

### Main news

**The recent visit at Brazil's Southern port Itajai Complex, in Portonave berth, by CMA CGM's 10,698 TEU capacity APL Paris, the largest ever container ship to call East Coast of South America (ECSA), served as a reminder that vessels deployed for ECSA trade are rapidly getting bigger and bigger.** This trend means there will inevitably be more and more transshipment into the River Plate region and fewer direct calls. That is a given, and it is not a question of if, but when.

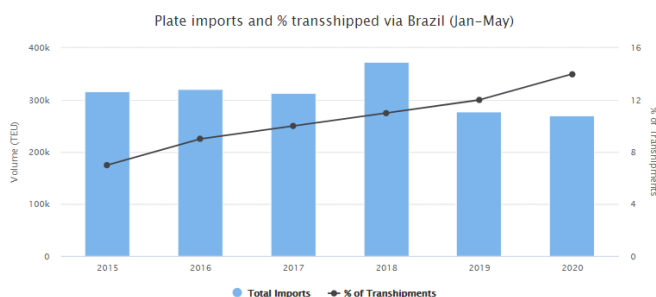
For several years now carriers have been running "simulations" and researching "logistical options" to avoid the extra two to three days sailing down to the River Plate [from Rio Grande and/or the Itajai Port complex and/or Santos], especially with the restricted draft – of just 10 meters – making it almost impossible for the larger vessels calling at ECSA to berth at Buenos Aires these days.

Also, when the River Plate dredging contract of Hidrovia SA (a joint venture of Belgian dredging company Jan de Nul and Argentine outfit Emepa) expires next year, it is not known yet if a new long-term (20 years plus) concession will be given to continue maintaining the current 10 meters draft in the channel or if some capital dredging can take the draft down to 12 or even 14 meters.

"With the dire economic straits Argentina currently finds itself in [given that default with the IMF is likely, a constantly devaluing Peso causing imports to plummet, etc] it is, sadly, highly unlikely that enough money can be found to pay for the much-needed capital dredging and extra berth works in Puerto Nuevo and Exolgan that are essential if we are to retain the majority of our direct calls," said one veteran shipping agent, who did not wish to be identified. Some of these problems with the draft would have been addressed had the intended tender for a US\$2 billion new port at Puerto Nuevo gone ahead, but that has been scrapped for the foreseeable future, owing to the surprise Presidential Election victory of left-winger Alberto Fernandez last October.

### Transshipment trends over the past five years

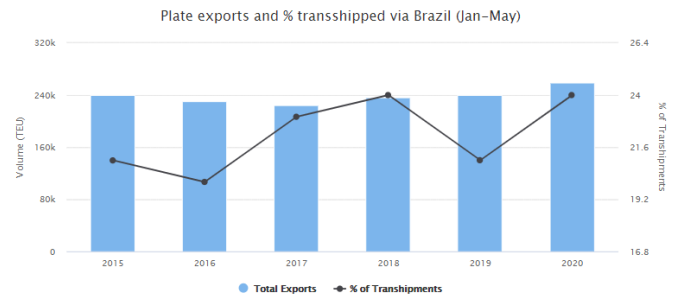
Against these scenarios, it is interesting to note that looking at Datamar figures for the first five months of this year and each of the past five years, transshipment through Brazil of import containers out of the River Plate nations (Argentina and Uruguay) accounted for just 7% (21,326 TEU) of all containers in 2015 and now make up 14% (38,828 TEU). This is almost double the volume and is illustrated in the graph below:



Source: DataLiner

In terms of export containers transhipped via Brazil rather than being shipped directly to destinations around the world, the volumes have jumped from 49,917 TEU (during that first five-

month period of 2015) to 61,044 TEU for January to May this year, and now totals 24% of the overall export volume (259,700 TEU) compared to 21% five years ago. Overall import volumes have dropped more than 20% over the past five years from 295,229 TEU during the first five months of 2015 to just 231,161 TEU for the same period of this year. Exports, meanwhile, have risen slightly from 190,268 TEU five years ago to 198,230 TEU today, as can be seen in the following graph:



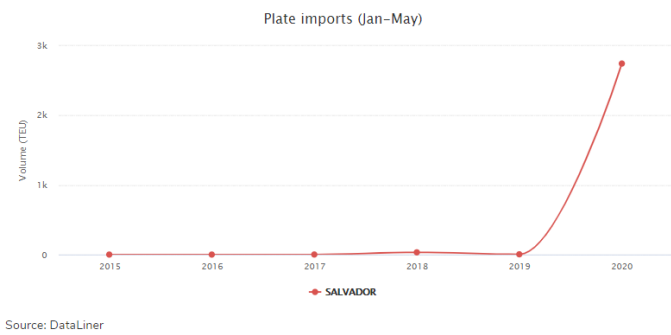
Source: DataLiner

Interestingly, the percentage increase of the more numerous River Plate import cargoes via Brazil has climbed each year over the five-year span but has been up and down regarding exports. The overall reasons for this uptick in transshipment services – being provided by Aliança (part of the Hamburg Sud/Maersk group), Mercosul Line (owned by CMA CGM) and Log-In Logistica, (the last surviving Brazilian owned container carrier) – are many and varied: it could be that the ailing Argentinian economy no longer warrants so many direct calls; carriers wishing to cut the deployment of one or two vessels in Far East slings by turning in South or Southeast Brazil (at the ports of Rio Grande, Itajai and Itapoá and Santos, respectively). In the future, they could even turn in Suape, in northeast Brazil, and cut two to three vessels from a European or US East Coast sling.

