruption in other Vale mines. Also contributing to the drop in exports was the US\$109m reduction in roasted coffee sales and the US\$92m decrease in wood pulp shipments, caused by the slowdown in the Chinese economy.

Growth in exports of frozen beef (+US\$254m), non-concentrated iron ore (+US\$204m), aircraft (+US\$181m), and orange juice (US\$153m) did not compensate for the drop in shipments of other products.

All product categories registered a drop in exports. Manufactured goods sales fell 25.6% in November compared to the same month last year. Sales of semi-manufactured products fell 9.2%. For basic products, the drop in exports fell by 9.5%.

In imports, purchases of capital goods – machinery and equipment used in production – fell 54.2% in November compared to the same month last year. Acquisitions of intermediate goods fell 9.7%. However, due to the high dollar, purchases of fuels and lubricants rose 16.4%. Imports of consumer goods were virtually stable, with a slight increase of 0.3%.

After the trade balance ended 2018 at US\$58.96bn, the second largest positive result in history, the market estimates a smaller surplus in 2019, driven mainly by the recovery of the economy, which reactivates consumption and imports, and by the tensions between developed countries, which reduces global trade.

According to Focus, a weekly survey of financial institutions released by the Central Bank, market analysts predict a trade surplus of US\$43.5bn this year. The Ministry of Economy has more pessimistic estimates. In early October, the portfolio revised downward its projected surplus in 2019 from US\$56.1bn to US\$41.8bn.



**US President Donald Trump said on Monday (12/02) he would immediately resume US tariffs on steel and aluminum imports from Brazil and Argentina.**

"Brazil and Argentina have promoted a strong devaluation of their currencies, which is not good for our farmers. So I will immediately resume tariffs on all steel and aluminum shipped to the US from these countries," Trump wrote on Twitter.

In addition, he also urged the Federal Reserve to prevent countries from taking economic advantage by devaluing their currencies.

President Jair Bolsonaro said he did not see Trump's announcement as retaliation and reiterated that if necessary, he would call the US president.

"I'll talk to him to see if he doesn't penalize us with the aluminum price surcharge. His claim on his Twitter is the commodity issue, our economy basically comes from commodities, that's what we have. I hope he understands and does not penalize us in this regard, and I am pretty sure he will attend to us," Bolsonaro added.

Nevertheless, two sources from the Brazilian government questioned Trump's argument. "He did a complicated math and an equation that does not check out [...] In Brazil, we do not manipulate the exchange rate," said the first source. "In Brazil, the exchange rate is fluctuating and there is no manipulation as Trump says. But he is very unpredictable and I think elections are dictating decisions there," said the second source.

When asked about possible retaliation from Brazil to the US, the two sources said it was time to wait and analyze the facts before taking any action.

Argentina's Foreign Ministry said it would start negotiations with the US government following Trump's decision

## Ports, terminals and infrastructure

**The Montevideo Bulk Terminal (TGM) shipped 725,000 tons of bulk cargo in the first 11 months of 2019 and, 30 days before the end of the year, has already exceeded the 2018 record by 52%, announced the company's general manager Agustín Idoyaga.**

The company emerged from the partnership between the Uruguayan group Christophersen SA and the Brazilian Hidrovías do Brasil SA when, in 2010, it obtained the concession to build and operate a specialized bulk collection and dispatch terminal

which began operating in 2014 and had required an investment of US\$80m.

The private docking station provided by the company is the deepest on the Paraguay-Paraná Waterway, -12 meters (40 feet), which allows loading of Panamax and Post-Panamax vessels of up to 280 meters. The installed storage capacity is 120,000 tons distributed in 12 silos and the loading capacity of the ships is 1,200 tons/hour.

"80% of the total shipped in 2019 is soybean, but we are also receiving soybean meal, rapeseed, barley, wheat, and corn. 78% of the company's soybeans were shipped to China and the remaining 22% had a group of countries: Italy, Turkey, Greece, Egypt, the Netherlands, and Germany. 70% of our shipments are from Uruguay and the rest of the Paraná-Paraguay waterway," said Idoyaga.

It is worth noting that the TGM is included in the Port Authority's 2018-2035 Master Plan. The company integrates a set of specialized terminals that will operate in the port of Montevideo for the next decades. In addition to the bulk activity, there are other projects, such as the specialized container terminal, a fishing terminal and a pulp terminal, which will have access to the railways. These last two ventures are under construction.

**ANTAQ will hold a public consultation and hearing between December 9, 2019 and January 22, 2020, in order to receive contributions for the improvement of the technical and legal documents related to the holding of a bid for the lease of a port terminal that handles and stores solid mineral bulk, located in the Port of Aratu/BA, called ATU12.**

The legal minutes and technical documents of this public hearing will be available at the following website:  
[portal.antaq.gov.br/index.php/acesso-a-informacao/audiencia-publica-2/](http://portal.antaq.gov.br/index.php/acesso-a-informacao/audiencia-publica-2/).

