***Main news***

**Economy Minister Paulo Guedes said that according to initial estimates, the Brazilian economy would shrink 6% as a result of the crisis caused by the new coronavirus pandemic, but now, thanks to the increase in exports to China, expectations are of a retraction of only 4% this year.**

"Brazil was going to fall 6%, 2% being the external shock and 4% due to internal slowing down, although the 2% external shock is not happening", said the minister in a virtual hearing of the mixed committee of the Chamber and Senate that accompanies the Covid-19 crisis. He did stress, however, that the estimate is precarious because the extent or depth of the health crisis is not known.

According to Guedes, a 25% increase in exports to China, is offsetting the reduction of more than 30% in foreign sales to the United States and Argentina. "As China accounts for a greater volume of exports today than the United States, Argentina, and the European Union put together, Brazilian exports are unchanged. They have risen a lot in agribusiness, they have fallen a little in manufactured goods, but the external impact, as I predicted, purely from the point of view of external shock, is not having great consequences for now, "said Guedes. He added that the "curse of being an economy excluded from global production chains has ended up being a blessing in the current scenario."

***Ports, terminals and infrastructure***

**Due to the new coronavirus pandemic, the arrival of foreigners by sea to Brazil is restricted. Currently, a person is only allowed to disembark in two situations: for emergency medical care or to return to their country of origin by air.** Disembarkment for repatriation is subject to authorization by the Ministry of Foreign Affairs (MRE) and must be accompanied by Anvisa. Other border control agencies in Brazil, such as the Federal Police and the Federal Revenue Service, are also needed.

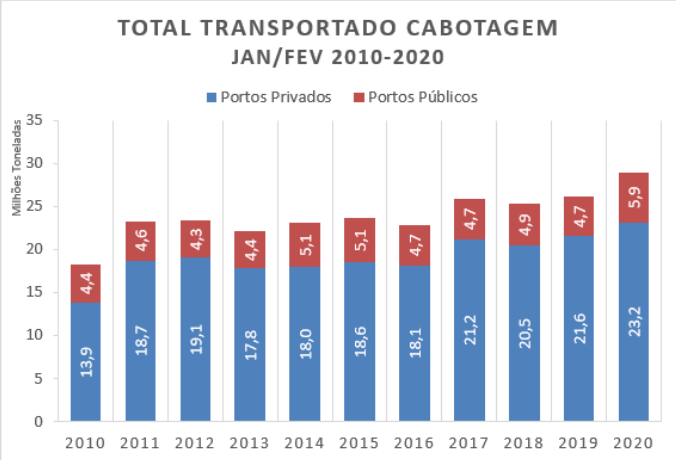
**Company Responsibilities -** The company responsible for the vessel is the one who must organize the operation, that is, it is the company that has to carry out the formal consultation with the MRE for disembarkation and repatriation and to arrange questions related to flights, dates and times. According to Technical Note 86/2020, the entire travel, accommodation, and air transportation procedure must be provided by the company.

**How to apply for repatriation -** The company must provide the MRE with basic information, such as the location of foreigners, with reference to the vessel or quarantine hotel, the number of people to be repatriated, and the date of the operation, by providing flight and departure times. On the other hand, with the closing of the borders, the MRE will confirm whether the country of destination of the crew member will allow his return.

**Who to repatriate? -** Repatriation is the company's decision, which may decide to keep the crew onboard the vessels or send them back to the country of origin. This decision, in general, covers issues such as vessel maintenance and the operational planning of each company.

**Brazil's cabotage transport grew 10.54% in the first two months of 2020 compared to the same period last year, totaling 29 million tons. The amount of cargo handled via cabotage grew by 8.9% during this period, totaling 39.8 million tons. This is the highest transported for the months of January and February since 2010.**

The figures are from the 'Waterway Statistician', produced by the Statistics and Performance Evaluation Department of the National Waterway Transport Agency – ANTAQ and show the behavior of cargo handling in coastal shipping in January and February this year when the Covid pandemic -19 was already ravaging Yuhan Province in China, as well as other Asian countries and part of Europe, but not Brazil.




