

**Main news**

**On May 22, the Agriculture, Livestock, and Supply Minister, Tereza Cristina, announced that Thailand has opened its market to Brazil's dairy products.** The information was released during a webinar on opportunities and perspectives for the agricultural sector during the coronavirus pandemic, promoted by the Engineering Institute.

This brings Brazil up to 60 foreign markets open to its agricultural products since January 2019. Amongst other products Brazil may export are baru nuts to South Korea, melons to China (first Brazilian fruit to be imported by the Asian country), sesame to India, Brazil nuts to Saudi Arabia, and avian genetic material to several countries.

After the coronavirus pandemic is over, the minister expects countries to become more protectionist, closing their markets to foreign products. In order for Brazil to continue expanding its export market opportunities, Tereza Cristina said it needs to invest in the areas of plant and animal health as well as traceability to give greater confidence to importers. Another point to be overcome, according to the minister, is transportation logistics, with it being necessary to seek ways to make the flow of agricultural production cheaper and more effective.

**Ports, terminals and infrastructure**

**The International Chamber of Navigation (ICS), the International Federation of Transport Workers (ITF) and the International Trade Union Confederation (ICS) have sent a letter to the Secretary-General of the United Nations, António Guterres, demanding that he convince member states to act urgently to avoid a "humanitarian crisis".** This is because more than 200,000 sailors are currently trapped on ships around the world and cannot be released from their duties.

The three organizations explain that "there are currently more than 200,000 seafarers onboard ships worldwide who have completed their contractual service period but have been prevented from returning to their homes." They also warn that many of these professionals are experiencing "adverse effects on their mental health and a reduction in their ability to perform their duties safely in the face of increased fatigue".

"In addition, restrictions imposed by many countries, including the disembarkation ban and access to essential medical care, are contributing to fatigue and exhaustion," they state in the letter. "We are concerned about suicide and self-harm among this vulnerable population of workers," they say. Moreover, they state that "Time is running out. We ask that action be taken immediately, before June 16, the agreed deadline to implement changes to our maritime crew."

The entities also highlighted the importance of the work that professionals in the maritime sector have been performing in order to serve the population during this crisis.

**Since May 4, soybean operations were restarted at the Port of Ilhéus with a shipment of 30,000 tons of the commodity. They had been suspended since August 2018.** The port is forecast to handle up to five shipments during the year, equivalent to 150,000 tonnes of the product. In order to reactivate this service, Cargill and Intermarítima invested in recovering the equipment that was out of use.

Handling soy, and the five more vessels this represents per annum, means a 100% increase in cargo handling for the port year-on-year. For 2020, it is projected that this will translate to a 32% increase in revenues for the port compared with last year's turnover.

**The Private Port Terminals Association (ATP), which represents companies such as Vale and Bunge, stated that Brazil's maritime trade surplus increased by 14.56% in the first four months of 2020 when compared to the same period in 2019.** According to the ATP, the maritime trade's surplus during the four-month period was US\$19.7 billion, caused by a fall in import value and a growth in agricultural exports.

According to the organ, these figures are reflected in the fact that Brazilian ports have been operating regularly even during the coronavirus pandemic. According to the ATP, and government data, Brazilian maritime imports decreased by almost 7% in value between January and April when compared to the same period of 2019, whilst exports remained stable at US\$56.75 billion.

Brazilian maritime exports also remained relatively stable during this time in terms of throughput, totaling 195.6 million tonnes. Imports increased by 1.09% in throughput, due to an increase in fertilizer demand. On the other hand, there was a drop in raw material prices, according to an ATP analysis.

**On May 18th, the Companhia Docas do Rio de Janeiro (CDRJ) inaugurated the Operational Control Center (CCO) for the Port Management Superintendencies of Rio de Janeiro (SUPRIO) and the Environment and Workplace Safety Organ (SUPMAM).** The objective is to increase inspection and control levels for operations at the Port of Rio de Janeiro.

The CCO has a monitoring system with more than 100 cameras, which are shared with the Port Security Command and Control Center (CCCSP), as well as radios and image capture systems. The new structure will be managed by a multidisciplinary team, with members of the operational, environmental, and occupational safety departments of Rio de Janeiro Port, thus optimizing the response to any non-compliance in these areas.

**Medical equipment imports -** On Tuesday May 19th, two containers of medical equipment arrived at the Port of Rio de Janeiro. According to information from the city's mayor, "the equipment was purchased before the coronavirus pandemic with the aim of supplying hospitals, but now they are essential to the fight against COVID-19". The two containers, from China, were offloaded at the port's MultiRio terminal, containing 30 anesthesia carts (which incorporate respirators and come with monitors), 240 electrocardiogram devices, 70 defibrillators, and 80 infusion pumps.

