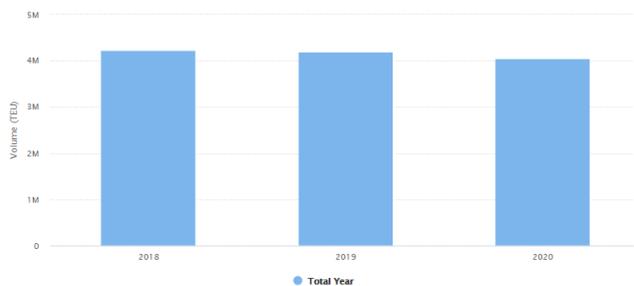


Main news

Covid-19 has wreaked havoc not only on the health and day-to-day livelihood of Brazilians and the populations of other countries of the Plate but also on the economy. DataLiner information shows that in comparing container volume handled in the region in the period from January to August in the last three years (import plus export), a fall of 3.39% was registered in 2020 in relation to 2019, and a fall of 3.99% was registered in relation to the same period in 2018.

Comparison of Container Handling from Brazil and Plate – Jan to Aug 2018 to 2020

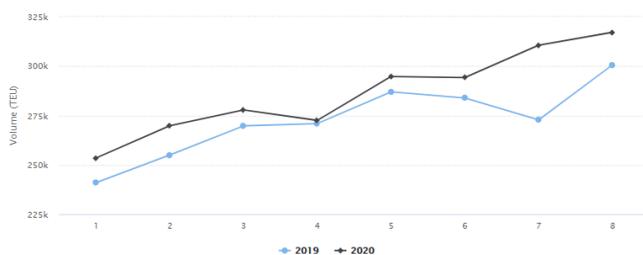


Source: DataLiner

But did the economy hit bottom in June and is it now beginning to recover? To answer this question, the DatamarNews team collected strategic data from DataLiner, which reports the maritime foreign trade numbers for the region.

DataLiner information indicates that exports via container from Brazil and the Plate continue to grow. In August, the volume was 5.50% higher than the same month of 2019.

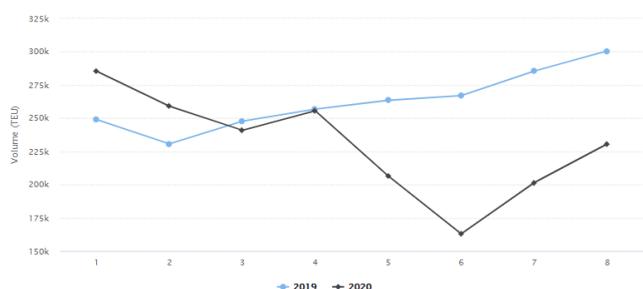
Exports Via Container from Brazil and the Plate – Jan to Aug 2019 and 2020



Source: DataLiner

Imports have fallen. Imports via containers in the region fell 23.29% in August compared to the same month of 2019. Even so, they grew 14.43% in relation to July 2020.

Container Imports from Brazil and Plate – Jan to Aug 2019 and 2020



Source: DataLiner (To request a DataLiner demo click [here](#))

Perspectives - Although slow, the above figures indicate an economic recovery as a result of the loosening of Covid-19 social-distancing measures. In general, the Brazilian population is more confident. The Brazilian Economy Uncertainty Indicator (IIE), measured by the Getúlio Vargas Foundation (FGV) and released on September 30, fell 14.5 points in September to 145.8 points. It is the fifth consecutive fall, although it showed strong increases during the beginning of the COVID 19 pandemic, rising 52 points in March and 43.4 points in April.

“The result reflects evidence of a solid return to economic activities and the continuation of the relaxation movement of social-isolation measures imposed by the Covid-19 pandemic. Despite the improvement in the month, the indicator is still 9 points above the maximum level before the pandemic, reached in September 2015”, said Anna Carolina Gouveia, an economist at FGV.

Industrial activity - A survey released by the National Association of Motor Vehicle Manufacturers (ANFAVEA) points out that the month of August registered the best numbers since the beginning of the Covid-19 pandemic, which proves, for the entity, that the most acute crisis was limited to the second quarter. Compared to July, auto production in August grew by 23.6% (210,900 units), licenses grew by 5.1% (183,400), and exports fell by 3.4% (28,100).

However, when compared with the volumes of August of last year, these three numbers registered declines of more than 20%, still indicating a long road of recovery ahead to pre-pandemic levels. In the first eight months, the comparison is even more unfavorable. Licenses dropped 35%, exports shrunk 41.3% and production plunged 44.8%, repeating volumes similar to those of almost twenty years ago. “It is as if we lost three months of internal sales and almost four months of production”, analyzes Luiz Carlos Moraes, president of ANFAVEA. “If weren’t for the pandemic, by mid-May we would have reached the levels reached at the end of August,” adds Moraes, showing the size of the losses in the automotive sector.

August job creation - Another positive factor indicating that the worst is over is the creation of jobs. Data released by the General Register of Employed and Unemployed (CAGED), the Ministry of Economy’s Labor Secretariat, shows that for the second month in a row, the country created formal jobs. In August, 249,388 formal jobs were opened. The indicator measures the difference between hiring and firing.

This was the most positive result for the month of August since 2011, when 190,446 formal vacancies had been opened. In the accumulated result for the year, however, the labor market continues to feel the impact of the pandemic. From January to August, 849,387 vacancies were closed, the worst result for the first eight months of the year since the beginning of the historical series, in 2010.

Despite the positive indications, there is still a lot of work to be done by the government and other sectors of the economy in order to return to the pre-crisis level.