Total Transportado por Cabotagem nos meses de janeiro e fevereiro de 2010 a 2020 – por tipo de instalação - milhões de toneladas.

Of the total transported via cabotage in the first two months of this year, private ports accounted for 79.8%, totaling 23.2 million tons, with growth of 7.38% compared to the same period in 2019. Public ports represented 20.2% of the total transported via cabotage, registering 5.8 million tons and representing growth of 25.1% in comparison with January and February of last year.

With regard to the type of cargo transported, 7.3 million tons were solid bulk and 2.4 million tons containerized cargo, which represents growth of 127.8% and 6.9% respectively, compared with the first two months of 2019. Liquid and gaseous bulk cargo volumes were 18.4 million tons, and general cargo reached 957,000 tons – decreases of 6.5% and 17.2% respectively in comparison with the first two months of the previous year.

Among the main groups of goods transported via cabotage, those that showed the greatest growth in relation to January and February of last year were paper and pulp (+ 30%), bauxite (+ 35%), iron ore (+11.7 %), as well as oil and oil products (+ 13%). Those that recorded the greatest falls in the 2020/2019 comparison were iron and steel (-30.7%) and wood (-42.2%).

The main points of origin of the cargo transported via cabotage in the period January-February / 2020, were the sedimentary basins of Santos (SP) and Campos (RJ), with shipments of 10.1 million tons and 6.7 million tons respectively of oil and oil products. Other significant points of origin for cabotage shipments in this period were the public ports of Vitória, with 1.4 million tons, and Santos (1.1 million tons), as well as the private port Terminal Trombetas, with 1.4 million tons.

Among the main destinations for the cargo were the private ports of São Sebastião (Almirante Tamandaré), with 6.6 million tons, Angra dos Reis (4.9 million tons), Ilha D'Água (1.7 million tons) and the public port of Suape (PE) with 2 million tons.

**ANTAQ authorized DP World to fully operate the port facility TUP DP World Santos, located in Santos (SP). The Operation Release Term was published on April 28 in the Federal Official Gazette.**

This gives authorization for the construction of 226.75m of the east quay and a mooring dolphin, concluding section 2 of the 447m quay planned for the berthing structures. This also allows for the integration of the previously authorized area of the pier with this area to form a total pier length of 1,100m. It is worth remembering that the authorization does not exempt the company from complying with the safety standards required for this operation, especially in relation to the Brazilian Navy, the Fire Department, and the environment agency.

**New mooring rules and access priorities for vessels to operate at the Port of Santos have been established. Resolution 59.2020, of April 24, changes the resolution of the defunct Portobrás that regulated the activity for more than 40 years. The new standards are already in place for when the VTS (Vessel Traffic Service) comes into operation.**

Among the changes are a new plan for mooring vessels, with suggestions for arrangements for the various berths, including vessels that are 366 meters in length – known as LOA 366. The changes took into account technical reports and observations of best practices in mooring during the last year.

The new resolution provides for the inclusion of minimum movement, through a productivity table according to the type of cargo, generated from the operation statistics in public berths. Another change is the Virtual Mooring Requisition, which establishes that mooring demands are accepted only electronically, initially via e-mail, and later, via its own system.

***Meat***

**According to the Technical Group for Monitoring the Supply of Food and Agricultural Products in São Paulo, exports of fresh beef from São Paulo to the European Union totaled 21,600 tons in the first quarter, down from 24, 500 tons shipped during the same period last year. The data is part of an updated analysis of the main impact of the new coronavirus pandemic on the agricultural sector in São Paulo and encompasses the entire chain in the 645 municipalities.**

Regarding chicken, even with the readjustment of exports and recovery of demand in the Asian and Middle Eastern markets, weak demand in the domestic market reduced production at poultry slaughterhouses, forcing a renegotiation of contracts signed with farms. According to the technical group, the devaluation of pork has been more intense, and independent producers have been facing difficulties to sell the animals.