**Content and form of participation** - The Agency will only consider contributions, subsidies, and suggestions that have as their object the minutes placed in public consultation and hearing. Contributions may be addressed to ANTAQ until 11:59 pm on 01/22/2020, exclusively through and in the form of the electronic form available on the portal.antaq.gov.br website. Contributions sent by other means are not accepted.

It will be allowed, exclusively through the e-mail: [anexo\\_audiencia162019@antaq.gov.br](mailto:anexo_audiencia162019@antaq.gov.br), upon identification of the taxpayer and within the stipulated deadline, to attach digital images such as maps, plans, photos, etc., and the text contributions must be only in the appropriate fields of the electronic form. Contributions received by ANTAQ will be made available to interested parties at [portal.antaq.gov.br](http://portal.antaq.gov.br).

**The Port of Fortaleza, under the technical management of CEO Mayhara Chaves, has just signed a contract with MDN Mineração for the first iron ore operation, which is destined for China and will start in January.** Initially, it will be two ships with a capacity of 45,000 tons each, reaching 300,000 tons per year in 2020 and 2021, respectively. This new contract of about half a million will further boost solid bulk handling, which has already recorded a growth of 8.2% between January and October this year, compared to the same period of 2018.

The choice of the Port of Fortaleza was due to the strategic location in relation to other ports in the world, as well as the study of operational technical feasibility for storage and handling of solid bulk. MDN Mineração also considered the strategic vision of the Port of Fortaleza's imminent growth by the new management. "MDN Mineração's confidence in our management shows that we are on the right track to make the port grow and, consequently, contribute to export growth and the socio-economic and social development of Fortaleza and Ceará," reinforces Mayhara Chaves.

Located in the Sobral region, in the interior of Ceará, the mine was recently acquired by MDN Mineração, from partners Paulo Eduardo Burgon, Carlos Alberto Burgon, Pedro Luiz Burgon, Guilherme Hirata Burgon, and Fabrício Milito Tonegutti. The agreement, signed by the CEO of Companhia Docas do Ceará, Mayhara Chaves, and the commercial director Mário Jorge Cavalcanti, and the interested party, provides for the storage and shipment of iron ore cargo. The transportation from Sobral to Fortaleza Port will be made by rail.

For CDC's commercial director, Mário Jorge Cavalcanti, this partnership only reinforces the potential of the Port of Fortaleza and the commitment to offer the best service and results to its clients. "This first iron ore operation will be important both for the expansion of the non-cereal solid bulk chain and for the increase of this type of cargo in the general port movement." Without iron ore, 1.48m tons were already handled from January to October this year compared to 1.37m tons in 2018.

**A fire hit a Port of Santos terminal on 11/27. According to firefighters, the fire had already been controlled by 5 pm.**

The fire broke out in one of the equipment of the Cutrale orange juice company (conveyor belt), located on the Left Bank of the port complex, in Vicente de Carvalho, Guarujá.

The smoke could be seen from various points of the cities of Santos and Guarujá. Ten vehicles and 26 men from the Fire Brigade and the Fire Department of the SPA (Santos Port Authority) worked to contain the fire. The fire was also fought with the support of tugboats and a freighter in the port terminal, which collected seawater to cool the site.

No injuries were reported and there was no need to interrupt navigation on the Santos Port Canal. Cutrale informed that it will make an investigation to determine what happened, since the equipment maintenance is performed periodically.

**On 11/28, the Ministry of Infrastructure is signing an agreement with Ferrovia Centro-Atlântica S/A (FCA), managed by VLI S/A, to pay an indemnity of R\$1.2bn with the National Treasury's funds.** This is the largest amount to be received by the Union for pending railway concession contracts. The approval takes place at the headquarters of the Federal Public Prosecution Service in Minas Gerais.

FCA, which operates a total of 7,222 km in seven states and the Federal District (MG, RJ, SP, GO, BA, ES, SE, and DF) and operates in the transportation of various cargo, such as grains, sugar, fertilizers, and fuels, agreed to pay the compensation due to non-compliance with clauses provided for in ANTT Resolution No. 4,131/2013. At the time, the regulatory agency authorized the concessionaire to disable and return uneconomical rail sections.

In return, FCA should have undertaken a series of investments/works in the Central-East Network.

As the investments planned since the signing of the resolution were only partially made, the Federal Public Prosecutor ended up filing three public civil actions regarding the lack of conservation of the concessionaire's network sections. As of Thursday's agreement and the payment of compensation, the lawsuits are closed.

"The intention of the ministry for signing the agreement is to promote the meeting of the economic demands of cargo and people transport, the safety and comfort of users, the reduction of travel time and the improvement of the population's quality of life," says substitute minister Marcelo Sampaio.

**Indemnity** - The agreement foresees that the FCA will pay R\$1.2bn in 60 installments, updated by the IPCA, starting January 31, 2020. In the first three years, the monthly payments to be paid via the Union Collection Guide (GRU), will cost R\$26.7m. In the last two years, the value of the installments is set at R\$10m per month.