Ports, terminals and infrastructure

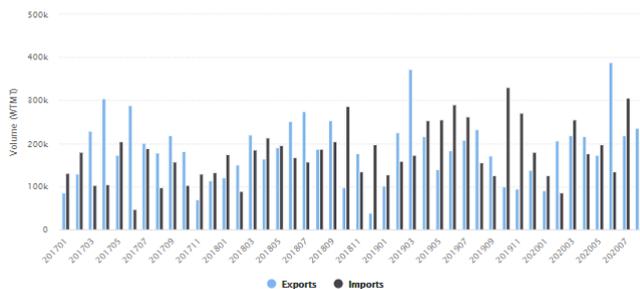
The Port of Imbituba (SC) maintained the growth curve of the last few months and closed September setting another operating record: 602,737 tons handled, which is the highest

monthly result in its history. This represents a growth of 42.7% in relation to September 2019 (422,193 tons). The previous record was set in July this year when 602,370 tons were registered.

In the last month, there were 26 moorings in Imbituba. Soybeans, non-calcined coke, salt, containers, and corn represented the highest volumes transported, representing 78% of the total. Pulp, urea, bituminous coal, malt, soda, fertilizer, and food in big bags were also handled, in addition to the launch of a catamaran. From January to September, the Port of Imbituba has already handled more than 4.3 million tons.

See monthly cargo handling at the Port of Imbituba since 2017:

Monthly Cargo Handling at the Port of Imbituba | Jan 2017 to Aug 2020 | WTMT



Source: DataLiner (To request a DataLiner demo click here)

Transitional Lease Notice

On September 25, SCPAR Porto de Imbituba, the site administrator of the Port of Imbituba, launched the Simplified Selection Process Notice no. 01/2020 for the transitional lease of the Bulk Liquid Terminal (TGL) available area. The objective is that the area continues to be used for the handling and storage of caustic soda. The simplified selection aims to establish a transition contract for a period of up to 180 days, or until the bidding process for a 25-year long-term lease is concluded. The document was published on the Santa Catarina government website.

The TGL has an area of 7,455m² and is located between Pier 1 and 3. It consists of 3 storage tanks. However, two of them are out of operation. The operating tank has a capacity of 4,826 m³ of caustic soda. Any intention to store another product will depend on a new environmental license. In addition to the tanks, the terminal has 806 meters of supply ducts that connect the Pier to the TGL, and equipment for loading road transport vehicles. The reactivation of inoperative tanks may be carried out by the transitory contractor if authorized by the Port Authority.

This is the first time that SCPAR Porto de Imbituba uses the simplified selection process for the Transitional Lease Agreement, provided for in a 2016 resolution of the National Waterway Transportation Agency (ANTAQ), the regulatory body. Proposals are being accepted until October 13. The details of the selection process – including qualification deadlines and documents and the draft of the transition contract – are available via the Bidding Tab.

According to Leo Huisman, CEO of APM Terminals in Latin America, the company – which is a subsidiary of the Danish shipping Maersk – wants to increase its operations in the Port of Santos. Therefore, it has been closely monitoring the opportunities involving a new container terminal in Saboó.

Huisman granted an exclusive interview to Estadão's Broadcast column on the topic.

The project for the new terminal is part of the Port of Santos Development and Zoning Plan (PDZ). The area to be offered to the market is next to the facilities of Brasil Terminal Portuário (BTP), which is a partner of APM. The group plans to hitch a ride on the ambitious plans for the Port of Santos and envisions creating a hub capable of receiving ever-larger vessels in the future.

“We want to increase our operations in Santos. We believe it is a necessity, but we are in a difficult time”, he said. He explained that advances in port structures depend on international technology and that, due to the devalued Brazilian real, projects end up becoming much more complex.

Today, BTP's structure operates at maximum capacity in Santos. “Everyone expects the Saboó area to be auctioned. Let's see if we can and should participate”. Studies for the area are still in an embryonic phase at the Santos port authority (SPA) and there is no timetable for the project.

“In about five or 10 years, Santos will be able to receive larger ships. When these large vessels arrive, they do not stop at all ports. They need hubs to distribute the cargo,” he said.

Today, the BTP terminal has a capacity of 1.7 million TEUs per year. To receive larger vessels, the capacity will have to reach close to 3 million TEUs. “It is not for tomorrow. It is not for next year. But we know that we would like to improve services for larger vessels”, he said. From January to August, BTP handled 689,089 containers, up 13% YoY. The gain came prior to the good moment for exports, which advanced 38% in the period, supported by commodities and animal protein.

The Port of Santos can currently dock vessels of up to 340 meters. SPA plans to receive vessels of up to 366 meters in the coming months. The project is being evaluated for approval by the Navy. The port itself sees approval as an important step towards its consolidation as a hub.

APM's entry into the dispute for Saboó, however, is still full of uncertainty. In a recent auction of two pulp terminals, Suzano ended up being left out because of a public notice rule to avoid the concentration of more than 40% of pulp handling and storage with a single operator. With another terminal, Suzano could account for 70% of participation. “The question is: where in Brazil will the main distribution take place? Ideally, it would be in a large market like Santos. But if Santos cannot offer the structure, the vessels will go elsewhere in the country”.

The group closely monitors the Brazilian market. Huisman explained that while container movements are expected to decline by up to 30% in Latin America, especially in countries like Panama and Argentina, Brazil will be able to deliver growth of up to 4% this year. “We knew that the impact would be great. Many economies have closed. What took us a little by surprise was the significantly higher level of Covid-19 infections in Latin America,” he said.

While the company recorded a drop of around 20% in volume in the second quarter in the region, today the operation is unable to meet the high demand for transportation. Among the engines driving this demand is the Chinese market. “At the moment, we are having more demand than we can deliver, yes. Because it is

not possible to divide demand equally throughout the year. It was predictable that this would happen, that there would be very high demand. We have seen this happen during other crises.”