**Peru informed the Ministry of Agriculture that it has licensed eight new Brazilian plants to export beef and poultry to its market. This information was supplied by the Ministry's Secretary of Commerce and International Relations, Orlando Ribeiro.**

In 2019, Brazil exported more than 8,000 tons of beef and 21,000 tons of chicken to Peru. In total, exports amounted to US$47.8 million.

**Marfrig Global Foods CEO, Miguel Gularte, said the company has resumed sales of fresh beef to the US following a decision by US authorities to open their market to Brazilian beef. American slaughterhouses have been closing amid coronavirus social distancing rules and this has led to unmet demand within the US.**

In February this year, the US market opened its doors to fresh Brazilian protein, following a three years hiatus on sanitation grounds. The first shipments should take place this month.

According to Gularte, an increase in US purchases was first identified at Marfrig's units in Argentina and Uruguay.

"In the last 15 days, we saw it in Brazil too," said the executive, though he did not disclose any volumes.

Marfrig already had a strategy in place to take advantage of the opening market, but demand for Brazilian meat sharpened after recent closures of slaughterhouses. "It's a combination of these two factors," said the executive.

According to Gularte, Brazilian, Uruguayan and Argentine meat are used to complement a mix of products made in the US, such as hamburgers.

In Brazil, exports represent 72% of Marfrig sales, while the domestic market accounts for 28%. In Argentina, exports account for 78% of the company's sales and, in Uruguay, 93%.

Gularte pointed out that during the first quarter of the year, Brazil meat exports grew 5%, while Marfrig exports rose 24%, driven by firm Chinese demand.

He also said that Middle East countries continue to "buy as normal", while the European Union has reduced its imports substantially. In the EUs case Brazilian beef is mostly consumed in restaurants, which are closed due to the pandemic.

In any case, he assesses that "sales are likely to increase to the US" in the short term, since during crises, US consumers tend to buy more in order to stock up on food products.

As an example, after the coronavirus outbreak, Gularte said that protein sales have grown about 20%.

As for demand within Brazil, he pointed out that meat consumption fell by about 40% in March, and that 80% of this fall took place in food services because of the isolation measures against the spread of the coronavirus.

***Grain***

**In the first quarter of 2020, Brazilian imports of paddy rice totaled 256,300 tons, a 32.3% year-on-year increase. Foreign sales of the national product fell 38.2% in the same period, to 237,700 tons.**

As a result, the sector's trade balance accumulated a deficit of 18,500 tons in the first quarter. In the first quarter of 2019, there was a surplus of 190,800 tons. “As in February 2020, the final stocks for the 2018/19 season reached one of the lowest volumes in history. There is no surplus available for export,” explained the Center for Advanced Studies in Applied Economics (Cepea), in a note.

The institution recalls that with domestic demand falling by 1.66% per year in the last decade, Brazilian rice producers have sought to sell part of the harvest to the international market, with export volumes ranging between 894,000 tons and 2.1 million tons in the last ten years. Planting, on the other hand, fell 43% in the country since 2004, with a reduction of 21.3% in total supply, according to the National Supply Company (Conab).

**In March, imports of Brazilian soybeans from China fell 24.8% over the same month last year. The data, released by the Chinese General Customs Administration last Sunday, April 26, shows soy imports from Brazil reached 2.1 million tons in March, compared to 2.79 million tons in the same period last year.**

The fall was driven by rains in Brazil at the end of February, which delayed harvesting and subsequent exports, leading to record low stocks of soy and soy meal in China. Some Chinese soy crushers were forced to restrict operations due to a shortage of supply.

A further reason for the drop in imports was that Chinese buyers bought less cargo during March expecting the typical slowdown in demand seen after the Spring Festival holiday.

However, soy shipments from the United States to China reached 1.71 million tons in March, compared to 1.51 million tons last year.

It is worth noting that total soy imports in March fell 13% compared to the same month last year, the lowest level in more than five years.