**A delay in carrying out dredging and maintenance work at Santos has caused 7 of the 64 berths to lose their operational draft, hampering berthing ability of large vessels.** The loss of draft happened even with an existing dredging contract. Until recently, the works were coordinated by the National Department of Transport Infrastructure (Dnit) and carried out by Van Oord Maritime Operations.

According to the Santos Port Authority, the corrections were not encompassed in the contract with Dnit because it only provided for the readjustment of the geometry of the channel and the berths. On January 8, a maintenance contract was signed with

DTA Engenharia but, according to the SPA, it was impeded. "The preliminary injunction that prevented the work from starting was lifted on April 23 and, on April 29, a service order was signed for the mobilization of berth equipment," stated SPA. Dnit, on the other hand, only informed that the reduction in draft is not related to the organ's dredging contract.

### Shipping

#### **Maersk's president for the Latin American region, Lars Nielsen, believes that the region should experience a retraction of up to 25% in its imports in the second quarter of 2020, but exports will tend to remain more resilient.**

In an interview with Valor Econômico newspaper, the executive stated that Maersk has not yet revised its projection for Brazil in 2020, due to uncertainties regarding how long the social isolation measures will last. He said that before the pandemic, expectations were already of modest growth in the container shipping market of around 3.8%. "The volumes seen at the beginning of the year were within expectations. The outlook for after the second quarter will be the most difficult. In the third quarter, the situation should start to improve. By the fourth, we expect volumes to return to normal," said the executive.

According to the report, the company's projection was based on China's experience as it was the first country to suffer the effects of the Covid-19 crisis, and now has returned to practically normal activities. Even so, the Maersk executive considers that the situation in Brazil may be a little different, since imports are expected to suffer more severely. With the devaluation of the Brazilian currency, products from abroad are much more expensive. Mexico and Chile have also felt this effect.

On the other hand, our exports are expected to do better than the global average, since the profile of Brazilian exports – with agricultural commodities making up a large share – contributes to the resilience of the market. "The demand for food stocks in the world is stable, even with the quarantine," says Nielsen.

The problem is that the mismatch between imports and exports causes a shortage of containers, especially reefer containers. "Within a week, the availability of containers may become tighter, but I do not believe that they will be lacking. What may happen is longer delays in deliveries," says Nielsen. To rebuild stocks of the equipment, Maersk has been loading additional containers onto its vessels, he says.

According to the executive, it is too early to assess how global trade will react after the epidemic, but "we have heard from large companies that they may seek to reduce pressure on their supply chain, which means increasing their inventories, in case of any logistical problem," he says. In addition, "there is a tendency to look for more suppliers, who are closer. This could lead to a change in sea routes. However, it is too early to predict these effects," he concludes.

### Grain

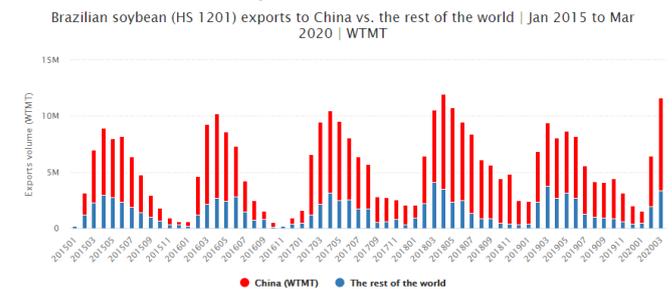
**The São Paulo Investment and Competitiveness Promotion Agency, Investe SP, believes China will continue to lead global grain imports and reduce meat purchases from abroad in the next decade.** The analysis is from their China Agricultural Outlook 2020-2029 report, produced based on a conference held

recently in Beijing, which outlined the agricultural prospects for the Asian country, projecting its needs for the next ten years.

Over the next ten years, China will remain a major grain importer, with emphasis on soy, corn, wheat, and rice, in addition to sugar and animal products such as beef, pork, and chicken. Other products such as fruits, eggs, dairy products, and fish can also generate opportunities for Brazilian agribusiness.

Brazil is China's main supplier of soybeans. Of the 88.6 million tonnes imported in 2019, around 65% came from Brazil. For the next decade, the Chinese will remain the largest importers of soybeans in the world, with an average annual growth rate close to 1%, which could approach 100 million tonnes imported in 2029. If confirmed, the volume would represent an increase of around 13% in Chinese soy purchases.

