

**Main news**

**Brazilian foreign trade companies are bracing themselves for an increase in coronavirus cases in the country. Physical business meetings, especially involving China and other Asian countries, will be avoided, with business conducted instead via telephone, e-mail or videoconference.**

The president of the Brazilian Foreign Trade Association (AEB), José Augusto de Castro, told Agência Brasil that China (the country currently suffering from the largest number of deaths from coronavirus) will undergo a major reshuffle and this will cause a major blow to Asian nations, especially with regard to new products, "because they are not sold by simply visualizing online". Castro said that currently, "as far as possible", companies are trying to export. "Unfortunately right now the coronavirus is dictating what happens." It is not enough to simply export or import, he said.

**Commodities** - Castro explained that a greater supply of products in the international market will put downward pressure on the prices of commodities (agricultural and mineral products sold on the foreign market) and manufactured goods will be affected due to the quantity. "As Brazil does not have a competitive price in manufactured goods, the trend is that it will be affected by the coronavirus", he commented.

AEB is projecting a drop in imports because demand from the domestic market is expected to be lower, given a lower growth in the Gross Domestic Product (GDP) – the sum of all goods and services produced in the country. Exports are also expected to fall because this new virus is spread around the world, Castro said.

Castro affirmed that there been no internal disruption to work. "Nobody stopped working because of the virus. The problem is on the outside." Castro explained that companies want to buy from China and China cannot deliver. This implies an interruption of trade flows. "This generates a question about what will happen". Once coronavirus cases are reduced in both Europe and the United States, the president of the AEB assured that Brazilian businessmen would continue to go to these markets, which will remain open. As for China and other Asian countries, Brazilian businessmen will think twice before traveling to these destinations, "unless there is a very sudden change in the scenario that is today". Companies are adapting as fresh news emerges, he said.

**As China's port structure is paralyzed due to the coronavirus outbreak, this is causing a shortage of cell phone parts imported by Brazil. As a result, according to a report published by the Agora Vale website, in Taubaté 200 LG Electronics employees are going on collective holidays starting this Monday (03/02).**

The measure had been anticipated by the company, which has no inventory of components from China to continue with production. Employees will be on leave for about 10 days. The Taubaté unit manufactures cell phones and monitors. In a note, the company informed that it is monitoring events in order to minimize the impacts caused to customers and partners.

**Ports, terminals and infrastructure**

**The possibility of a recovery in liquid fertilizer imports at the port of Paranaguá is good news for companies in the**

**segment. New markets and trade negotiations are already underway, as well as storage infra-structure. The volume of fertilizer products discharged via hoses and ducts is expected to rise this year.**

According to the CEO of Portos do Paraná, Luiz Fernando Garcia, the company has worked together with the private sector to attract new players to the state's terminals in all segments. "We are one of the most recognized ports not only for the excellence of our port operations, but also for the governance that the company has established. As for efficiency, this applies not only to the public company, but also the private sector", he says. According to Garcia, it is up to Portos do Paraná to further improve the operational conditions of the ports in the state so that they continue to be a reference.

According to the manager of the company Cattalini, Lucas Guzen, currently liquid fertilizers are already a reality in several markets in the first world, mainly in the United States, where they have great usage. "We don't have to go very far in South America to see it being used as it is also a reality in the Argentine market", he adds.

According to Guzen, when looking to this product as an alternative for market expansion, the idea is to take advantage of the fact that the Port of Paranaguá is already well established in importing granulated and solid fertilizers. "We already have a minimum volume being handled by the Port of Paranaguá, but there is a growing interest from international producers of liquid fertilizers to expand and make this market more regular and robust, as it is for other fertilizers".

Currently, the products imported by the operating company of the Port of Paranaguá come from the United States, the main producers. However, there is also significant production in the Russian and European markets, in addition to Trinidad and Tobago. "The liquid fertilizer market is a market that we have been developing for some years and giving full support to these new players to gain market in Paranaguá", concludes Guzen.

**Operations** – Since 2016 liquid fertilizers, mainly a composition of liquid urea, have been amongst Paranaguá Port's recorded cargo handling. By December last year, seven vessels were registered to have off-loaded fertilizers in this form – a total volume of 42,000 tons.

Liquid fertilizers were handled in larger volumes in 2017, when three vessels brought 16,454 tons of the product. In 2018 there were 9,330 tons and in 2019, 9,718 tons.