Demir Lourenco, the Executive Director for Tecon Salvador, in the state of Bahia, northeast Brazil, said that the decision by French carrier CMA CGM to start offloading River Plate import transshipment cargoes – from its Bossa Nova service to North Europe – in Salvador gave his terminal a massive boost at the end of last and start of this year.

"Since the first direct CMA CGM call, on December 16 of last year, we have witnessed a great increase in transshipment handling as CMA has deployed its coastal carrier Mercosul Line to feeder into the River Plate," he told Datamar. "We were expecting to sustain this for the whole year but then came the Corona pandemic. Now we are not sure what will happen for the rest of the year but there are some positive signs."

For the first five months of this year Datamar statistics show that River Plate transshipment into Salvador was a healthy 2,746 TEU for the first five months of 2020, compared to just 4 last year and 32 the year before, as shown in the following graph:



### A closer look at transshipment originating from River Plate

One Buenos Aires-based shipping consultant said that when considering transshipment out of Argentina, seasonal export transshipment of boxes from the south of the country is also a key factor. “There is a lot of transshipment export cargo from the southern ports during the first half of 2020, with around 25,000 TEU being shipped from Puerto Deseado, San Antonio Este, Puerto Madryn, Bahia Blanca, and Mar del Plata; 80% reefer cargoes, namely fruit and fish and much of this goes in transshipment via Brazil to its final destinations.”

The port of San Antonio alone counts for 6,203 FEU (12,406 TEU) of fruit exports during the first semester of this year. The consultant added that 58% of the export cargo from Puerto Madryn is transshipped through Brazilian ports. The remainder is carried through Montevideo. In the case of Bahia Blanca, 90% goes through Brazil, 20% of exports out of Mar del Plata, with the remainder via Montevideo or Buenos Aires, and 20% for Puerto Deseado with the other 80% being shipped through Montevideo.

Zarate and Rosario are also alternatives to bypass congested Buenos Aires and today move respectively, 62% and 64% of their export boxes via Brazil, totaling 10,500 TEU and 7,000 TEU during the first semester of 2020. The balance goes via Montevideo, which has at least 1.50 meter more draft than BA, but less than most of its Brazilian transshipment rivals.

### Views on the future of transshipment

“Logistics chains have improved and there are many more feeder options today as well as connection capability in the Brazilian ports which suits Carriers service profiles for the deep-sea connections,” added the veteran consultant.

“Once Maersk Line, Hamburg-Sud, etc. started offering feeder services to the south of Brazil and Uruguay, the volumes started moving to the transshipment mode. Also, some vessels from the south might have 15,000 tons of cargo and that is a lot of additional draft [for say Buenos Aires] which makes it necessary to make use of Montevideo and Brazilian ports”

During early 2020, the share of transshipment has reached 26.5% or equivalent to 51,000 TEU. Buenos Aires’ share almost doubled in 5 years so that now 11% of their exports are transshipped from Brazil to their final destinations, stated the consultant.

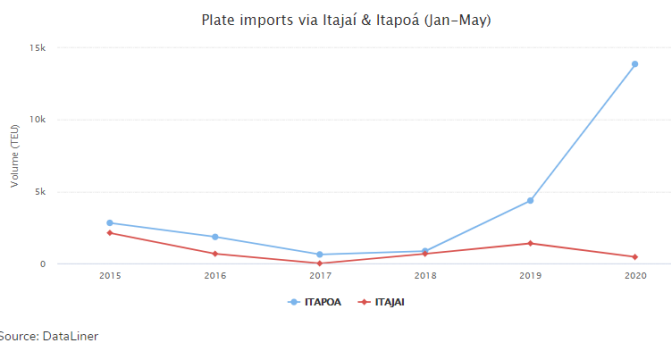
Patricio Campbell, the president of ONE Argentina, says that Buenos Aires could “if certain improvements were made” host bigger vessels than 12,000 TEU but it would need a lot of investment.

“I believe it is quite possible to dredge down deeper than the 10 meters Puerto Nuevo has today, but to go to 14 meters for the very biggest new wave of vessels, well that will need the construction of completely new berthing substructure which will cost a lot of money,” added Campbell, who is also the president of the Centro de Navegacion in Argentina (which represents the shipping and port community of Buenos Aires).