In Brazil, the support came from the agribusiness gigantism, whose exports of fruit and animal protein more than made up for the drop in imports, especially in the automobile sector.

Despite keeping a watchful eye on the country, APM has no plans for new projects and prefers to expand the existing portfolio. In addition to the partnership with BTP, the company also leases terminals in Pecém, CE focusing on fruit exports, in Itajaí, SC, and also holds a stake in Itapoá, SC.

Data from ANTAQ's Informativo Aquaviário waterway bulletin show that the Brazilian port sector (ports + private terminals) handled 286.4 million tons in the second quarter of 2020, signifying 7.9% growth compared to the same period last year, or an increase of 20.9 million tons. The survey highlights shipments of agricultural bulk (sugar and soy), oil and oil products, and iron ore. As stated in the bulletin, increased Chinese demand, favorable exchange rates, and increased fuel production were responsible for the increase in these products.

In the first half of 2020, the national port system handled 538.8 million tons, an increase of 4.6% in relation to the same period last year.

Cabotage - There was a 6.4% decrease in container handling (in TEU) in the second quarter. The capacity utilization index of the container fleet decreased to the level of 58.3% in May 2020, the lowest value of the year, compared to the maximum level of 77.4% in March. This shows a slowdown in the transport of containers via coastal shipping despite the growth of 3.4% in the movement of cargo originating from – or destined for – coastal shipping in comparison with the first quarter of 2019.

Container handling for the semester (in TEU) via cabotage grew by 4.3% compared to the first half of 2019.

The bulletin, released periodically, analyzes port handling and national cargo transport during the period studied, taking into account the country's economic context.

On September 24, Empresa de Planejamento e Logística (EPL), signed a contract with the Demarest / EXE Engenharia / MIND consortium to develop a diagnosis of the Port of Itajaí, in Santa Catarina. The service includes the collection and analysis of data and information that will support EPL's work in the process of privatizing the terminal.

The consortium will be responsible for a preliminary assessment of the current situation at the Port of Itajaí. This stage includes mapping the main markets in which the port is inserted and its competitors, movement history, use of areas, and the main challenges to competitiveness.

EPL will be responsible for preparing the studies that will allow the privatization of the port. Possible legal-regulatory models will also be evaluated, with a breakdown of legally possible and technically appropriate arrangements.

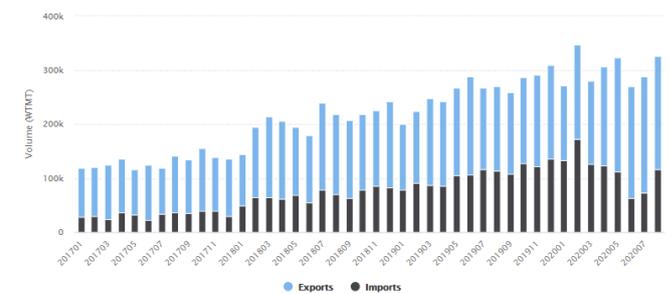
“Our studies aim to give the Port of Itajaí greater competitiveness, economic dynamism and new businesses related to the

enterprise, generating income, jobs and wealth for the municipality and region”, explained Artur Lima, EPL's CEO.

The privatization project for the Port was sent to EPL by the Ministry of Infrastructure in April this year. The work plan developed by EPL in conjunction with the National Secretariat for Ports and Waterway Transport establishes 28 months for the studies to be completed. Qualified as a public-private partnership on June 10, 2020, it is expected to go to auction in 2022.

The following graph shows the cargo movement via the Port of Itajaí since 2017:

Cargo Movement via Port of Itajaí | Jan 2017 to Aug 2020 | WTM



Source: DataLiner (To request a DataLiner demo, click here)

The Port of Açú has just carried out its first fertilizer operation via the Multicargas Terminal (T-MULT) involving the importation of 25,000 tons of potassium chloride (KCL) into rural Minas Gerais state.

Originating in Saint Petersburg, Russia, the ship MV PALEKH docked at Port of Açú on September 23. The operation was made possible due to the installation of a new covered warehouse during a recent expansion of T-MULT. In the first year of the contract alone, the expectation is that 150,000 tons of fertilizer will pass through this terminal, enabling global connections via the state of Rio de Janeiro for the producers of these inputs, especially for states that do not have access to the sea, such as Minas Gerais.

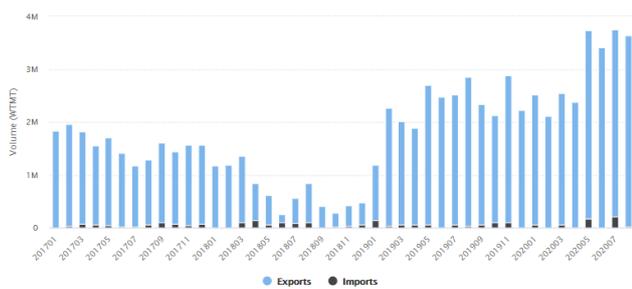
“Besides the fertilizer-import season, it will also be possible to store and move other types of products, such as bulk agricultural and mineral solids. We set up two large warehouses, with an area of 6,000 m² and the capacity to store 25,000 tons of inputs per month”, explains João Braz, director of Terminals and Logistics at Açú Port.

Brazil imports about 80% of the fertilizers it consumes locally. With this service in its portfolio, Port of Açú seeks to meet domestic demand, especially the market in the eastern, southern, and central regions of Minas Gerais state, where there is a large base of installed distributors.

This project is considered the embryo for the industrialization phase of Port of Açú in the petrochemical sector, which will be consolidated with the attraction of industries to the north of Rio de Janeiro. The T-MULT expansion plan, scheduled for the next five years, includes an increase in the quay and bulk yard, the construction of a yard dedicated to general cargo and containers, and new warehouses for storage.