According to the clauses of the agreement, the funds will be used for studies, works, restoration, development, or implementation of infrastructure linked to the improvement of transport policy, within the rail sector, including urban mobility.

**On 11/25, the ship General San Martin docked in the Port of Itajaí. This is the 28th shipment with imported cars from automaker General Motors (GM-Chevrolet).**

This time, 1,370 Cruze model vehicles were unloaded via the roll-on/roll-off system. With the docking made on Monday, the sum of vehicles landed since June 2018 reaches 33,933 units.

The Liberian flag ship is 175.91 meters long and 31.15 meters wide. The vessel, which belongs to Armador Maruba, departed from the Port of Zarate (Argentina) and proceeds to the Port of Paranaguá.

According to Itajaí Port Operations Management, the berthing occurred at berth 03 (public port) at 1 pm on Monday. Its operations started at 1:35 pm and were finalized at 8:55 pm. Its unberthing took place at 2:40 am on 11/26.

All vehicle displacement work was performed by teams of single port workers (TPAs) of different categories, using the bonded enclosure of the public port.

The first docking of this type took place on June 9, 2018, when 500 Cruise vehicles were landed. The cars were aboard the Panamanian-flagged Apollo Highway.

GM-Chevrolet is a pioneer in Brazil in the maritime transport segment and the Port of Itajaí has a history associated with these roll-on/roll-off cargo operations since the 1980s, 1990s, and 2000s, when it operated this type of activity with the main shipowners operating in this area.

According to information from the Itajaí Port Operations Management, the next mooring with GM vehicles will be the Michigan Highway ship, scheduled for arrival on December 15th. With the next landing, the Port of Itajaí may surpass the mark of more than 36,000 units from GM.

**On 11/27, the Federal Audit Court (TCU) approved the early renewal of the railway concession of Malha Paulista, Rumo's railroad that goes from Santa Fé do Sul (SP), almost on the border with the state of Mato Grosso do Sul, to the Port of Santos, in São Paulo.**

With the anticipated approval, the contract that would expire in 2028 will be renewed for another 30 years and will be valid until 2058. This will also allow a contribution of about R\$7bn between investments in the railroad itself in the next 5 years and grant paid to the state. The goal is to expand the annual transportation offer from the current 30m tons to 75m tons by the sixth year.

For Infrastructure Minister Tarcísio Gomes de Freitas, the renovation represents an advance in the diversification of Brazil's cargo transportation matrix. "We are taking the first and definitive step to make cross-investment planning feasible, a significant part of a strategy for the government to expand rail participation in Brazil's transportation matrix," he said.

**The Port of Santos received a ship with 72,000 tons of bulk ammonium sulfate, the largest cargo of fertilizers in the country's history.** The information comes from the Orion Group – the agency responsible for the port terminal's call.

The vessel Panamax Breeze departed from the ports of Yantai and Qinhuangdao in China and is moored at Guarujá Maritime Terminal (Termag). "The destination of more than 90% of the cargo (91.5%) is the municipality of Rondonópolis (MT)" says the note. "The rest goes to Cubatão, on the coast itself, and to the city of Itapetininga, in the interior of the state."

In order to transport everything by truck, approximately 1,270 b-trains would be required, each about 20 meters long. If lined up while maintaining a minimum safe distance for movement, they would form a convoy of more than 50 km. The cargo, however, will be moved by rail.

**The General Port Administration of Argentina has announced that it has postponed the opening of bids for the modernization of the Port of Buenos Aires until March 2020.**

The idea is that the works will modify the design of the port terminal and move to a more modern model, an external terminal with docks that will allow to receive larger ships, with a larger loading capacity.

"We are advancing the modernization of Puerto de Buenos Aires with a long-term port public policy, understanding from the outset the need to renew existing infrastructure and technology to enable the growth of the country's economy and its different regions. Understanding that given the relentless reception of economic and technical consultation from potential traders, it seems reasonable and accurate to postpone the opening of offers. This way, not only will stakeholders have more time to refine their projects, but the incoming government will be able to internalize in depth the entire process, which is quite complex in itself," said Gonzalo Mórtola.

The infrastructure works represent an investment of over US\$1.91bn over 50 years and will allow the port to be renewed with a flexible design that can adapt to future needs competitively and meet international environmental and quality standards.

**Reduction of port charges for cabotage** - Also regarding the Port of Buenos Aires, the General Port Administration established a 100% bonus on the concepts of General Rate of Use and Port Services for ships, barges, and tugboats integrated with them, which make up the traffic between the Port Buenos Aires and the different ports located in the territory of Argentina. To this end, resolution 173/2019 was published in the Diário da República, on November 26, which emphasized that such a measure at the national level will allow the direct movement of cargo from the country's maritime terminals to the Port of Buenos Aires, offering the possibility of improving the capacity and logistics costs of local producers, increasing the regional and foreign trade of the country.