“The logistics order decrees that the cargo moves via the quickest and most cost-effective routes,” Campbell told Datamar, in almost philosophical mode. “BA is also very expensive and there is more bureaucracy than in many other ports. Because of this, feeder

Lourenco was forecasting 500 TEU per month (6000 TEU for all 2020) at the start of this year, prior to the pandemic, and the five-month 2020 figure has exceeded that but now those numbers will be reduced, he feels, as the Argentine economy reels from Covid-19.

The Datamar figures show that Itajai has lost some River Plate transshipment but Itapoá has gained considerably, on the import side: jumping from 4,372 TEU last year to 13,860 TEU for first five months of this year (see graph below). This is mostly due to Maersk Line and Hamburg Sud diverting some of their services from Santos – down from 21,818 TEU last year to 16,047 TEU this year – to Itapoá owing to congestion and “various Anvisa [health and sanitary authority] problems” in Santos and “increasing congestion since Grupo Libra halted operations in 2019”.



On the export side Itapoá also gained (up from 10,425 TEU last year to 18,731 TEU this year) while Santos remained stable (25,610 TEU in 2019 and 26,080 TEU for January to May of this year).

As CMA CGM signed its agreement with Wilson, Sons, Tecon Rio Grande gained more than 3,000 TEU from them so far this year, but lost other services, so its Plate export transshipment was only slightly up: from 5,010 TEU to 5,756 TEU. Back in 2015, Rio Grande was the River Plate export transshipment leader, with 18,965 TEU during the first five months that year, but as handling rates in Santos fell, carriers started to prefer transshipping from South America’s biggest port for containers.

CMA CGM had been seeking its own “Mercosur coastal carrier” for several years and finally bought Mercosul Line from Maersk Line two years ago as the Danish outfit had to sell the coastal operator to comply with Brazilian Antitrust regulations. Since then the French outfit has been beefing up its Brazilian cabotage and Mercosur services to facilitate better transshipment options for shippers.

shipments are certainly increasing but because many export cargoes are fish and beef and fruits, there are some capacity limits due to feeder vessels not having sufficient reefer plugs onboard. Certainly, if we do not dredge deeper, more cargoes will be transhipped via Brazil."

For the time being, all of ONE's calls out of Buenos Aires are direct, with no immediate plans to turn to transshipment options via Brazil or Uruguay about the capital. However, ONE does tranship some cargoes from Rosario and Zarate via Montevideo.

### Ports, terminals and infrastructure

**Last Friday, July 31, the Infrastructure Minister, Tarcísio Freitas, stated that studies for plans to set up a private terminal in Alcântara, Maranhão, are advancing. If completed, the project could guarantee the state the largest port terminal in Brazil.** The Alcântara Terminal will be a multimodal port terminal, with the possibility of a retro area greater than 300 million m<sup>2</sup>, with a minimum natural draft of 25 meters and with easy access by rail and waterway.

"We have the Portuguese group [Quadrante] studying the viability of a private terminal in Alcântara. We are with the logistics planning company studying how we can make the provision of logistics to leverage this business, as Alcântara has great potential", said Freitas, during a virtual meeting with members of the federal bench, vice-governor Carlos Brandão and others authorities.

The terminal should receive investments in the order of R\$10 billion by 2024. The new port in Maranhão will initially be able to handle 140 million tons/year at four berths. According to the minister, foreign investors have been excited. "Now, we need to integrate Maranhão with the Transnordestina railway and the Norte Sul railway. Studies are also being carried out on this front. It is necessary to reconcile the private budget with the public budget," he said.

**This Friday, July 31, ANTAQ published the Release Term Operation (TLO) authorizing the Pecém SA Industrial and Port Complex Development Company, located in São Gonçalo do Amarante (CE), to start the operation to expand the area of the Pecém Port Terminal.** The publication is in the Official Gazette (DOU), page 38, section 1.

The company will carry out the full operation including the handling of general and containerized cargo, solid and liquid bulk, in compliance with ANTAQ rules and regulations, specifically regarding the Adhesion Contract (adaptation) No. 113/2016 and its additives.

**On July 30, the Senate approved Provisional Measure 945 of 2020, which alters port sector legislation. As the senators did not change the text approved by the court, the next step is the presidential sanction.**

The MP prevents those who show Covid-19 symptoms, have a diagnosis of the disease, or belong to a risk group, in addition to pregnant or lactating women, from being assigned to port work.

In addition, it was determined that the worker on leave in this situation will receive 70% of his average monthly revenue received between April 2019 and March 2020. The figure cannot

be lower than 1 minimum wage. This expense must be paid by the port operator.

The text also allows changes to port lease contracts, if the labor costs caused by the licenses have an impact on that contract.

The approved text includes port activities among the essential services stipulated in the law on strikes. This invalidates the possibility of stopping workers in that category. You are obliged to provide the service during this movement.

The project also allows public port areas to be leased without bidding. For this, it is necessary to prove that there is only one party interested in the exploration of the place, in addition to making a public call.