See cargo movement via Port of Açú since 2017:

Cargo handling at Port of Açú | Jan 2017 to Aug 2020 | WTMT



Source: DataLiner (To request a DataLiner demo click here)

On September 29, the Brazilian Environment and Renewable Natural Resources Institute (IBAMA) granted Valec a license to build a railway between Mara Rosa, GO, and Água Boa, MT which are part of the Central-West Integration Railway (FICO) works. With that, the works – from an environmental point of view – are ready to begin next year.

The 383-km stretch will connect the Araguaia Valley, a productive and developing region of Mato Grosso, with the North-South Railway, favoring the flow of the harvest to the ports of Santos (SP), Itaquí (MA), and, in the future, Ilhéus. In total, the project will have works undertaken in 12 municipalities which will be carried out by Vale, through cross-investments, beginning with the granting of the advance extension of the Vitória-Minas Railway (EFVM) contract. The estimate is that R\$ 2.73 billion will be invested in the works.

IBAMA has established a series of demands in their Basic Environmental Plan, which includes programs aimed at flora, fauna, solid waste management, monitoring of water quality, compensatory planting, and fire prevention, to name a few.

Railway projects

The Inter-American Development Bank (IDB) and the Ministry of Infrastructure (MINFRA) signed a technical cooperation agreement to support the development of railway projects. Instruments for the preliminary analysis of projects will be developed in order to stimulate the optimization and improvements in the rail transport system. With the modernization of assets, it is hoped to attract even more investors' attention.

US\$ 450,000 will be disbursed for the initiative, which also involves analyzing alternative financial instruments to promote greenfield infrastructure railway projects (those that do not have pre-existing structures) and brownfield (projects that add to something already existing and may involve the renovation or demolition of structures). In addition, it will analyze existing demand studies and risk assessment for the socioeconomic sustainability of existing systems, impact studies of rail freight or passenger projects, review of federal regulations, and workshops and events to promote the exchange of experiences.

On September 25, a pear-shaped railway track was inaugurated at the Port of Imbituba which will facilitate trains transporting containers to the port. The work is part of the first stage of expanding the Imbituba train network. With the pear-shaped path, vehicles are able to enter and exit without the need for additional maneuvers. About 50 containers arrive daily at the port by railway, bringing mainly rice and ceramics produced in the south of Santa Catarina.

The improved port infrastructure investment valued at R\$ 700,000 was carried out by Ferrovia Tereza Cristina (FTC), a concessionaire of the network that connects the south of Santa Catarina to Porto Público, and integrates the first phase of the Network Expansion Plan in the Port of Imbituba.

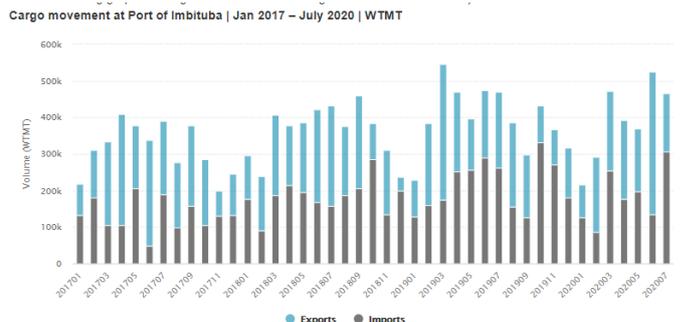
The pear-shaped railway project was developed by the engineering sectors of FTC and SCPAR Porto de Imbituba Port Authority. Improvements include a rail extension, a return stretch, the duplication of a stretch to accommodate railcars, the construction of level crossings, installation of equipment for changing direction, and horizontal and vertical and traffic signaling.

Over the past few days, operational tests have been carried out and the construction of the drainage structure, scheduled for 2021, will be moved up. This will provide greater durability and safety. After more than a decade of planning, the project to expand the railway network inside the port was re-presented in 2019 by the FTC. The works began in January this year.

Port Expansion Plan - The next phase of the Expansion Plan consists of connecting the track extension to the Container Terminal, located near Pier 3. The proposal has been under study since early April and was initiated with a technical visit by the FTC concessionaire.

See the following graph showing the Port of Imbituba cargo movement since January 2017:

Cargo movement at Port of Imbituba | Jan 2017 - July 2020 | WTMT



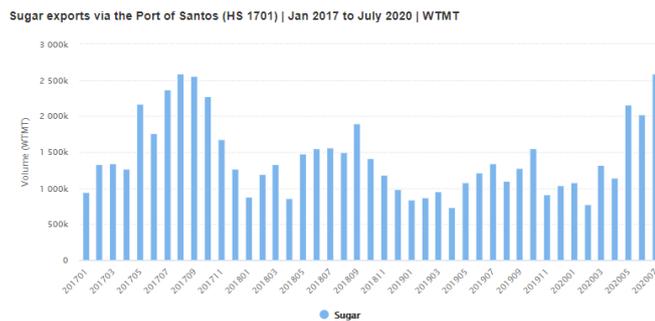
Graph Source: DataLiner (To request a DataLiner demo, click here)

On October 1st, the ship MV Lady Cansen docks at the Port of Santos to carry out a break-bulk sugar operation before proceeding to West Africa with 25,000 tons of the exported product.

A common sight until the 1990s, a sugar break-bulk load has not left the Port of Santos for a decade, ever since the popularization of containers. However, the recent demand for the last Brazilian sugar harvest and, consequently, the congestion at the Port of Santos, led Évolos Logística to invest in the solution. The cargo will depart from a port terminal that is specialized in the operation of break-bulk cargo.