The elimination of fees, which was US\$0.075 per ton of net registration or fraction and for each port entry, was already in effect for vessels carrying traffic between the Port of Buenos Aires and the ports of Paraguay and Bolivia.

This determination was made to encourage the traffic of barges that connect the Port of Buenos Aires to neighboring countries through the Paraná-Paraguay Waterway.

**Klabin, the largest producer and exporter of packaging paper in Brazil, made the largest shipment of pulp in its history in a single ship last week.** A cargo of 46,000 tons of the product was shipped in the Port of Paranaguá over four days (Thursday to Sunday), being the largest batch of pulp ever exported by the company in one single shipment.

The vessel was destined for Qingdao Port, China, with a productivity of 19,000 tons per day in its loading. The company was able to optimize the shipment, recording an excellent operating income with strong integration of the entire port community and our operators. There were about 1,500 truck trips in an operation that happened 24 hours a day. As this shipping volume exceeds the current draft capacity of some terminal berths, it was necessary to perform work on two berths to complete the cargo.

"The result of this operation makes us very proud, as it represents the consistent evolution since the beginning of our pulp operations, as well as showing the operational potential of Paranaguá. It is important to note that with the construction of our new warehouse, rented during the auction held in August, we will be able to make our operation fully vertical, which is not the case today, as we operate our Logistics Unit 5 km from the terminal. The space will bring long-term operational guarantees, optimizing the rail connection of the mills directly to the Port and will support the hybrid operation of pulp in bales and paper rolls," celebrates Gerson Ferreira, Klabin's International Logistics coordinator.

"We are equally optimistic about the actions coordinated by the port authority along with the port captaincy, which have been making efforts to contemplate improvements to the Port's maritime infrastructure, such as dredging berth draft and improved navigability and mooring. These are management projects and actions that will allow us to achieve even higher levels of logistics productivity. In our simulations, shipments of this size in the future will be made with a 20% increase in productivity," says Sandro Ávila, Director of Operational Planning, Logistics, and Supplies.

**Klabin's new port warehouse in the Port of Paranaguá** - In August, Klabin won the port auction guaranteeing access to an area of 27,530 m<sup>2</sup> for 25 years, which could be extended for another 45 years. The planned investments at the site are around R\$130m, with operations scheduled to begin in 2022.

Last week, the company was approved and is expected to sign the contract by the end of this year. In parallel, the company develops the project and the process for the release of the installation license with the State Government.

In addition to faster shipment, the new warehouse, located at a strategic point in the port of Paranaguá, will allow Klabin to optimize its insertion in the global pulp and paper markets, resulting in greater efficiency throughout its production disposal process.

**The Port of Paranaguá has started to assemble the equipment that will operate in the new berth 201. The future West Export Corridor will link five bulk terminals and move 6m tons of grain per year - a 140% increase of its current capacity, which is 2.5m tons.**

The public company Portos do Paraná is investing about R\$210m in works and loading structures, such as conveyor belts and shiploaders, equipment that dump the grain into the holds of vessels.

According to the CEO of Portos do Paraná, Luiz Fernando Garcia, each new equipment will carry 2,000 tons of products per hour. "This doubles the amount operated by the old system, which was 1,000 tons/hour, at most 1,500 tons/hour."

The goal is for the Western Corridor to help unburden the East Corridor even before the planned modernization.

**Schedule** - The assembly of the shiploaders will be completed within 120 days and then the equipment will be tested. "Adjustments will be made after the final assembly of the equipment, such as the rail, the placement, and connection with the control center," says the director of Engineering and Maintenance, Rogério Barzellay.

Berth 201 is expected to start operating in the first half of 2020. "The contract is up to date and the civil works are approximately 97% completed and already have been measured by the inspection," he informs.

**Advancement** - The extension of the quay will allow the Port of Paranaguá to receive larger ships that can carry up to 80,000 tons of gross cargo, without advancing to berth 202. There is also the possibility of deepening the navigation from the current 12.5 meters to 13.7 meters.

The revitalization includes structural reinforcement, pedestrian walkway installation, fender exchange, metal spacers, and the installation of new ship mooring dolphins. The delivery of the work ends with a wait of almost 30 years. The first project for the modernization of the sector dates from 1990.

**Future West Corridor terminals initiated interconnections** - The terminals operating in Paranaguá are preparing to operate in a new Western Export Corridor. According to the head of the Operations Division, Maurício do Carmo, the two new shiploaders will be linked to three terminals, two of them new ventures. "In

the future, we will reach five interconnected terminals in this complex," he said.

The two new terminals that will interconnect to the bulk export complex are West Terminal (Toex), which will have a warehouse with a static capacity of up to 88,000 tons, and Moinho Iguaçu, for up to 55,000 tons, with new contracts for passage.

Moinho Iguaçu already has the terminal built. "Now we are finishing the structure of the conveyor belts that will connect the terminal to point zero, where the port mats start", explains the terminal's director, Alcides Cavalca Neto.