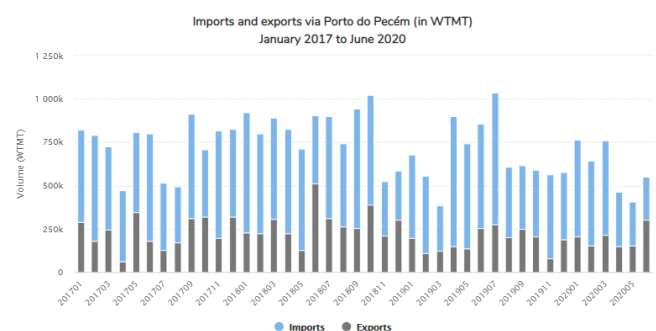
**The Government of Ceará has begun works to expand the Export Processing Zone (ZPE). Sector 2, as it is being called, is about four kilometers from Sector 1 and will occupy an area of 240 hectares.** The first module, which is expected to be delivered by next February, will have 23 hectares, with an investment of approximately R\$30 million.

The Ceará SPA is an incentive industrial district, where industries installed in its area have tax, exchange, and administrative benefits, with the counterpart that at least 80% of its revenue comes from exports. Today, three companies are operating in it: Companhia Siderúrgica do Pecém (CSP), White Martins, and Phoenix Pecém. In 2019, the trio handled more than 12 million tonnes of cargo. The new lots will be leased to companies for 20 years, and the contract may be renewed for an equal period.

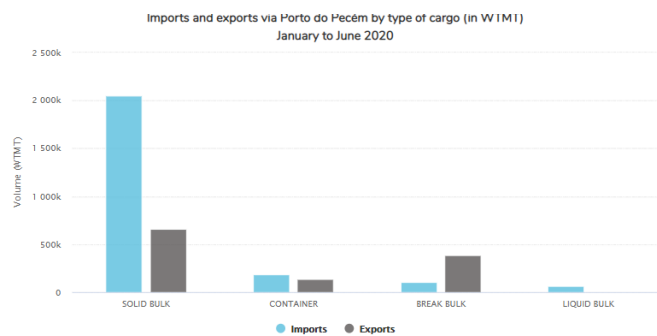
**Port Terminal** - The Pecém Port Terminal is undergoing its second expansion. Among the works, there is a new access gate (Gate 2); the new bridge to the port piers - 1,520 meters long; the new berth for ships; the CE-576, known as "Rodovia das Placa"; the duplication of CE-155, which links BR-222 to Porto do Pecém; the conveyor belts for mineral coal and ore; container loaders and steel plates, among other improvements, actions that total investments of approximately R\$1.3 billion.

In 2019, the Port of Pecém handled 18 million tonnes of cargo. Today, the site is almost three times bigger than when it opened.

The chart below shows cargo handling via Porto do Pecém on a monthly basis since 2017:



The chart below shows the main types of cargo handled by the Port of Pecém from January to June 2020:



Source: DataLiner

Currently, the Pecém Complex is a joint venture formed by the Government of Ceará (70%) and the Port of Rotterdam (30%). An industrial area is concentrated on the site, Porto do Pecém and ZPE Ceará.

**ANTAQ expects to carry out thirteen more bids for port areas by the end of the year. There will be bids in the ports of Paranaguá (PR), Santos (SP), Vila do Conde (PA), Itaqui (MA), Aratu (BA), Itaguaí (RJ), Porto Alegre and Maceió.** The information is from the regulation superintendent and chairman of ANTAQ's Permanent Tender Committee for Port Leases, Bruno Pinheiro.

According to him, there are some processes that are more advanced, such as the Port of Santos. ANTAQ will conduct the auction of two areas – both for pulp handling – on August 28. “The auction sessions will be in person at B3, in São Paulo, but they will follow the entire health protocol due to the coronavirus pandemic,” said Pinheiro. Investments for these two areas will be approximately R\$380.8 million.

For January 2021, four more tenders are expected. There will be two areas for Itaqui (liquid fuels); one for Maceió (liquid bulk – sulfuric acid) and Macapá (soybean meal). Total investments involved are R\$294.5 million.

**The Federal Audit Court authorized the early renewal of the concession contracts for the Estrada de Ferro Vitória a Minas (EFVM) and the Estrada de Ferro Carajás (EFC), managed by Vale S / A.** The new contracts provide for investments of R\$21 billion, of which R\$8.5 billion will be in EFVM and R\$9.8 billion in EFC, in addition to the use of the cross-investment mechanism, which allows the use of part of the amount for constructing new state railways with private investment.

In all, R\$2.73 billion will be allocated to the construction of the Midwest Integration Railway (FICO) between Mara Rosa (GO) and Água Boa (MT). This stretch will transport grain production (soy and corn) from the Araguaia Valley, one of the largest soy producers in Brazil, to the North-South Railway, generating access to the country's main ports.

The amendment to the contract also provides for the construction of a railway section between Cariacica and Anchieta, in Espírito Santo, enabling the operation at the port of Ubu. The State still intends to use part of the amount collected for the purchase of material to be used on the Oeste-Leste Railway (FIOL), in Bahia.