**Expectation** – The liquid bulk segment is optimistic about market expectations and numbers, which show growth in the first month of this year. According to representatives of the sector, 2020 promises to be very good for all the operators at Paranaguá Port, mainly due to the new investments expected in revamping and improving the public pier.

Significant liquid bulk operators at Paranaguá Port are CPA, CBL, Transpetro, União Vopak, Alcopar and Cattalini. Together they are responsible for 43% of all such cargo handled.

**On February 27, Brazil's Minister of Infrastructure, Tarcísio Gomes de Freitas, signed a contract with Klabin, one of Brazil's foremost producers of paper. The company will**

### operate the PAR 01 container terminal, located in the Port of Paranaguá (PR).

The terminal was purchased by Klabin in an auction that took place in August 2019, under the Investment Partnerships Program (PPI). The terminal will be used for handling and storing pulp and general cargo for 25 years. At the time of auction the location had just an old warehouse in disuse. The company is expected to invest R\$ 87 million in the project, generating around 300 direct and indirect jobs.

The greenfield area covers 27,530 m<sup>2</sup>, and has a total static capacity of approximately 80 thousand tons, considering an average storage density of 4 tons per square meter for general cargo or dry bulk. There will be two phases of implementation, the first focused on obtaining licenses and building the new warehouse, starting later this year.

The expectation is that, once the work is completed, the terminal will meet the growing demand from the forestry segment, especially pulp, from the states of Paraná, Santa Catarina and São Paulo.

It is worth remembering that the Port of Paranaguá is the second largest in the country, second only to Santos (SP), and the largest bulk port in Latin America.

**Auctions** - According to the minister, the 13 port auctions, carried out last year, and the signing of 29 adhesion contracts for private terminals resulted in a total of R\$ 3.3 billion in investments in the port sector alone. "We had several ports increasing revenue, decreasing expenses and breaking throughput records, as was the case with Santos, with 134 million tons and Paranaguá, with 53 million tons. It is a sector that is reborn, because it is going in the right direction and because we have technical and professional management in all ports".

The minister added that around the middle of the year, five other port terminals are expected to be auctioned. "Four in the Port of Itaqui and the PAR 20 here in Paranaguá. We will make a list of port terminals for grains and also for liquids. The two largest liquid terminal auctions will take place soon. One in Santos and the other in Paranaguá. We will have a healthy competition".

**In January 2020, the Port of Santos registered the highest container throughput for the month of January. The mark was 338,476 TEU, up 2.0% compared to the previous record, registered in January 2018 (331,748 TEU), and 16.2% compared to last year (291,295 TEU). In tons, the increase compared to January 2019 was 12.1%.**

Good performance in container handling helped mitigate the drop in the overall result. Total cargo that passed through the Port of Santos reached 8,313,049 tons, registering the third largest mark in the period. The record for the month was January 2019, with 9,053,996 tons.

Other cargoes that registered a positive contribution in the month were shipments of fuel oil, which rose from 80,372 tons to 155,010 tons (+ 92.9%) and pulp, rising from 400,028 tons to 472,043 tons (+ 18.0%). The increase in wheat imports also rose from 72,901 tons to 130,915 tons (+ 79.6%).

According to the Santos Port Authority (SPA) Tariff and Statistics Management, the drop in the grand total can be attributed mainly

to the reductions in two of the most important cargoes exported through the Port of Santos.

Bulk corn shipments went from 1,141,538 tons to 530,544 tons (-53.5%) and soybeans in grain, from 800,507 tons to 478,562 tons (-40.2%). In the case of corn, shipments were impacted by the end of the harvest and the reduction of Chinese purchases, due to the decrease in the pig herd in that country, affected by swine fever last year. The product is used to feed those animals. The soybeans did not start shipping in January, which historically starts in February. Last year, the beginning of the harvest flow was anticipated and the soybean grain registered an increase of 118.5% in relation to the same month of the previous year, a fact that inflated the statistical numbers.

The flow of ships in January registered a total of 374 vessels, 15 less than in January last year.

### Shipping

**A syndicate of 26 selected banks has granted Maersk a new credit line linked to sustainability, worth US\$5 billion. This is the first bank refinancing organized by Maersk after its transformation from a diversified conglomerate into a global container logistics company. The refinancing has a 5-year term that can be extended for another two years. This will be part of the company's liquidity reserve.**

"We received strong support from our global banks, and the credit line was updated. We are satisfied with the new terms and conditions. In this way, we extended the term of our financial commitments, aligning them with those of sustainability", highlights Henriette Hallberg Thygesen, CEO of Fleet & Strategic Brands.