According to him, this link is 1,250 meters long. The expectation is to ship more than 1m tons per year for the new structure.

"Moinho Iguaçu already moved grain through the other terminals of the Paranaguá Port East Corridor. Now, we will operate through our own terminal," says the company's director.

The West Terminal (Toex) should build its own warehouse in 2020. By then, according to the company, they should start the operation by Moinho Iguaçu, with whom they signed the contract. Although it does not have the storage structure ready, the company is also already building the 843 meters of tracks to the so-called point zero.

**Moving** – During construction, the berth in expansion continued to operate, but with some restrictions and care. One of the equipment has already been disassembled. The other former remains operative to load the ships and will be decommissioned and withdrawn as soon as the new ones are completed.

Bunge (Soceppar) currently operates connected to berth 201. The terminal can hold up to 210,000 tons of solid export bulk.

From January to October this year, about 1.07m tons of export bulk were handled by berth 201, located at the western end of the Port of Paranaguá pier. At 35 berths, the main product shipped was soybean (564,794 tons), followed by corn (221,920 tons), soybean meal (216,486 tons), and sugar (66,737 tons).

**According to the National Secretary of Ports and Waterways Transportation of the Ministry of Infrastructure, Diogo Piloni, the Santos Port Authority (Codesp) "is very close" to obtaining its delegation of competence, which will allow the company to reissue port area bidding documents, enter into facility lease agreements, and oversee them. Currently, these activities are centralized in the National Agency for Water Transport (Antaq).**

The information was announced during Piloni's participation in the 1st Port Regulation Congress of the Santos subsection of the Order of Attorneys of Brazil (OAB). "Codesp broadly meets the classification criteria and is very close to obtaining the delegation of autonomy. Details are lacking, such as the approval of its DZP," said the secretary, who advocates the decentralization of these competences.

The Development and Zoning Plan (DZP) sets out the criteria for exploring the areas of a port, such as what cargo can be operated in each region. Codesp is currently working on the new version of the document, which should be approved by February next year.

Still on the Port of Santos, its privatization could be released in 2021, according to the Executive Secretary of the Ministry of

Infrastructure, Marcelo Sampaio Cunha Filho. "The expectation is that the [privatization] of the Port of Santos will have the effect of dragging all other privatizations. The Port of Rio will definitely [be privatized], as will Ceará and all eight Dock companies in the country," he said. However, there is no timetable yet for these other privatizations in the sector.

**Operations at the ports of Paraná will be even more agile. From now on, ships will not have restrictions for night operations and navigation. With the joint effort of the Port and Maritime, Practicing and Operators authorities, the traffic and permanence norms in the ports of Paranaguá and Antonina were updated. The rules were equalized for both periods of the day.**

This update specifically addresses chapter 8 of the rules, which makes the "daytime and nighttime draft" the same. That is, it allows ships to enter and exit at full load (within the permitted limit) at any time of the day. The draft is the measure that goes from the water line or surface to the lowest point of the vessel (keel). This is how much the ship is allowed to submerge when loaded.

According to the CEO of the public company Portos do Paraná, Luiz Fernando Garcia, the port terminals in Paraná gain in operating capacity and opportunity of new markets with the change. "We will give more agility to the routes already operated here and gain new routes that were not coming to the Ports of Paraná due to these restrictions. We have entered the market fully operating. Arriving ships will enter, load, and depart without restriction," says Garcia.

**Operations** – Portos do Paraná's Director of Operations, Luiz Teixeira da Silva Junior, states that shipowners can be sure to carry the entire load, regardless of the time of day. "After all, the Port is open 24 hours; there are no restrictions on working on land. The sea has to follow."

He explains that this "differentiation" between the night and daytime draft always existed in the ports of Paraná. However, with the evolution of navigation technology and investments in nautical signaling this difference no longer made sense.

"At night the ships were barred from entering and leaving loaded and had to wait until the following day. Now the ship that operates during the day can operate the same way at night, both in and out of ports," he says.

**Containers** – The segment most benefited from draft equalization is containers, whose vessels are larger and, as a result, can be better utilized and loaded, day and night.

According to Juarez Moraes e Silva, institutional director of the Paranaguá Container Terminal (TCP), equalization was an old and very relevant claim for the supply chain which the second Latin American Port System demands.

"This has a very positive impact on the business, making us one of the first Brazilian ports able to receive the largest foreign trade vessels in Latin America. As a result, this will increase handling capacity, reduce operating costs, and make foreign trade even more competitive, with Portos do Paraná as its global connection channel," he says.

**Current parameters** – With the equalization of the draft, the following is established in Chapter 8 of the Rules of Maritime Traffic and Permanence in the ports of Paranaguá and Antonina:

- Ships 245 meters in length (LOA) by 36 meters in width (beam) can be loaded until submerged by 12.50 meters (maximum draft);
- Ships 298 meters in length (LOA) by 45.2 meters in width (beam) can be loaded until submerged by 12.30 meters (maximum draft);
- Ships 368 meters in length (LOA) by 51 meters in width (beam) can be loaded until submerged by 11.80 meters (maximum draft).