The following chart shows Brazilian soy exports to China and the rest of the world as of January 2015:

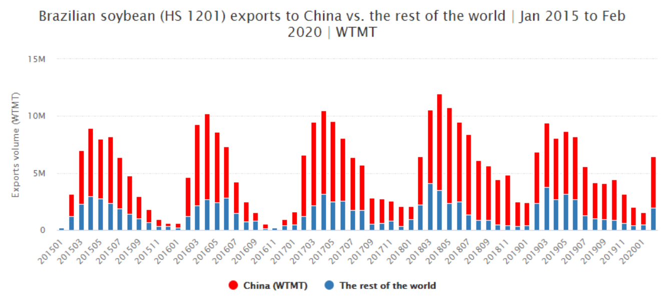



Chart source: DataLiner

### *Fruit*

**The Brazil-Canada Chamber of Commerce (CCBC) predicts a 20 to 30% drop in Brazil’s fruit exports to Canada due to the pandemic caused by the coronavirus. “Previously, fruits were exported on a daily basis. In the first quarter of 2020, Brazil exported more than 2.5 tonnes of fruit to Canada.**

After the cancellation of direct flights, on March 28 exporters began to have serious difficulties, because many of these products are highly perishable and cannot go by sea. The flight alternatives – some via Lisbon, others via Frankfurt – end up making the process very expensive,” says Paulo de Castro Reis, director of institutional relations at CCBC.

Some more resistant fruits, such as melon, pineapple, and mango, are going by sea. The most perishable products, such as grapes, papayas, lychees, and custard apples, are currently not being exported. “We are entering the persimmon harvest season, but exporters will not be able to ship it, which will inevitably result in losses,” evaluates Castro Reis.

The technical and project manager of the Brazilian Association of Fruit and Derivative Export Producers (Abrafrutas), Jorge de Souza, explains that foreign demand for Brazilian fruits continues, and the flow of shipments by sea is close to normal. Fruits such as lemons, grapes, mangoes, and melons travel well by ship, with only slightly longer transit times.

“On average, demand remained broadly unchanged for all destinations. What happened was that the logistics were a little hampered by the shipping difficulties. The normal time that was around 28 days for the Middle East is now between 35 and 38 days, which is a bit of a concern in terms of quality,” he said.

**In the first three months of 2020, Brazil exported more than 234,000 tons of fruit, a drop of only 2% compared to the same period last year. Despite the reduction, some fruits showed significant growth such as avocados (126%), apples (56%), and lemons (46%) during this period.**

Exports totaled US$183 million, 8% less compared to the first quarter of 2019. Among the main exported fruits, there was a drop in shipments of oranges (58%), grapes (44%), mangos (23%), and melons (8%). According to the executive director of the Brazilian Fruit and Derivatives Export Producers Association (Abrafrutas), Eduardo Brandão, the main factor in the reduction was the low quality of the fruit, caused by adverse climatic factors in some important production hubs in the first months of the year.

“There was a drop in exports of important fruits such as melons, grapes, mangoes, and oranges. However, we had a significant increase in others such as lemons, avocados, and apples. In the case of lemons, the increase in the harvest in the first quarter of 2020 caused prices to fall on the domestic market and producers to increase exports. Another factor that favored us was the problems with the Mexican harvest, which allowed us to gain a bigger share of the export market”.

Brandão also pointed out a small reduction in the consumption of fruit on the foreign market, especially in Europe, due to the coronavirus pandemic, which explains the decrease in volumes exported in this period. Also according to the director of Abrafrutas, in the case of grapes and mangoes, the volume exported historically is low, representing around 20% of the total volume of exports in the year. It is worth mentioning that 97% of grapes, and 94% of mangoes exported by Brazil, are sourced from the São Francisco Valley.

### *Oil & Gas*

**According to Petrobras, the negative effects of the global recession caused by the coronavirus pandemic did not substantially impact the company’s production and sales performance in the first quarter of 2020. During this period,**

**company reports indicate that the average production of oil, LNG and natural gas was 2,909 Mboed, implying a commercial production of 2,606 Mboed and oil production of 2,320 Mbpd.** These volumes, compared to the same period in 2019, represent growth of 14.6% in total production, 13.3% in commercial production and 17.7% in oil production, due to the ramp-up of platforms that went into production in 2018 and 2019 (P-74, P-75, P-76 and P-77 in the Búzios field, P-67 and P-69 in the Lula field and P-68 in the Berbigão and Sururu fields).