For the acquisition of a fleet of trains for the two railroads, R\$2.8 billion will be allocated and another R\$600 million will be reserved to deal with works of urban conflict in 55 municipalities. In addition, R\$11.3 billion will be invested in maintaining the

operation. The amount to be paid by Vale will be approximately R\$2.2 billion for both railways.

The Vitória-Minas Railway (EFVM) has a total length of 905 km and its route covers the majority of the Rio Doce valley. The main product from Minas Gerais to be exported is iron ore. The Carajás Railway (EFC), with have a distance of 892 km, connecting the Port of Itaqui, in Maranhão, to the mineral provinces of Serra dos Carajás, in Pará. The Açailândia / MA region will be connected to the North-South Tramo Norte Railway, which allows goods to access the Port of Itaqui.

**A Ro-Ro (Roll-on/roll-off) vessel was chartered for the express purpose of carrying a full load of buses at the Port of Paranaguá for the first time. This week, the Ulusoy 5 carried 130 passenger vehicles to Luanda, Angola. It docked on July 27, at berth 215.**

The operation was carried out by Marcon, the main vehicle and general cargo operator at Paranaguá. The vessel docked at around 6 am, loaded for around six hours, and set sail the same day at 7 pm. The buses were purchased by the Angolan Ministry of Transport from Marcopolo. Under the coordination of Asperbras, the vehicles were manufactured at the company's unit in Caxias, in Rio Grande do Sul. In the past three years, the Marcopolo/Asperbras partnership has resulted in more than 600 units being exported to the Angolan market

**A survey by the Infrastructure Ministry conducted amongst eight port authorities that account for 80% of all leasing contracts at national ports, pointed out that the movement of cargo from Brazilian public ports grew by 6.6% in the first half of 2020, in relation to the same period last year.** During the period, 168.8 million tonnes were transported compared to the movement of 158.4 million tonnes in 2019.

Even with the health crisis, five port authorities had an increase in movement in the first half. They are: Companhia Docas do Pará (26.5%), Suape Port (16.7%), Paraná Ports (12.6%), Santos Port Authority (12%), and Emap (5.1%). Among the biggest increases in handling in this period were the 28.5% increase in solid bulk handling at the ports managed by Companhia Docas do Pará; 22.1% in liquid bulk handling at the Port of Suape (PE); and 9.4% of general cargo at the Port of Paranaguá (PR).

According to the National Waterway Transport Agency (Antaq), until May 2020, the port sector, in general, handled 436 million tonnes, up 3.98% over the same period last year. The data includes public ports and private terminals (TUPs). The movement of liquid and gaseous bulk impacted the numbers, registering an increase of 16.5% in the period.

**The new development plans for Santos Port were approved on Tuesday, July 28, by the Infrastructure Ministry (Minfra).** It approved the new Development and Zoning Plan (PDZ) for the port and published Ordinance No. 1,620 in the Official Gazette this Wednesday (07/29), which states it will allow the port modernization to be implemented by strategically planning the occupation of public areas for the next 20 years. The implementation of the plan will increase the capacity of the Santos complex by approximately 50% by 2040, reaching 240.6 million tonnes.

The instrument was developed over the last year by the Santos Port Authority (SPA), based on guidelines for operational



efficiency and port-city integration. The new PDZ updates the 2006 version to ensure an efficient flow of cargo. The need to do this had been identified in the Master Plan, MInfra's macro planning instrument, published in April 2019, with a schedule for updating port planning.

The new PDZ for the port encompasses 100% of the cargoes in the region that deal with the port, the consolidation of areas for cargo clustering, and the increase in railway transportation. In terms of integration with the city, the plan includes solutions for interference with road and rail access and the destination of the Valongo pier for the handling of passengers on cruise ships.

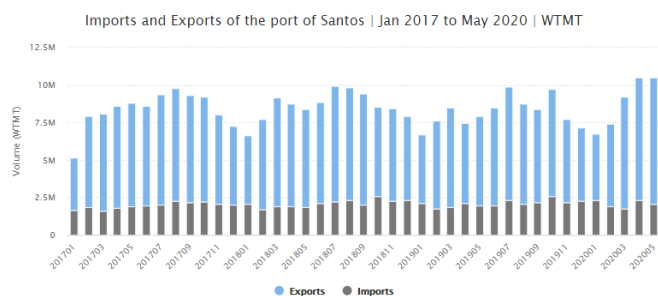
The container facilities will have one of the largest capacity increases of all cargo – a 64% increase from 5.4 million TEU to 8.7 million TEU, with a new dedicated terminal in the Saboó region. However, all types of cargo will benefit from increased capacity by 2040. Here are the highlights:

- Solid vegetable bulk: up 37% to 95.3 million tonnes
- Liquid bulk: 40% increase to 22.4 million tonnes
- Mineral unloading bulk: 74% increase, to 16.5 million tonnes
- Pulp: 49% growth, to 10.5 million tonnes
- Two berths for direct unloading, between Alemoa and Saboó

In compliance with the guidelines of the federal government to increase participation of railroad in the transportation matrix, the increase of the modality at Santos should be an almost doubling, to 86 million tonnes, thus increasing the percentage participation of railroad at Santos from 33% to 40%.