The credit will be adjusted based on Maersk's progress in meeting its goal of reducing carbon dioxide emissions per cargo handled by 60% by 2030, which is significantly more ambitious than the IMO target of 40% by 2030. In 2018, Maersk announced its Carbon Neutral Program by 2050, and the new credit line will reinforce the company's efforts to boost sustainability in its operations and supply chains.

"We are determined to achieve our ultimate goal of becoming fully carbon neutral by 2050, and this agreement serves as another facilitator to fulfill that ambition. Given the useful life of our fleet, we need to find new and sustainable solutions to boost our vessels over the next 10 years. To fulfill this ambitious commitment, we are partnering with researchers, regulators, technology developers, customers, energy suppliers – and now the banks", explains Henriette.

Mandated Lead Arrangers: Banco Santander SA, London Branch, Bank of America Merrill Lynch International Designated Activity Company, Barclays Bank Plc, BNP Paribas, Citibank NA London, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Danske Bank A / S, Deutsche Bank, Handelsbanken, HSBC France, MUFG, Nordea, SEB and Standard Chartered Bank,

Lead Arranger Banks: Banco Bilbao Vizcaya Argentaria, SA, London branch, DNB Bank ASA, Industrial and Commercial Bank of China (Europe) SA, Brussels branch, ING Bank, JP Morgan Securities Plc, Mizuho Bank, Ltd., Morgan Stanley Bank International Limited, Natwest Markets Plc, Sumitomo Mitsui

Banking Corporation, Société Générale and the Standard Bank South Africa Limited, Isle of Man branch.

Facility Agents: Crédit Agricole and SEB acted as Sustainability Coordinators. MUGF acted as Documentation Agent and BNP Paribas

**An oil slick just over a mile in diameter was spotted on the morning of February 28, near the cargo vessel that ran aground about 100 kilometers off the Brazilian coast, in the São Marcos Bay channel in Maranhão. It was carrying around 275,000 tons of iron ore belonging to Vale.**

According to the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama), the oil slick was identified by an aircraft equipped with special sensors that flew over the area that morning. The day before, when flying over the site for the first time, Ibama technicians had not noticed the presence of pollutants in the vicinity of the ship. Two more aerial inspections are scheduled.

In addition to nearly 300,000 tons of iron ore, the MV Stella Banner is capable of transporting up to 4 million liters of fuel and oil, although the volume being carried by the vessel at the time of the incident has not been officially confirmed. The ship left the Ponta da Madeira Maritime Terminal in São Luís, and was headed for China.

According to Ibama, it was the commander of the Stella Banner himself who maneuvered it on purpose onto a sandbar in a shallow area of the São Marcos Bay channel. The maneuver served to prevent the vessel from sinking or drifting after the commander found that seawater was entering the vessel through a crack in the bow. The incident occurred on February 24. The 20 crew members were safely removed from the ship.

At Vale's request, Petrobras has already deployed appropriate vessels to collect the oil. In addition, special buoys will be preventively spread around the ship to try to prevent fuel from being dispersed. Experts hired by Polaris Shipping, owner of the vessel, informed Ibama that the ship's tanks are intact and the power generation engines are working normally. "As a port operator, Vale reinforces that it will continue to act in the case with full technical-operational support and active collaboration with the maritime authorities", guaranteed the mining company.

**The vessel MV Stellar Banner, chartered by Vale and owned and operated by South Korean shipowner Polaris is being monitored by the Brazilian Navy. The ship suffered a bow breakdown after leaving the Ponta da Madeira Terminal in São Luís (MA), when it was laden with iron ore.**

The ship is stranded and partially submerged in a region close to the coast of Maranhão, according to the Navy. It has the flag of the Marshall Islands, a country in Oceania, and was destined for the city of Qingdao, in China.

The Brazilian Navy set up a Crisis Office in the Port Authority of Maranhão; in charge of the 4th Naval District, in Belém; and at the Naval Operations Command, in Rio de Janeiro. The office will deal with possible environmental damage arising from the ship's stranding and the vessel's stripping and withdrawal plans.

This Thursday (27/02), representatives of the companies involved, members of the Crisis Office and other supervisory bodies met to discuss the actions to deploy the vessel.

The merchant ship had a problem in the vicinity of buoy 1, in the channel of São Marcos Bay, in Maranhão, about 32 miles from Farol de Santana. "The incident occurred on the 24th, around 9:30 pm. Two leaks were identified ahead of the vessel. At the moment, the ship is stranded", said the Navy, in a note.