## Shipping

**China has formally established the China Shipbuilding Group, which China's state broadcaster has described as the world's largest ship-building company.**

The establishment of the group, announced by China Central Television (CCTV), has occurred after Beijing's approval of the merger of China's two largest shipbuilders last month, China State Shipbuilding Corp and China Shipbuilding Industry Co.

The group has 147 research institutes, business units and listed companies, total assets of ¥790bn (US\$112bn), and 310,000 workers. Its portfolio ranges from aircraft carriers to commercial ships carrying oil and gas.

Note that the Chinese shipbuilding industry competes directly with that of South Korea and Japan.

## Meat

**EU legislators approved an increase of US beef imports to the EU on 11/29, a move that is likely to ease transatlantic tensions. But they also criticized US President Donald Trump's tariffs on metal imports and a threat he made to attack EU vehicles and auto parts.**

The European Parliament voted 457-140, with 71 abstentions, in favor of a plan to allow US farmers a larger share of an existing 45,000-ton quota from 2020.

The vote came with a resolution calling for the removal of US tariffs on EU steel and aluminum and the removal of Trump's threat to raise EU car tariffs.

The beef deal was set up to resolve a dispute dating back to 1981, when the EU banned the use of growth hormone in beef across the 28-nation bloc, including imports.

The EU and the United States finally concluded an agreement in 2009 to grant a quota for hormone-free beef imports, currently at 45,000 tons. However, according to the World Trade Organization (WTO) rules, the quota also had to be made available to non-US suppliers.

Exporters from Australia and Uruguay, and more recently from Argentina, decided to participate in the quota, reducing US participation from almost 100% to 30%.

Under the revised agreement, with which other countries had to agree, US farmers will earn an initial 18,500 tons of quota, increasing to 35,000 tons after seven years.

"The message of this agreement is clear: we would like to ease trade tensions with the US, but we want to see the same reduction efforts on the other side of the Atlantic," said Bernd Lange, head of the trade committee.

**Russia's agricultural security control agency said it had removed temporary restrictions on the supply of beef by two factories in Brazil as of Friday (11/29).**

One of the factories authorized to resume sales to Russia is operated by Minerva and the other by JBS, said Russian regulator Rosselkhoznadzor in a statement.

The agency had imposed temporary restrictions on imports of pork and beef from Brazil in December 2017, after claiming to have found the food additive ractopamine in some cargoes.

Since then, the Russian government has allowed some Brazilian suppliers to resume sales, although some factories, including some run by Minerva and JBS, remain restricted.

Ractopamine allows cattle to grow at a faster rate while consuming less feed. It is prohibited in countries such as Russia and the European Union.

**South Korea has managed to contain the spread of African swine fever (ASF), but has to remain vigilant about the spread of the virus through wild boars, Agriculture Minister Kim Hyeon-soo said.**

Since the country's first outbreak on September 17, the disease has haunted swine farms across the country as there are currently no vaccines or cures for it.

The disease quickly hit northern parts of the country, infecting farms in four cities bordering North Korea: Paju, Yeoncheon, Gimpo, and Gangwha. So far, the country has confirmed 14 cases of ASF in local swine farms in total, although the last case was reported in early October. The incubation period is about three weeks.

"We are making efforts to prevent the disease from affecting the southern parts of the country," said Agriculture Minister Kim Hyeon-soo. "We are still in a serious situation because there are still viruses among the boars."

## Grain

**Storage units in western Paraná are being inspected by technicians from the Food Supply and Statistics Agency (Conab) for registration with the national system that records the conditions of static capacity for mainly grain stock.**

The visit to 37 storage units will be possible thanks to the Decentralized Execution Term signed with the Ministry of Agriculture, Livestock, and Supply (Mapa). The action aims to ensure the safe storage and exportation of products from Brazil to traditional buyer countries such as China and Russia. As one of the largest grain producers in the country, the measure also provides for the good interaction in Paraná's trade with importing countries.

Conab is responsible for the administration and the control of records related to the National Register of Storage Units. The

inspections will be made in units already registered and not yet certified in the system and those that have the registration deadline until March of next year.

## Brazilian farmers risk losing part of the European soybean market, estimated at US\$5bn each year, if they end the so-called "soy moratorium", which prevents grain traders from buying oilseeds from deforested areas in the Amazon.

"This movement of farmers can be seen as a challenge," Nathalie Lecocq, managing director of FEDIOIL, a group representing the European Union's vegetable oil and bran sector, told Reuters.

Aprosoja, the main group representing Brazilian soy producers, wants to end the moratorium, which applies to lands in the Amazon that were deforested after 2008.

Abiove, an association that represents soy traders and grinders, wants to maintain the moratorium. She says Europe bought about US\$5bn in soy and soybean meal from Brazil in 2018.