With the terminals operating at full capacity with containers, the company saw the possibility of investing in exports through break-bulk. The practice is not uncommon at the ports of São Sebastião and Rio de Janeiro, but is unusual in Santos. A second such operation is scheduled for early October.

See the graph below for Brazilian sugar exports via the Port of Santos since 2017:



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

In the month of August, the Port of Santos set a record, handling 13.7 million tons of cargo, up 13.6% over the same month of 2019 and 1.8% above the previous record set in July, when it handled 13.5 million tons. It is the seventh time this year that the Port of Santos breaks a record for a specific month, after setting records for 7 consecutive months in 2020, in February, March, April, May, June, and July.

Exports increased by 20.8% to 10.6 million tons, and imports dropped 5.2%, to 3.2 million tons. Three types of cargo made the largest difference when compared to the same period last year. Solid bulk grew 32.4% (to 8.1 million tons); liquid bulk grew 0.9% (to 1.5 million tons); and general cargo grew 4.5% (to 380,800 tons). General containerized cargo TEU decreased by 12.7%, to 323,300 thousand.

Year to date results

Cargo movement in August at the Port of Santos increased the year-to-date result to 97.8 million tons, which was 10.2% above the previous record for the period set in 2018 (88.8 million tons) and 10.7% above 2019 (88.4 million tons).

Solid bulk products grew by 19.5%, with a record year-to-date amount of 52.7 million tons, with emphasis on soybeans, increasing by 25.8%; sugar, increasing by 58.9%; fertilizer, increasing by 24.2%, and pelletized soy, increasing by 15.2%.

In the accumulated result for the year, liquid bulk passing through the port increased by 9.6%, also a record for the period, reaching 12.1 million tons.

Year-to-date general cargo movement decreased by 3.1%, to 3.5 million tons. The general containerized cargo fell by 0.3% in this period, totaling 2.7 million TEU.

The flow of ships grew 2.9% in the month and 2.7% in the year, to 424 and 3,300 vessels, respectively.

According to TCP - the company that manages the container terminal of Paranaguá, the terminal set a record in container movement in August, handling 87,455 TEU, an increase of 8.8% compared to the same month of 2019, when 80,388 TEU were handled. In the cumulative result for the year (January to August), the total movement is 646,630 TEU, exceeding by 7.0% the same period last year, when the cumulative value was 606,410 TEU

In addition to the general movement mark, the terminal also broke the movement record handling from a single vessel, with 2,083 containers moved on the CAP San Lorenzo on August 31. The previous record had been registered on October 12, 2017, when the terminal made 2,037 container movements on the ship Maersk Lins.

In July, TCP had set three records: handling the most full containers; export and full containers, and export of reefer containers.

Record by ship

In relation to the movement records set by ship, Thomas Lima, Commercial Director at TCP, explains that the new operating conditions allowed for more elaborate mooring strategies and, consequently, an increase in productivity. "Actions like this generate trust between us and the shipowners. The expectation is that new records like this will happen again", he concludes.

The ship was handled with four ship-to-shore (STS) cranes, two of which are the largest in Latin America, during approximately 24 hours between the arrival of the vessel in Barra de Paranaguá and its unberthing from the Terminal. With import cargo, the vehicle integrates Maersk's Samba Sul service, one of the 17 maritime routes that pass through TCP.

The National Port Administration of Uruguay signed a concession agreement with Obrinel for the construction and operation of quays for loading and unloading liquid and solid bulk, pulp, and goods being transported to the Port of Montevideo by means other than by container. The concessionaire must now wait for environmental approvals to start the construction works in the space it will manage until November 2051.

According to Luis Alberto Heber, the Minister of Transport and Public Works of Uruguay, "this type of investment enhances an area that can receive more initiatives in the port and represents more jobs for Uruguayans, which is a major challenge for the country in the current context. These activities also open up jobs in other sectors of the economy", he explained.

In addition, the minister stressed that "it is necessary to contemplate the dredging of the port at a depth of 14 meters", which he considers as fundamental to place the Montevideo terminal in a privileged place among the ports in the region and to enable more business for the country.

The contract determines that the concessionaire is responsible for dredging a length equal to that of the pier to be built, with a minimum depth of 12 meters and a maximum depth of 14 meters for the hydrometric reference plane (PRH).

Shipping

Container vessel calls at Brazilian ports and blank sailings are thermometers of the country's economy and foreign trade. Therefore, the Datamar team carried out a survey of the main changes that these maritime routes have undergone in recent months and what we can expect for the future.

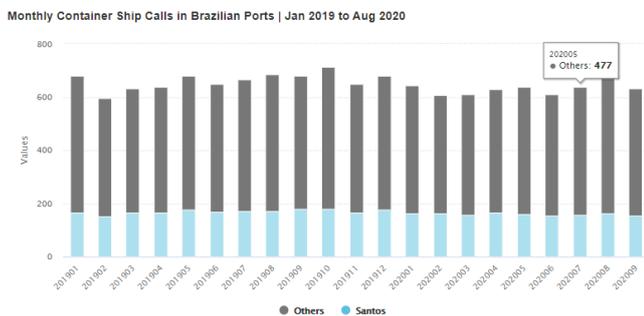
Blank Sailings - During the peak of the Covid-19 pandemic, some blank sailings were recorded on the main international trade routes. But there have been no more blank sailings registered

since the second half of August and none are expected until November at the earliest.

The main routes that had blank crossings during the pandemic were the Far East and East Coast of South America, which registered four (three in June and one in July); and the Gulf of Mexico (southern United States) / Caribbean and East Coast South America, which also registered four (three in June and one in August). The West Coast and East Coast of South America (July) and West Africa and East Coast of South America (August) routes had only one blank sailing each forecast during the period from June to November.