Vale, by means of a note, said the ship's operator acknowledged that the vessel suffered damage to the bow after leaving the Ponta da Madeira Maritime Terminal, in São Luís, when it was already outside the port access channel. The note also says that, "as a precautionary measure, the 20 crew members were safely removed from the vessel and that the ship's captain adopted a grounding maneuver about 100 kilometers off the coast of São Luís."

Vale stressed that, as a port operator, "it is acting with technical-operational support, sending tugboats, and collaborating with maritime authorities." The Navy initiated an administrative inquiry to investigate the causes, circumstances and responsibilities relating to the incident.

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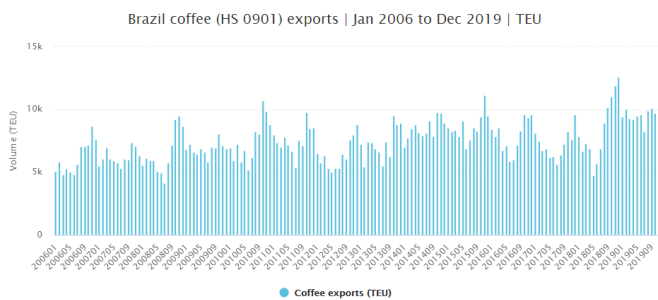
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**Grain**

**Brazil's coffee crop in the 2020/2021 season is expected to reach a total of 67.5 million 60-kilo bags, according to the results of a market survey released on Monday (March 2nd) by Rabobank.** This includes a predicted record harvest of Arabica coffee, at 49 million bags, in addition to 18.5 million bags of robusta (conilon) coffee. "The size of the arabica crop is surprisingly large, given the weather pattern that was not perfect during the second half of 2019," said Rabobank.

Brazilian coffee is widely accepted abroad. The following chart shows Brazilian coffee exports between January 2006 to December 2019:



Fonte do gráfico: DataLiner/Datamar

**According to data released on Monday (March 2nd) by the Economic Ministry's Foreign Trade Secretariat, soybean exports from Brazil in February totaled 5.12 million tons, slightly lower than year-ago levels (5.27 million), but the largest volume shipped since July 2019 (7.4 million).**

February shipments were recorded in the midst of a record high harvest during the month, and after relatively weak exports in January at 1.5 million tons. According to a report published by Reuters, since the beginning of February the number of vessel calls at ports pointed to an intense export rate. Rains however curtailed this somewhat.

**The grain trade in Argentina is practically paralyzed as a result of expected government increases to export taxes. The hike would be an attempt to deal with the fiscal deficit amid the serious economic crisis. Experts consulted by Reuters believe that the interruption of grain sales in the domestic market could affect agricultural shipments from Argentina, one of the largest global exporters of corn, soybeans and derivatives.**

The main sign that the government intends to raise the soybean tax occurred on February 26, when the Ministry of Agriculture suspended agricultural export records, which generally happens to prevent exporters from continuing to pay a lower rate than what will be applied. Local media and experts have said in recent days that President Alberto Fernández's government will raise oilseed export rates to 33%, up from 30% today.

"Buyers are not giving a price. There are practically no operations," said Guillermo Mouliá, operator for the Guardati Torti brokerage based in Rosario, where the main grain market in the country is located. When taxes on soy shipments go up, the price paid in the

Rosario market tends to fall, as exporters transfer the cost of the tax to producers.

**Meat**

**The United States Department of Agriculture (USDA) and the Food Inspection and Safety Service (FSIS) have informed Brazil's Ministry of Agriculture, Livestock and Food Supply (MAPA) that the US market for fresh beef is now open to Brazilian beef.**

"Today we received with great satisfaction some long-awaited news: the reopening of the United States fresh beef market to Brazilian products. This is news that we have been looking forward to for some time and that today I am fortunate to receive. It is great news, because it brings recognition of the quality of Brazilian meat in a market as important as the American one," said Minister Tereza Cristina.

As a result, Brazil will be able to start exporting fresh beef products to the USA. In the statement sent to MAPA, the FSIS said that Brazil has fixed the systemic problems that led to its previous suspension and that it is restoring the eligibility of fresh beef exports to the United States. In addition, the FSIS will close pending cases of breach of entry points associated with the 2017 suspension.