"This market could be put at risk if the Amazon Soy Moratorium is questioned or suspended," Lecocq said. "The European market, driven by consumer concerns about climate change, is increasingly demanding products free of built-in deforestation," she said.

Aprosoja has decided to oppose the moratorium because it claims that landowners in the Amazon region are entitled by the Brazilian Forest Code to clear up to 20% of the land for agricultural activities.

The farmers' initiative to end the policy found support in the Brazilian government. Agriculture Minister Tereza Cristina described the moratorium as "absurd".

Bartolomeu Braz Pereira, Aprosoja's director, said the moratorium is not in accordance with national legislation that allows some agricultural activities in the Amazon. He said farmers would seek a favorable decision from CADE, the Brazilian agency that oversees competition in the market. Asked if farmers fear a reaction from European buyers, he said: "Where will they buy soy from, if not from Brazil? Mars? From the moon?"

André Nassar, director of Abiove, has a different opinion. He sees the risk of Brazil losing market share and cites growing imports from Europe from the United States and Argentina in 2018, when Brazil was selling almost all of its soybeans to China.

Lecocq said recent data showing an increase in deforestation will only further drive EU consumers in rejecting products. "It is likely to encourage policy makers to take steps to prevent deforestation-related goods from entering the EU market," he said.

## Other cargos

**Environment Minister Ricardo Salles confirmed that the federal government is studying to release the export of in natura wood (without any kind of processing) from native Amazonian trees.** This kind of activity is currently illegal. The authorization was requested from the ministry by the wood sector, which sees the change in environmental legislation as a way to increase exports.

Salles acknowledged that the subject is being analyzed technically. "There are a number of considerations made from side to side. On the one hand, there are those who understand that this could eventually stimulate the deforestation market. On the other hand, we found that [in the construction of the hydroelectric power plant] in Belo Monte, about 500 hectares [of vegetation] were eliminated without using the wood, which continues to be removed, for example, in the opening of highways and in private areas due to the impediment of using them," he said.

The minister said that authorization for fresh exports could be a viable alternative for specific cases. "The decision will be taken in a balanced manner, at an appropriate time," said the minister, while attending a public hearing at the House of Representatives' Committee on Agriculture, Livestock, Supply, and Rural Development.

**Vale completed the decommissioning works of the first of the nine upstream dams announced on January 29. Located at the Águas Claras Mine in Nova Lima, 8B began its works on May 17.** The goal is that in the next three years all are decommissioned or have the appropriate safety factors, without offering risk to communities and municipalities located below the structures and the environment.

In addition to 8B, the decommissioning project includes the Sul Superior dams (Barão de Cocais); Vargem Grande (Nova Lima); Fernandinho (Nova Lima); B3/B4 (Nova Lima); Group (Ouro Preto), and Forquilhas I, II, and III (Ouro Preto). In some structures downstream containment barriers are being built to enhance safety in the event of breakage. The decommissioning and containment works are budgeted at R\$8.6bn.

The works to eliminate the dam characteristics carried out at 8B consisted of removing the elevation that was supported by sediments and constructing a central channel with stones to allow the natural flow of surface water. Before the work began, which generated a total of 160 direct jobs, all the surface water in the reservoir was removed by pumping. To form the rockfill in the central channel and where the bus was located, it was necessary to lay about 50,000 tons of stones.

According to Carlos Miana, Executive Manager of the Decommissioning Project, the main challenge faced in the work was the safe transportation of a large volume of stones to 8B (located inside the Águas Claras Mine) and lifting out the sediment removed from the dam. "From the stockyard to the dam, it's almost 4 km from a narrow, curvy, steep downhill dirt road. Thanks to constant driver awareness and strict safety controls, we have been able to complete the works, even working day and night, without any accident," informs Miana.

The dam area is also being revegetated, which will allow a faster reintegration into the environment. A vegetable blanket was applied in an area of 12,700 m<sup>2</sup> and 1,000 seedlings of native species of Mata do Jambreiro were planted, a permanent protection reserve preserved by Vale where it was located at 8B. The structure had a Declaration of Stability Condition (DCE) and had no alert level, so workers could access the dam without any restrictions.

With the conclusion of the works, the processes of formalization of the decommissioning are being initiated with the state agencies and the National Mining Agency.

## **Oil & Gas**

**Petrobras expects investments of US\$75.7bn over the next five years starting in 2020. The new business plan was approved yesterday (11/27) by the company's Board of Directors. According to the state-owned company, 85% of investments will be allocated in the exploration and production segment.**

"This allocation is in line with our strategic positioning, focusing on E&P [exploration and production] assets, especially in pre-salt, where Petrobras has a competitive advantage and generates more return on investments," says Petrobras.

The expected investment volume is lower than the previous plan of US\$84.1bn for the period from 2019 to 2023.

The divestments (sale of assets) foreseen in the plan range from US\$20bn to US\$30bn for the period 2020-2024, "with the largest concentration being in the years 2020 and 2021."