Regarding container vessel calls at Brazilian ports, during the 3rd quarter (July, August, and September) there was an increase of 2.16% in relation to the 2nd quarter (April, May, and June). In the first nine months of the year, however, there was a 4% reduction in moorings (5229 in the period from January to September 2019 and 5043 in the same period in 2020).

See the graph below for the monthly history starting in January 2019:



Source: DataLiner

In relation to ports, the terminals in the Northeast were the ones that presented the greatest variation in the decreased container ship calls. Two ports in the south of the country had a positive result in the same period. See the table below:

Container Ship Calls in Brazilian ports – 9-month period Jan to Aug 2019 vs. 2020

Ports	2019	2020	Diff %
ITAQUI	2	21	950%
NATAL	24	25	4%
NAVEGANTES	340	354	4%
PARANAGUA	507	526	4%
PORTO DE ITAGUAI	204	204	0%
FORTALEZA	40	40	0%
ITAJAI	287	286	0%
MANAUS	139	138	-1%
PECEM	248	241	-3%
SANTOS	1.333	1.278	-4%
VITORIA	126	119	-6%
ITAPOA	393	365	-7%
SALVADOR	340	314	-8%
RIO GRANDE	344	315	-8%
RIO DE JANEIRO	412	377	-8%
SUAPE	334	301	-10%
VILA DO CONDE	117	105	-10%
IMBITUBA	39	34	-13%

The high growth in the Port of Itaquí is due to the fact that in August 2019 a testing phase began for a regular service that only started in February / 2020.

Source: DataLiner (To request a DataLiner demo click here)

According to the Port Authority of the Port of Vitória (CODESA), the worst is over. The port has shown an improvement in cargo handling since June. In addition, CODESA indicators point to an increase in the volume of goods over the second half of 2020. For the agency, there are already many scheduled operations at the Port of Vitória which indicate that this indicator will remain high.

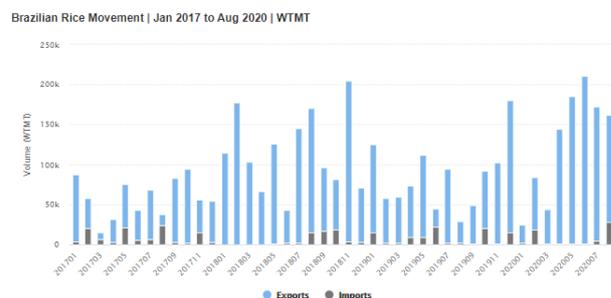
Grain

Brazil has already negotiated a total of 225 thousand tons of rice from the United States, India and Guyana, which are expected to enter the country in the second half of October and in November. The federal government took the decision to zero the Common External Tariff (TEC) on rice imports from outside Mercosur, as a measure to contain price increases on the domestic market.

The measure was approved in early September, when the Executive Management Committee (GECEX) of the Chamber of Foreign Trade (CAMEX) zeroed the import tax rate for paddy rice until December 31 of this year, on a proposal by the Ministry of Agriculture and Food Supplies (MAPA). The temporary reduction is restricted to a quota of 400 thousand tons of grain.

Brazilian rice production in the 2019/2020 harvest, estimated by the national food supply company CONAB at 11.2 million tons, meets the estimated consumption of 10.8 million tons. For 2021, rice production is expected to grow by 7.2% over the previous harvest.

See the graph below for the history of monthly rice imports and exports from Brazil since 2017:



Source: DataLiner (To request a DataLiner demo click here)

Soy and Corn Imports Tariff Exemption Remains on the Government's Agenda

According to a report published by Valor Econômico newspaper, the federal government has not yet given up on the idea of also exempting imports of soy and corn from outside Mercosur due to the persistent rise in grain prices and its impact on the prices of some products on supermarket shelves.

Also concerned about this scenario, poultry and pork companies have asked the Ministry of Agriculture for the Common External Tariff (TEC) to be zeroed until the next Brazilian grain harvest comes onto the market in January, similar to what was done with rice in the beginning September.

In September, Brazilian soy exports totaled 4.5 million tons, down 2.84% in relation to the volume shipped in the same month of 2019, when the country shipped 4.6 million tons of the grain.

In August, the retraction was much greater: 27.9%. The data were released last Thursday, October 1, by the Secretariat of Foreign Trade (SECEX) of the Ministry of Economy. This year, August had 21 working days, as did September 2019 and September 2020.

Corn shipments reached 6.6 million tons in September, an increase of 2.5% compared to September last year. In comparison with August 2020, shipments increased by 3.1%. Revenue from shipments in September was US\$ 1.08 billion, an increase of 2.1% over the same month last year and stable in relation to August. The value per ton fell 0.42% in relation to the same month of 2019, to US\$ 164.6. In comparison with the month of August, this represented an increase of 1.73%.

158,900 tons of cotton were shipped, a decrease of 3.46% in relation to September last year, and 45.7% greater than the August shipment. Revenue reached US\$ 230,800, down 12.7% compared to September 2019, but up 50.7% in comparison with the month of August. The value per ton decreased 9.5% in September in the annual comparison, to US\$1,452, but remained stable when compared with August.

On October 1, Argentina reported that it will reduce taxes on industrial, mineral, and agricultural product exports in order to encourage exports and generate more foreign exchange for the country. Argentina has been experiencing a recession with high inflation since 2018.

By the end of the year, the Argentine government will reduce taxes on soy and its derivatives from the current 33% to 30% and will reduce tariffs on mineral goods from 12% to 8%.

The reduction for industrial exports will be staggered according to the type of product and will be eliminated for many final goods in an effort to accelerate the inflow of dollars and stabilize the foreign exchange market which has been experiencing turbulence for weeks.

In September, Brazilian soy exports totaled 4.5 million tons, down 2.84% in relation to the volume shipped in the same month of 2019, when the country shipped 4.6 million tons of the grain.