To deal with the drastic contraction in global demand for oil – estimated at 25-30 MMbpd in the second quarter of 2020 – and fuels the company initially decided to reduce oil production in April to 2.07 MMbpd and the utilization factor of its refineries from 79% to 60% at the same time as it strengthened the logistical capacity to export crude oil, diesel and fuel oil.

According to the company, these measures have contributed to the generation of cash and a decline in inventories, allowing for the maintenance of reasonable clearance in storage capacity, thus avoiding the adoption of measures such as the chartering of ships to store liquids. In addition, with demand for products being better than expected, Petrobras opted for a gradual return to an average oil production level of 2.26 MMbpd in April accompanied by an increase in the capacity utilization factor for refining.

**Crude oil tanker freight rates have increased dramatically due to a record-breaking drop in oil prices. This was caused by panic over the need for oil storage.**

This reaction has led to an increase in the search for fuel storage, and it is expected the oil will have to be stored for longer than thirty days.

As a direct effect of these events, floating storage, which was located mainly in the Middle East, has been on a rise in northwest Europe, Southeast Asia, West Africa, and the Mediterranean.

Freight rates should remain high for a while, until oil-buyers are found, which should take quite some time according to Alphatanker.

***Coffee***

**According to the International Coffee Organization, coffee consumption in China has by 16% per year over the past decade, and its market is expected to grow to around 300 billion yuan (US$42.3 billion) in the coming years. With this, the country that traditionally consumes tea can become one of the most promising markets in the world for the coffee industry.**

Eduardo Heron Santos, technical director of the Council of Coffee Exporters in Brazil (Cecafé), said that Brazilian coffee exports to China increased by more than 110% from 2015 to 2019, driven by the popularity of coffee among China's urban youth.

Although the number of coffee consumers is increasing rapidly, per capita coffee consumption in the country is still at an early stage compared to Western countries. Statistics show that per capita coffee consumption in Finland is 1,200 cups, and in Japan and Korea, 180 cups a year, whilst mainland China consumers still only consume six cups a year.

Santos said international coffee chains such as Starbucks could boost coffee growth in China, a country that has traditionally been a tea lover. "We currently export twice as much as five years ago. Brazilian producers and exporters need to discuss a planning strategy for China in order to meet growing demand," he said.

***Trade***

**A survey carried out by the Parliamentary Agriculture and Livestock Front (FPA) on the work developed by the Agriculture, Livestock and Supply Ministry (MAPA), found that from January 2019 to March this year, 48 new markets were opened for trade with Brazil in 21 countries.**

The following is a list of these different products and destinations:

Saudi Arabia: Brazil nuts
Argentina: avian bile, cured pork, live fish, bovine embryos, swine semen, frog meat, dairy products for animal feed, thermoprocessed poultry, cattle skin chips for gelatin and lanolin;
Kazakhstan: live cattle;
China: dairy products, pigs' origin, thermo-processed beef, cottonseed meal, melon and fish;
Colombia: teak seedlings and popcorn;
South Korea: fish;
Egypt: live goats and sheep, dairy products, chicken meat, beef and bovine cattle;
United Arab Emirates: fertile eggs and day-old chicks;
Ecuador: live cattle;
United States: market reopening for fresh beef;
Guyana: coconut seedlings;
India: chicken and sesame meat;
Indonesia: beef;
Japan: dairy products for animal feed;
Kuwait: beef;
Malaysia: live cattle;
Morocco: fish, day-old chicks and fertile eggs;
Mexico: processed rice;
Peru: poultry by-products flour;
Singapore: poultry and pork meat;
Zambia: live cattle, bovine semen and bovine embryo.

According to the agency, with the opening of new markets, exports of chicken, for example, are estimated to grow between 7-8% in sales for the next years through deals with India.