The new plan will be implemented immediately, with changes in the type of cargo carried out as the current contracts expire. There will be new leases, an expansion of areas, in addition to the expansion of railroad infrastructure. The estimate is that R\$9.7 billion will be needed between the next five to ten years divided into investments in terminals with current contracts (R\$2.5 billion), investments foreseen in eight new leases to be made as of 2021 (R\$5.2 billion), and railroad access works (R\$2 billion).

The following chart shows the movement of cargo in the Port of Santos on a monthly basis since 2017:



Graph source: DataLiner (To request a DataLiner demo click here)

## Shipping

**CMA CGM reported that to cover operating costs, it will carry out a freight adjustment on a specific service offered by the company.**

From September 1, 2020 (BL date) until October 1, 2020, a General Rate Increase will be applied to the East Coast of South

America trade (SEAS service + Salvador and Manaus covered by the BRAZEX service) to Asia, for dry cargo valued at US\$150 per TEU. The GRI excludes overseas departments and territories linked to the European Community.

**Just over two months after completing a special operation to increase the level of the Paraná River, downstream of the dam, the Itaipu plant, which is located on the border of Brazil with Paraguay, will increase energy production to guarantee the flow of more water.** This will allow the neighboring country to use the waterway to export around 100,000 tonnes of soybeans that are currently parked at warehouses and on barges, waiting to go abroad.

The request for Itaipu to cause more water to flow was made by the Chancellery of Paraguay directly to the Brazilian government, with participation from the Ministry of Mines and Energy, Eletrobras, the National Water Agency, and the operator of the National Electricity System.

This time it will not be necessary to open the spillway. The measure required is only to increase energy production, which will be enough to have more turbine water flowing downstream. The program started this Monday (August 3rd) and should extend until August 16th, totaling 13 days. From Monday to Friday there will be 7,500 cubic meters of water per second ( $m^3 / s$ ). On weekends it will fall slightly to 7,100  $m^3 / s$ , an increase of 1,000  $m^3 / s$  in relation to the current volume.

Flow

A total of 104 loaded barges are waiting for the river level to rise to spill over the lock of the binational Yacyretá plant, which will also participate in the operation. The passage of barges through the Yacyreta lock is scheduled for between August 10-12, according to the Paraguayan Ministry of Foreign Affairs.

Previous operation

The first operation carried out by the Itaipu plant, between May 18 and 29 – this time with the controlled opening of the spillway -, increased the level of the Paraná River by three meters, allowing the handling of 170 barges loaded with soybeans retained due to the strong drought, one of the largest in history. The measure allowed the flow and access to Argentine and Uruguayan ports.

## Grain

**Cofco resumed operating its oilseed crushing and exporting unit in Timbúes, Argentina, which had been paralyzed since July 27 after the confirmation of 12 cases of Covid-19 among workers. All twelve of them tested positive but are now asymptomatic.** Another 77 workers underwent the exam and had negative results. The outbreak occurred in the sampling sector, where agricultural products are received at the Timbúes port facility, on the Paraná River, the main grain waterway in the country.

The plant employs 350 workers and has an annual capacity of 6.5 million tonnes of grain. The grain sector in Argentina is currently the main source of dollars in the country. "Timbúes is largely operational and full capacity available, and we expect the sampling station to also return to operation on Wednesday this week," said Allan Virtanen, director of communications for Cofco International. "The plant will not receive trucks until the sampling

station is operational again. But for now, there is enough stock to crush and load vessels," he added.

**According to the Agricensus Agency, a load of Brazilian soy exported to northern China was detained on July 25 because ten crew members aboard a ship from Rio Grande do Sul have tested positive for Covid-19.** The Brazilian crew tested positive after the ship arrived at the port of Yantai, in Shandong province, China. After being subjected to tests, the ship was supposedly detained at the pier for four days.

"There is concern in the soybean market in China. Some processors are afraid to buy," a Chinese source close to the matter told Agricensus. "Crews involved in transporting iron ore also tested positive," he added. "The crew will be taken to the local hospital and others will remain in quarantine," said a soy trader.

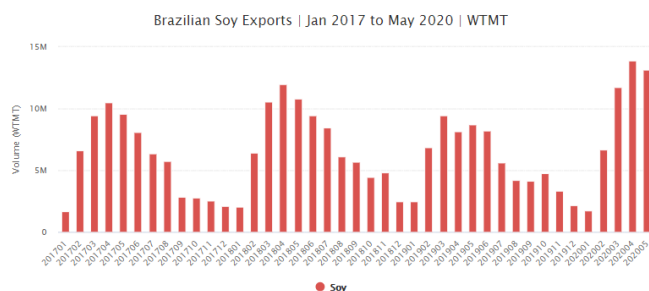
According to sources in the soy market, customs regulations require that all crews of any cargo ship arriving in China be tested for coronavirus. In addition, if they are positive, they need to be quarantined for at least 14 days.