In August, the retraction was much greater: 27.9%. The data were released last Thursday, October 1, by the Secretariat of Foreign Trade (SECEX) of the Ministry of Economy. This year, August had 21 working days, as did September 2019 and September 2020.

Corn shipments reached 6.6 million tons in September, an increase of 2.5% compared to September last year. In comparison with August 2020, shipments increased by 3.1%. Revenue from shipments in September was US\$ 1.08 billion, an increase of 2.1% over the same month last year and stable in relation to August. The value per ton fell 0.42% in relation to the same month of 2019, to US\$ 164.6. In comparison with the month of August, this represented an increase of 1.73%.

158,900 tons of cotton were shipped, a decrease of 3.46% in relation to September last year, and 45.7% greater than the August shipment. Revenue reached US\$ 230,800, down 12.7%

compared to September 2019, but up 50.7% in comparison with the month of August. The value per ton decreased 9.5% in September in the annual comparison, to US\$1,452, but remained stable when compared with August.

Ores

In September, Brazilian iron ore exports increased by 18.5% year-on-year, to 37.86 million tons, after Vale increased the production pace.

According to data released by the federal government on October 1, the volume shipped in September ranks behind only that experienced in December 2015, when Brazil exported a monthly record of 39.5 million tons.

In comparison with August, there was a 21% increase in Brazilian iron ore shipments, which is among the three main products exported by Brazil, along with soy and oil. In foreign currency, iron ore exports in September totaled more than US\$ 3 billion, an increase of almost 50% over the same month last year.

Meat

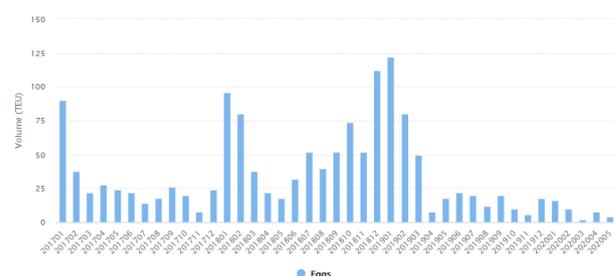
Currently setting records in the domestic market in terms of production and consumption levels, Brazil's egg sector will gain a new commercial boost in the coming days. This is because Mexico, the largest consumer of eggs in the world, opened its market to import Brazilian eggs. The information is from the Brazilian Animal Protein Association (ABPA), based on a statement issued by the Ministry of Agriculture and Food Supply (MAPA). The export authorization was issued last week by the Mexican government's National Service for Health, Safety, and Quality (SENASICA), and is valid for products processed in Brazil.

The largest consumers per capita of eggs in the world, with 378 units per capita annually (in Brazil, consumption is 230 units per capita annually), Mexico imported 20,000 tons of eggs in 2019, according to data from the National Poultry Union (local association). "The opening of Mexico is strategic for the Brazilian productive sector, which is committed to strengthening the international market. Not only for the strength of this market but for the seal that this authorization represents in terms of health recognition. Quality and health status made it possible for our product to be included in this highly competitive market, adding greater added value", says Ricardo Santin, president of ABPA.

In 2019, Brazil exported 7,600 tons of eggs. The country's total production reached 49 billion units last year and is expected to reach 53 billion in 2020.

See the graph below for Brazilian egg exports since 2017:

Brazilian Egg Exports (HS 0407) | Jan 2017 to Aug 2020 | TEU



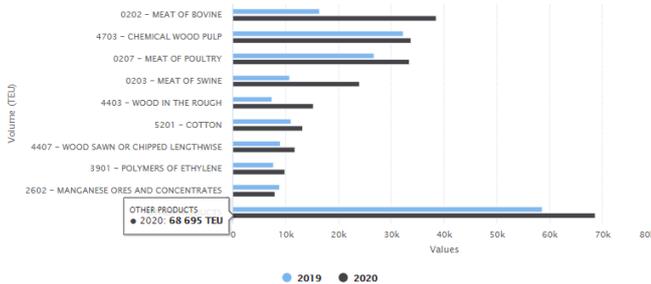
Source: DataLiner (To request a DataLiner demo click here)

According to Bloomberg, China – the largest producer and consumer of pork in the world – has set a long-term goal to ensure that its domestic supply of the product is sufficient to meet 95% of demand. As for beef exports, the goal is to achieve 85% self-sufficiency. For dairy products, the goal is for domestic production to cover more than 70% of consumption.

China is reconstructing its pork industry. The African swine fever decimated the country’s swineherd in 2018 and the country had to considerably increase imports to meet domestic demand. As a result of the disease, millions of producers today still fatten less than 500 animals per year. The goal is that 70% of producers reach large-scale capacity by 2025, and 85% will reach it by 2030. It was recently reported that China’s pork reserves are nearing depletion, despite the data being a state secret.

China is the main destination for Brazilian exports of beef, pork, and chicken. See the graph below for the main Brazilian products shipped to China in 2019 and 2020:

Brazilian exports to China and main products | Jan to Aug 2019-2020 | TEU



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

China will temporarily suspend the entry of beef from Minerva Foods’ Barretos (SP) unit. This information was received from the China General Administration of Customs (GACC), which did not detail the reasons for the suspension.

According to the statement, products from the meat processor using import declaration SIF 421 will be suspended for one week and the processes will automatically resume after this period.

New licenses

Despite this suspension, after temporarily halting the process of licensing meat processors for export due to the pandemic caused by the new coronavirus, China may resume the licensing of new units in South America later this year. This information is from the president of Marfrig’s South American operation, Miguel Gularte.