Production - For oil and natural gas, Petrobras estimates production of 3.5m barrels of oil equivalent per day in 2024 from 2.7m in 2020. For oil production alone, the state-owned company expects the volume to increase from 2.2m barrels of oil equivalent per day in 2020 to 2.9m barrels in 2024. "For the 2020 production target we are considering a variation of 2.5% in increase or decrease," the company says.

## **Trade**

**The Executive Trade Secretariat of the Ministry of Economy corrected the Brazilian export data recorded in November, increasing the flow of foreign sales accumulated in the month by US\$3.8bn compared to what was previously reported.**

According to new information released on Thursday (11/28), in the first four weeks of this month the country exported the equivalent of US\$13.5bn, compared to US\$9.7bn reported earlier.

In a statement, the ministry only said that "inconsistencies related to the transmission and reception of data for processing foreign trade statistics were detected." According to the Pasta, updating the data is a normal procedure, but the significant change in November "was caused by an unusual event."

Export data for the first four weeks of the month were revised. According to the new figures, the balance for the month is over US\$2.7bn in surplus. Earlier data pointed to a deficit of \$1.10bn, indicating that November was heading towards closing in the negative territory, a situation that had not occurred since November 2014, when there was a deficit of US\$2.4bn.

According to the new data, the country accumulates a trade surplus of US\$37.6bn in the year through the fourth week of November. The ministry also said, however, that technicians in the area are still monitoring possible unusual changes in October.

**According to the Brazilian Foreign Trade Association (AEB), the country is expected to close 2019 with the first trade deficit with Argentina in 16 years.** According to the organization, the US-China trade war, slower global growth, and higher domestic demand for imports also impact the country's trade balance for this year and the next.

The association, which brings together exporters and importers, predicts that Brazil will close this year with a trade surplus of US\$36bn, a balance that would fall to about US\$30bn by 2020. Estimates already take into account the review of data from October's exports announced by the government on 11/28.

Part of the expected trade surplus reduction for 2020 is directly linked to the deterioration of the Argentine economy, which faces a severe fiscal, currency, and financial crisis, according to AEB.

"We have to hope for Argentina to improve," the association's president, José Augusto de Castro, told Reuters. It is expected that Brazil will close this year with a trade deficit with the neighboring country of around US\$1bn – until October, the balance was negative at US\$622m.

The last time this ratio was in deficit for Brazil was in 2003. In 2018, the ratio was almost US\$4bn in surplus for Brazil. Argentina is Brazil's third largest trading partner after China and the US.

For Castro, with the victory of the opposition in the Argentine presidential elections, the trade agenda of the neighboring country will become unknown. And the negotiating trade agreement between China and the United States, which provides for the export of large volumes of US agricultural products to the Asian country, could aggravate Argentina's economic scenario.

"If Argentina exports less, it will be less able to import products. And then Brazil can be affected twice as much. By the US and China trade agreement and Argentina's limitations," he said.

The president of AEB stressed that another impact on the balance of 2020 is the prospect of greater growth of the Brazilian economy, which will foster the increase in imports.

Regarding the exchange rate, Castro says that the weaker real improves the profitability of exporters, but does not affect the volume of shipments.

**The National Monetary Council established, in its ordinary meeting on 11/27, a credit line with resources from the National Bank for Economic and Social Development (BNDES) aimed at cereal companies.** The funds are for financing investments in civil works and the acquisition of machinery and equipment necessary for the construction of warehouses and the expansion of grain storage capacity.

The measure was provided for in art. 43 of Provisional Measure 897, of October 1, 2019, which authorized the Federal Government to grant economic subsidy to the benefit of these companies. Funds of up to R\$200m are available, with an interest rate of 7.0% a.a. and repayment term of up to 15 years, including up to 3 years of grace period.

**In October, sales of the Brazilian machinery and equipment industry remained stable compared to the previous month (0%), but grew 1.9% compared to the same month last year, according to today's (11/26) report by the Brazilian Machinery Builders' Association (Abimaq).**

According to Abimaq, the best sales performance is due to the domestic market. Sales to the foreign market declined, with a negative performance of 11% compared to September and -21.1% compared to the same month last year. Abimaq attributed the

result to the slowdown in production activity in several trading partners.

On the other hand, imports grew 31.9% in the monthly comparison and 39.7% in relation to the same month of 2018.

As for jobs, there was a growth of 1.2% last month in the annual comparison and fall of 0.4% compared to September.

"In October, [industry] numbers were good, [they were] even better than expected. Usually October is a month of slowdown in activity," said Maria Cristina Zanella, manager of Abimaq's Department of Economics, Statistics, and Competitiveness.

She added that such a sharp slowdown in the international market was not expected and that this would reflect in export data. "Exports in the sector represent about 40%. With a strong fall, of almost 10%, it has greatly compromised our result and, therefore, [previous] expectations were not fulfilled."

The sector expects to close the year with growth of 1.6%. For next year, the expected growth is around 3.2%.

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