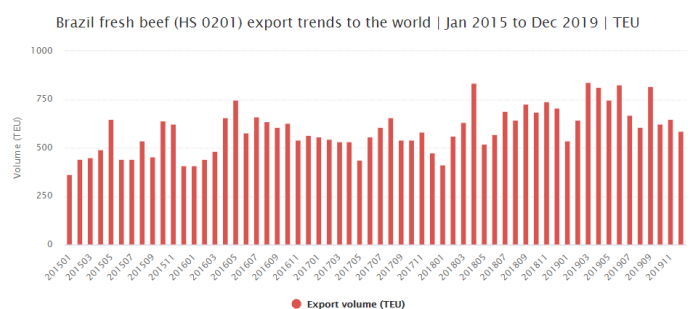
Before the first shipment, the Mapping Animal Products Inspection Department (Dipoa) must submit an updated list of certified eligible establishments.

Purchases of beef cuts from Brazil were suspended by the United States in 2017, due to reactions (abscesses) caused in the herd, to the foot-and-mouth vaccine.

Since the beginning of last year, the minister has held several meetings with the United States secretary of agriculture, Sonny Perdue, to discuss the matter. In June 2019, a veterinary mission from the United States was in Brazil to inspect beef and pork slaughterhouses. The mission returned in January this year.

In all, 21 slaughterhouses from five companies (JBS, Minerva Foods, Marfrig, Frisa and Mataboi) will be able to export to the USA initially.

The following graph, made with DataLiner data, shows Brazilian exports of fresh meat from 2015:



**Other cargo**

**According to the Association of Automobile Dealers of Argentina (ACARA), the prices of zero-kilometer cars in Argentina increased by more than 80% in 2019.**



According to the entity, the strong increase is a result of the direct relationship between the unit's costs and the exchange rate variation, since more than 70% of the vehicles sold are imported and those produced locally have the majority of their parts imported.

In view of this, Argentina's Minister of Foreign Affairs, Felipe Solá, met with executives from Adefa (Association of Automotive Factories) and SMATA, a sector union, to promote automotive exports to new markets. Among the markets envisaged are Peru, Colombia, Ecuador and Central America.

Businessmen in the sector, on the other hand, asked for "interest rate review" and "emphasized exchange rate governance". In this context, they indicated that "the automotive industry is working at a third of its capacity".

### ***Trade***

**The Brazilian trade balance registered a US\$520 million surplus in the third week of February 2020, as a result of exports worth US\$3.966 billion and imports of US\$3.446 billion. According to data released on February 27 by the Foreign Trade Secretariat of the Economic Ministry (Secex / ME), exports totaled US\$12.364 billion, and imports US\$11.259 billion in February, with a positive balance of US\$1.105 billion.**

**Weekly Analysis** - Average exports for the third week were down 5.5% compared to the previous week at US\$793.2 million. The reduction is due to the drop in exports of semi-manufactured goods (-10.7%) from US\$100.1 million to US\$89.4 million, and commodities (-8.5%) from US\$450.2 million to US\$412.1 million. Meanwhile, sales of manufactured products increased (+ 0.8%) from US\$289.5 million to US\$291.7 million. Imports fell 11.8% during the same comparative period to an average of US\$ 689.1 million.

**Monthly Analysis** - Exports in the third week of February 2020 were up 4.8% year-on-year at US\$824.3 million. This was due to an increase in sales of commodities (+ 10.2%) from US\$397.0 million to US\$437.5 million. On the other hand, sales of semimanufactured products fell (-1.2%) from US\$97.7 million to US\$96.6 million, and manufactured products were down (-0.7%) from US\$292.2 million to US\$290.2 million.

In relation to January 2020, there was a 25.6% increase, due to the increase in sales of commodities (+ 33.9%) from US\$326.8 million to US\$437.5 million; and manufactured goods (+ 25.4%) from US\$231.4 million to US\$290.2 million, while exports of semi-manufactured products decreased (-1.7%) from US\$ 98.2 million to US\$96.6 million.

On the import side, the daily average during the third week of February 2020 was up 18.9% year-on-year at US \$ 750.6 million. This was driven mainly by increased imports of mechanical equipment (+ 131.0%), fuels and lubricants (+ 19.0%), pharmaceuticals (+ 17.2%), organic and inorganic chemicals (+ 11.6%), and plastics (+ 10.8%). In relation to January 2020, there was a 2.1% increase caused by increases in mechanical equipment (+ 83.0%), fuels and lubricants (+ 20.5%), pharmaceuticals (+ 10.3%), plastics (+ 6.7%), organic and inorganic chemicals (+ 5.8%).

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