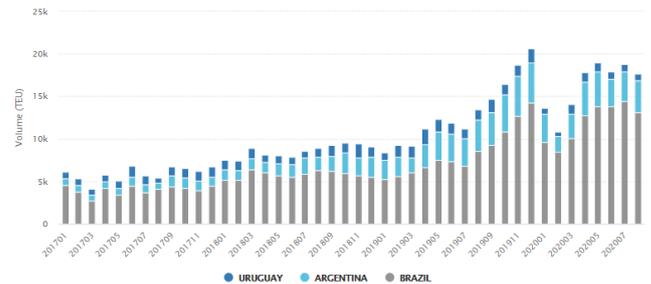
According to him, “new approvals are expected for Brazil and Argentina for the second half of 2020”, without giving further details.

The last round of Chinese qualifications for new meat processors in Brazil took place in the second half of 2019. Since then, industry representatives have expected more approvals but the pandemic has restricted access to industrial units for technical visits. Video inspections have been carried out, but the qualifications have not yet materialized.

The African swine flu, which decimated the Chinese herds, and the devalued dollar have both kept Brazilian pork exports up in 2020.

See the graph below for exports of animal protein from Brazil and Meat Plate to China since 2017:

Exports from Brazil and Meat Plate (HS 0202, 0203 and 0207) to China | Jan 2017 to Aug 2020 | TEU



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

Economy

In September, the Brazilian trade balance registered a record surplus. Last month, the country exported US\$ 6.2 billion more than it imported, the best result for the month since the beginning of the historical series, in 1989.

Both exports and imports fell last month. In September, the country sold US\$ 18.5 billion abroad, down 9.1% according to the daily average criterion in relation to the same month last year. Imports, however, fell further, totaling US\$ 12.3 billion, a reduction of 25.5% also by the daily average.

With the September result, the trade balance accumulates a surplus of US\$ 42.4 billion in the first nine months of the year. This is the second-highest result of the historical series for the period, losing only to the period from January to September 2017 (which registered a surplus of US \$ 53.3 billion).

Accumulated exports for the first 9 months of 2020 totaled US\$ 156.8 billion, a decrease of 7% in comparison with the daily averages for the same period in 2019. Imports totaled US\$ 114.3 billion, a decrease of 14% by the same criterion.

Most of the increase in the balance in September is explained by the fall in imports from the manufacturing industry, which decreased US\$ 181.4 million by the daily average in relation to the same month last year, and from the extractive industry, the imports of which shrank US\$ 18.32 million. On the export side, sales by the manufacturing industry fell by US\$ 108 million. In contrast, sales from the extractive industry increased by US\$ 19.7 million, and sales from agriculture and livestock increased by US\$ 5.4 million in the same comparison.

Categories - Among the products that drove the growth of agricultural exports in September, the highlights were non-roasted coffee, whose value sold increased by US\$ 2.5 million in the daily average criterion in relation to the same month last year, and live animals, with an increase of US\$ 1.3 million in the same comparison.

In the extractive industry, iron ore exports rose, increased by US\$ 48.4 million in relation to September last year by the daily

average, motivated both by the increase in demand and by the increase in the international price.

Exports of crude petroleum oils, however, continue to fall and ended last month down US\$ 30 million. In this case, the drop was due to both the drop in the international price and the decreased demand due to the Covid-19 pandemic.

In the manufacturing industry, the biggest declines were recorded in oil platforms (US\$ -71.3 million for the daily average), petroleum fuel oils (US\$ -11.5 million), and tobacco (US\$ -8.6 million).

In addition to the crisis in Argentina, the main destination for Brazilian industrial sales, the fictitious export of an oil platform that occurred in September last year, which was not repeated this year, impacted the result. In this type of operation, classified as within international trade rules, an oil company registers a platform at a subsidiary abroad, without the equipment leaving the country.

In August, Brazil returned to being Argentina's main trading partner, both in exports and imports, surpassing China, which until July held this position. According to data from the National Institute of Statistics and Censuses (INDEC), an Argentine agency linked to the Ministry of Economy and Public Finance, Brazilian exports to the neighboring country totaled US\$ 777 million during the month, against US\$ 604 million exported by Chinese. The United States, Vietnam, Chile, Paraguay, India, and Germany were also among Argentina's eight largest trading partners last month.

INDEC data also show sharp declines in Argentine exports and imports in relation to Brazil and China. In relation to Brazil, Argentine exports contracted 24.2%, down to US\$ 646 million, while imports of Brazilian products decreased by 16.0%, down to US\$ 777 million. The Argentine-Brazilian trade flow, totaling US\$ 1.423 billion, resulted in a trade surplus for Brazil of US\$ 131 million in the month of August.

In relation to China, Argentine exports decreased by 10.8%, down to a total of US\$ 604 million, while imports fell 16.4% down to US\$ 738 million. Regarding imports, the INDEC statistics for the eight largest Argentine trading partners indicate increases only in purchases made from Chile (+ 36.6%, up to US\$ 56 million) and Paraguay (+ 91.8%, up to US\$ 186 million). Significant declines were registered in imports from the United States (-31.5%, down to US\$ 353 million), Vietnam (-12.5%, down to US\$ 77 million), India (-36.4%, down to US\$ 49 million), and Germany (-33.8%, down to US\$ 133 million).

INDEC data also reveals that Argentina's three main trading partners – Brazil, China, and the United States – together received 32.1% of total Argentine exports and accounted for 53.3% of imports made by the country in the month of August.

DatamarWeek is our weekly newsletter. Previous editions can be downloaded at www.datamarnews.com

Your contributions, criticisms, suggestions and, if you do them, press releases, will be welcome. Contact: datamarweek@datamar.com.br

Tel + 5511-3588-3033

Datamar Consultores Associados Ltda.

Rua Fuchal 203, 4th floor

Vila Olímpia, São Paulo – 04551-904 – SP