**A survey conducted by Reuters shows that Brazil's soybean production in 2020/21 is expected to jump to a record 130 million tonnes, with good prices driving farmers to increase planting in pasture areas after a drought reduced the harvest in the south of the country in 2019/20.**

The survey carried out with eight experts indicates that Brazil, the largest global producer and exporter of soybeans, may increase its harvest by about 8% compared to the 120.9 million tonnes projected by the government in the previous cycle. The growth, of almost 3% in the harvested area, to the unprecedented level of 38 million hectares, is driven by high-profit margins, coupled with the exchange rate boost, which allowed accelerated advance sales by producers, according to analysts.

"Almost 50% of the soybean crop has already been sold, at a record pace, this shows the trend of growth in the area," Bartolomeu Braz Pereira, president of producer association Aprosoja Brasil, told Reuters.

The graph below shows the growth of Brazilian soy exports in 2020 compared to previous years:



**According to Agribusiness Projections, Brazil 2019/20 to 2029/30, in the next decade, Brazil's grain production is expected to increase by 27%, beef by 16%, pork, 27%, and chicken, 28%.** This forecast is updated annually, with the most recent projection covering the period from 1994 to May this year. The study is carried out by the Secretariat of Agricultural Policy of

the Ministry of Agriculture, Livestock and Supply, by the Secretariat of Intelligence and Strategic Relations of the Brazilian Agricultural Research Corporation (Embrapa) and by the Statistics Department of the University of Brasília (UnB).

In the projection for the next decade, Brazil will jump from the current 250.9 million tonnes in 2019/20 (according to a May / 2020 Conab survey) to 318.3 million tonnes – a 27% increase in national production. Cotton, the second corn crop, and soybeans are expected to continue driving growth in grain production.

**Meat** - Brazilian meat production (beef, pork, and poultry), between 2019/20 and 2029/30, is expected to increase by 6.7 million tonnes. The total volume of meat will rise from the current 28.2 million tonnes to almost 34.9 million tonnes, which means an increase of 23.8% in protein production in Brazil, with highlights for pork and chicken.

The research trend points to a jump from 14.1 million tonnes to 18.1 million tonnes of chicken for the next decade. Pork meat, from 4.1 million tonnes to 5.2 million tonnes, in 10 years. The forecast for beef is to go from 9.8 million tonnes to 11.4 million tonnes.

**Exports** - In the international context, Brazil should continue to be, together with the United States, one of the largest food producers and exporters. Considered a great supplier of quality food with sustainability to the world. In meat, there will be strong pressure from the international market, especially beef and pork, although Brazil continues to lead the international chicken market. Brazil is expected to participate with almost 52% of world soy exports, 35.3% of chicken meat, 23.2% of corn exports, 22.7% of cotton, and 9.7% of pork exports.

Among the products highlighted in the increase in exports in the next decade are sugar, which will rise from 15.98 million tonnes in 2019/20 to 25.23 million tonnes in 2029/30 (up 57.9%) and cotton, with an increase of 41.6%. Corn exports are expected to rise from 34.5 million tonnes to 44.5 million in the period, up 29.1%.

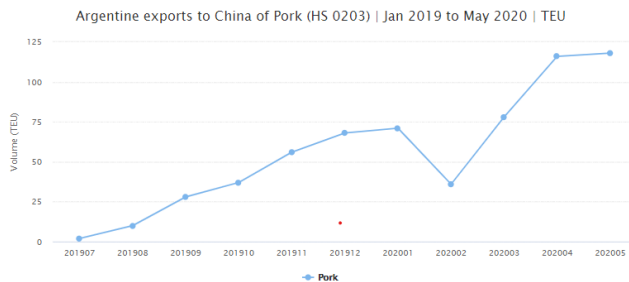
Chicken is expected to increase by 34.3% in exports and pork meat 36.8%. Fruits also stand out, with an increase in exports of mango (57.6%), melon (47.6%), and apples (43.4%).

### Meat

**According to Argentina's Undersecretary for Trade and Investment Promotion, the country is approaching an initial agreement with China that could pave the way for potential Asian investments in local pork production for export.** The deal could eventually result in pig breeding in Argentina supported by China. It is worth remembering that Beijing is trying to recover its animal protein production after the African swine flu decimated its herds.

Undersecretary Pablo Sivori said a memorandum of understanding could be signed with China in the coming weeks. "We already agree with the content of the memorandum," said Sivori, adding that the Ministry of Foreign Affairs asked the Chinese government to sign the document virtually. He stated that the memorandum is the result of a process initiated by the private sector and would involve investment structures in Argentina, in addition to cooperation in health, scientific and technological areas related to the sector.