Exports of Brazilian beef are expected to reach at least 25,000 tons with access to the Indonesian market, in addition to new partnerships with Kuwait and the reopening of the US market to imports of the beef. As for national fish, an increase of 18% in exports to Morocco and South Korea is expected. The expansion of trade borders has also enabled Brazilian poultry and pork establishments to gain entry into Singapore.

**The Applied Economics Research Institute (Ipea) released a study on April 28 about the possible impacts of the Covid-19 pandemic on the Brazilian trade balance between 2020 and 2021. The projections point to a retraction in foreign trade this year, in response to the worsening global financial crisis.**

On the export side, the forecast is for a fall of between 10% and 20% in 2020, to US$180 billion. The study also predicts a 20% slash in imports, reaching U$140 billion. According to the survey, the sharp drop in the commodities market – especially in the oil sector – is seen as one of the drivers this drop, with impacts on the country's trade balance and a significant drop in Brazilian exports.

The work presents three possible scenarios derived from data provided by the International Monetary Fund (IMF) and the World Trade Organization (WTO). The WTO predicts two scenarios: a pessimistic one with a reduction of around 30% in world exports and imports for the period analyzed, and another moderately optimistic one with a reduction of 19%. The IMF, on the other hand, points to a 20% drop in trade flows globally until 2021.

The data corroborates the forecast of a significant drop in Brazilian exports and negotiations with commercial partners such as the European Union, which is expected to reduce by 20% in the next two years due to the Covid-19 crisis. The survey also indicates a strong impact of the crisis on Latin American countries, since many of them are highly dependent on the production and export of energy and mineral commodities. "This could have very negative effects on Brazilian exports of manufactured goods and, in turn, on the country's own industry's recovery capacity," evaluates the coordinator of International Economic Studies at Ipea, Fernando Ribeiro, one of the authors of the study.

The study points out that even after the peak of the pandemic and a return to normal life, there will be a fall in income and an expected increase in the level of household indebtedness, putting downward pressure on the demand for durable and semi-durable consumer goods. "The trend may continue to cause impacts on foreign trade activity, possibly suppressing resumption of growth in commercial activity in the global context," says Ribeiro. Even with these negative trends predicted, foreign trade activity is not expected to remain totally stagnant over the two year period being contemplated. "Despite the difficulties, the country should preserve a surplus in 2020. But eventual recovery will have to wait until 2021," he pondered.

**In the 4th week of April 2020, the Brazilian trade balance registered a US$1.7 billion surplus and a total traded amount of US$6.7 billion, resulting from exports of US$4.2 billion and imports of US$2.5 billion.** During the month, exports totaled US$14.5 billion and imports US$9.4 billion, with a positive balance of US$5.1 billion and a trade flow of US$24 billion. For the year to date, exports totaled US$64 billion and imports, US$53.4 billion, with a positive balance of US$10.6 billion and a trade flow of US$117.4 billion.

**Monthly Comparison -** For exports, the average daily amount traded up to the 4th week of April this year compared to year-ago levels was down 1.3% to US$906.1 million. On the import side, there was a decrease of -9.1% in the same period comparison, reaching US$589.7 million. Hence, up to the 4th week of April, 2020, the daily average for trade flow totaled US$1,495.8 million, and the daily average of the trade balance was US$316.3 million. Compared to the same period in April last year, this is a 4.6% decline in the trade flow.

**Exports by Sector and Products** - Until the 4th week of April this year, compared with the same period last year, performances of sectors in terms of daily trade average were as follows: growth of US$119.74 million (62.4%) in Agriculture; a decrease of 21.3% in mining industry and decrease by 16.5%) in the manufacturing sector. The cumulative result was a decrease in exports.

**Imports by Sector and Products** - Until the 4th week of April this year, compared with the same period last year, performances of sectors in terms of daily trade average were as follows: a 6.3% decrease in agriculture, 11.5% growth for mining products, and a decrease of 10.4% in for manufactured imports. The end result was a decrease in imports.

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