The following chart shows Brazilian soy exports to China and the rest of the world month by month:

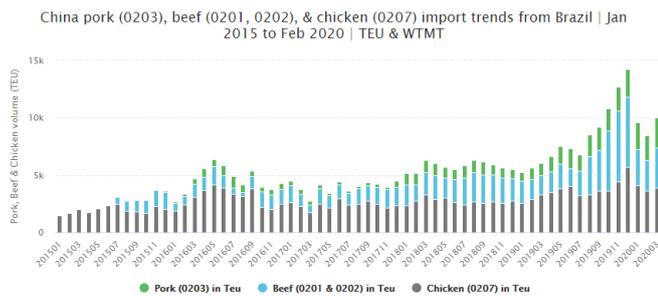


In the case of corn, Brazil is not yet a significant supplier. Beijing has sought to guarantee its supply from Ukraine. However, given the significant increase in Brazilian production and the current exchange rate levels, it may become more competitive in the Chinese market.

For pork and chicken imports, there are two different scenarios for the short and long term. In 2020, China is projected to increase its pig imports by more than 30%, reaching 2.8 million tonnes, influenced by the African swine flu crisis that hit the country in 2018. However, according to the report, China is expected to recover its domestic production over the next decade, thereby reducing the need for imports gradually. In view of this scenario, the perspective is that pork imports will stand at 1.95 million tonnes in 2029, which would represent a 30.3% retraction in comparison to this year's import needs.

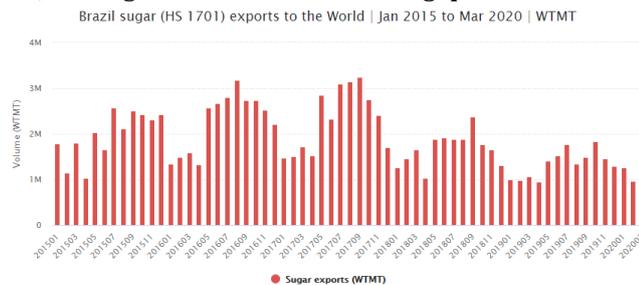
The scenario is similar for chicken as for pork. Last year, Chinese imports reached 779,000 tons, an increase of 55% compared to 2018. For 2020, the forecast is that purchases should reach 860,000 tonnes, which will represent an increase of 10.4% over 2019. With domestic production having increased over the past ten years, China's need for chicken imports is expected to decrease to around 590,000 tonnes in 2029, about 30% less than this year's projected imports.

The graph below shows Brazil's pork, chicken and beef exports to China since January 2015:



Together with this new additional list of items, the number of products that now have zero import tariffs so as to combat the coronavirus pandemic stands at 509. There have been seven resolutions (Nos. 17, 22, 28, 31, 32, 33, and 44) eliminating import taxes. Most of the items on the list with zero import tariffs include substances that treat a wide variety of ailments, such as prednisone, used in the treatment of endocrine, musculoskeletal, allergic, and ophthalmic diseases.

### DataLiner data shows that Brazilian sugar exports increased by 23.4% in the first quarter of 2020 compared to year-ago levels, totaling 3.77 million tons of throughput.



Rising sugar prices, a fall in the price of ethanol in the domestic market, and the devaluation of the real against the dollar have all stimulated exports.

Data from the Foreign Trade Secretariat (Secex) shows that in April, Brazil exported 1.55 million tons of sugar, an increase of 27.5% when compared to the 1.22 million tons shipped in April of 2019. In the first two weeks of May alone, Brazilian sugar exports totaled 1.57 million tons (ten working days), a volume that exceeded the total amount exported in May 2019.

### Other cargo

**The Chilean Ministry of Agriculture announced that China has opened its market to receive its citrus fruits. In August 2019, the Chinese had begun inspections of Chilean plantations with a view to taking this measure.**

In 2019, Chile exported 336,000 tons of citrus fruits, 29.7% of which were oranges, 27.8% tangerines, 25.7% lemons, and 15% clementines. Currently the main destination for Chilean citrus fruit exports is the United States, which last year imported 283,000 tons (84.4% of total Chilean exports).

The citrus fruit producers in the Coquimbo region are responsible for 36.5% of total citrus exports, followed by the Valparaíso region, responsible for 31.2% and the metropolitan region of Santiago, responsible for 16.1% of all exports.

**A resolution was published on Monday May 18th in the Official Union Gazette, which eliminates import taxes on another 118 products used in the fight against Covid-19 in Brazil.** These include more than 80 medicines. The Foreign Trade Chamber (Camex), an interministerial body headed up by the Economy Ministry, decided to meet the demands of the National Council of Municipal Health Secretariats and parameters set out by the World Health Organization (WHO).

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