Although Argentina is already a major exporter of beef to China, it is not a major player in the global pork market. According to official data, in 2019 the country produced 630,000 tonnes of pork, of which only 34,000 tonnes were exported. The chart below shows Argentine pork exports month by month since 2018:



Graph source: DataLiner (To request a DataLiner demo click here)

**BRF informed that China’s General Customs Administration had suspended its authorization for chicken exports from its unit in Dourados (MS), due to concerns over Covid-19 in Brazil.** According to the company, it was not officially notified of the suspension, but learned of it through a publication on the Chinese agency’s website.

BRF stated that it is already working with Brazilian and Chinese authorities to reverse the suspension as soon as possible. The company said the new coronavirus cannot be transmitted by food and that Chinese agencies have already carried out tests to identify Covid-19 in 227,900 food samples at random from several countries and from the most varied companies, but “nothing was found until now”.

BRF is the largest chicken exporter in Brazil. The following chart shows Brazilian chicken exports to China since 2017:



Graph source: DataLiner (To request a DataLiner demo click here)

**According to the Secretary of Commerce and International Relations at the Ministry of Agriculture, Orlando Ribeiro, on July 27 China allowed three more Brazilian fish farms to export to their country.** That makes 110 companies that have received authorization to send products to China. The enabled farms are located in Rio de Janeiro, Mato Grosso do Sul, and Santa Catarina.

“It is a demand that has not evolved in a long time and has now become a reality, bringing possibilities for more trade, jobs, and income for thousands of national aquaculture and fisheries workers,” said Jorge Seif Júnior, secretary of Aquaculture and Fisheries on social networks.

According to the president of the Brazilian Association of Pisciculture (Peixe BR), Francisco Medeiros, the news indicates an advance for the sector. “This step is good news. It is necessary to understand that this is not the same thing as an immediate increase in exports, but it does mean a great achievement since we opened trade with the largest market in the world for fish consumption, which is China”, he said.

Despite the qualifications, fish exports have not yet reached their potential. Brazil exports around 6,000 tons of fish, and by-products annually, with a revenue of US\$12 million. External sales grew 26% from 2018 to 2019. Production was 758,000 tons last year. Tilapia is the most exported fish, with a 19% increase in volume shipped abroad in 2019.

The following graph shows Brazilian exports of fish on a monthly basis since 2017:



Graph source: DataLiner (To request a DataLiner demo click here)

**Brazil is now allowed to export pork to Myanmar. According to the Brazilian Animal Protein Association (ABPA), this market already has an International Health Certificate (CSI) published in the Brazilian Ministry’s system.** This was informed by the Ministry of Agriculture, Livestock, and Supply.

Myanmar has 53 million inhabitants, with an average per capita consumption of 17.5 kilograms of pork per year. According to the president of ABPA, Francisco Turra, Myanmar is one of the nations in Asia that has suffered due to the African Swine Fever, with a direct impact on the local supply of animal protein. “In this context, Brazil, which is already a supplier of chicken to Myanmar, now consolidates its position in the pork sector”, emphasizes Turra. There are still no details on the number of Brazilian slaughterhouses that have been allowed to export.

### Ores

**Data from the Federal Trade Secretariat (Secex) shows out that in July, Brazilian iron ore exports registered a daily volume slightly above that seen in the same period last year and may record the highest monthly level in almost two years if this pace is maintained.**

Iron ore is one of the main items exported by Brazil and totaled 1.498 million tonnes per day until the fourth week of July, against 1.488 million in the same period the previous year. This means total shipments of 26.98 million tonnes this month with 18 working days, against 34.22 million tonnes last July, in 23 working days.

If the current pace is maintained, this month exports would total 34.47 million tonnes, higher than the same month last year, the best month of that year, according to data from Secex. The volume would also be the largest since the 34.6 million tonnes exported in May 2018.

### ***Other cargo***

**The coronavirus pandemic has negatively affected Brazilian tobacco exports. In the first half of 2020, the drop in export volume was 24% and in revenue terms, the fall was greater at 35%.**

During this period, Brazil exported around 186,000 tonnes of tobacco. Last year, 548,000 tonnes were sold in the year, generating revenues of US\$2.138 billion. However, industry representatives explain that the 2019 volume is unlikely to be reached. This is because there were losses due to climatic factors, especially in Rio Grande do Sul and Santa Catarina and, last year, numbers were boosted as part of the 2018 contracts were fulfilled.

For 25 years, Brazil has led tobacco exports. About 62% of the total produced in the country, in the period from 2010 to 2019, was exported. The vice-president of the Federation of Agriculture and Livestock of the State of Santa Catarina (FAESC) Barbieri, highlights that the news for tobacco growers is not good. "Sales in the second half may recover losses in the first half because the largest volumes of business are traditionally closed between July and August. However, the advance of the pandemic should keep consumption low", he says.

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*Your contributions, criticisms, suggestions and, if you do them, press releases, will be welcome. Contact: [datamarweek@datamar.com.br](mailto:datamarweek@datamar.com.br)  
Tel + 5511-3588-3033*

*Datamar Consultores Associados Ltda.*

*Rua Fuchal 203, 4th floor*

*Vila Olímpia, São Paulo – 04551-904 – SP*