

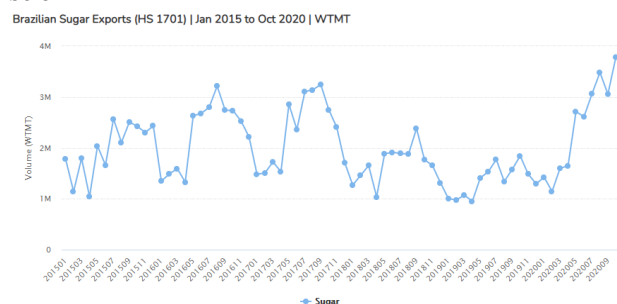
Main news**A look back at how Brazilian commodities performed in 2020**

The devaluation of the real against the dollar and the change in consumption habits caused by the Covid-19 pandemic resulted in a very favorable year for Brazilian commodity exports. Brazil exported a lot and basically ignored the domestic market. To contain price hikes, the government had to eliminate the import tax on many basic products, such as rice and corn, which caused unusual situations, such as the importation of American soy. See below how 2020 impacted the commodities that stood out on the international stage:

Sugar and Ethanol: Sugar showed a very solid performance in 2020. According to the 3rd Survey of the 2020/21 Sugarcane Crop, released in December by CONAB (the national food supply company), Brazil's sugarcane sugar production for the current harvest, 665,105 million tons, approaches the historical record set in 2015 when 665.6 million tons of sugarcane were harvested. Compared to last season, growth is forecast at 3.5%. Sugar exports totaled 23.7 million tons in the first eight months of this 2020/21 harvest (April to November), 79.2% more than in the same period of 2019/20. In relation to the entire past cycle, the volume is already 25% higher. According to the state-owned company, the expectation is that the 2016/17 record will be exceeded when Brazilian shipments reached 28.3 million tons.

But increased exports generate logistical problems. In June, the wait time for loading sugar at a Rumo terminal in the Port of Santos reached 45 days according to the maritime agency Cargonave. As a comparison, in the same period of 2019, the average waiting time was five to seven days. To circumvent these problems, some alternative solutions were adopted. After 15 years, the Port of São Sebastião, located on the north coast of São Paulo, began to carry out sugar transport operations again. In addition, after a decade-long hiatus, break-bulk sugar export operations were carried out at the Port of Santos, since the terminals operating in containers were saturated.

According to a report by the United States Department of Agriculture (USDA), the growth in exports is due to the country's large exportable sugar surplus and the stable demand from countries that import Brazilian sweetener. "Despite the Covid-19 pandemic and logistical obstacles at ports, including long waiting times for loading, the significant devaluation of the real against the dollar kept the Brazilian product competitive," says the report. See a monthly history of Brazilian sugar exports on the chart below:



Source: DataLiner

In relation to ethanol, in September, CAMEX (the foreign trade chamber) approved a quota that allowed the import of 187.5 million liters of ethanol exempt from the 20% Common External Tariff (TEC) for 90 days, an addendum to the annual quota of 750 million liters that had expired at the end of August.

The measure, tailored for American farmers in order to please President Donald Trump in the middle of an election race, expired in December and has not been renewed. This is because the Foreign Ministry did not make progress in negotiations to expand the entry of Brazilian sugar into the United States, and Trump's defeat in the American elections put an end to further conversations on this subject.

Coffee: despite having recorded good export numbers, logistical problems hindered coffee shipments in 2020. Datamar data indicate that there was an imbalance of almost 80,000 containers in Brazil in August. There were almost 251,000 containers leaving the country and only 172,000 arriving. In January, the arrival of 216,000 containers and the departure of 201,000 were registered. And coffee, unlike other commodities, is exported in containers. The devaluation of the real, as well as the coronavirus pandemic, boosted a strong flow of exports, but significantly reduced imports. Nelson Cavalhaes, the president of CECAFÉ (the Brazilian council of coffee exporters), stated that in September, despite registering good numbers, "the export results could have been 10-15% better had it not been for the logistical problems of lack of containers and space on boats".

Meat: meat exports were heated in 2020, motivated both by the competitive dollar and by the shortage of proteins in China due to the African swine flu which killed many pigs and reduced the domestic supply of meat. According to ABPA (the Brazilian animal protein association), in the first 11 months of the year, chicken meat exports maintained a high of 0.69%, with 3.849 million tons shipped between January and November 2020 compared to 3.823 million tons in the same period of 2019. Despite this, the dollar revenue accumulated in the period is US\$ 5.543 billion, a number 12.8% lower than that registered in 2019, when US\$ 6.358 billion was registered.

In relation to pork, in the 2020 year-to-date (January to November) figure, international sales of this protein reached 940,900 tons, a number 39.5% higher than the total shipped in the same period of 2019, 674,200 tons. And, for the first time in history, pork exports from Brazil exceeded two billion dollars, reaching US \$ 2.079 billion, 47.1% more than the US \$ 1.413 billion made between January and November 2019.

According to ABPA president, Ricardo Santin, as in 2019, the health crisis of the African swine flu that impacted the swine herd in Asia, part of Europe and Africa continued to boost Brazilian poultry and pork exports. "Asian nations have consolidated themselves as the main importers of poultry and pork meat from Brazil and were the main vectors of the year's result in both sectors," he explains.

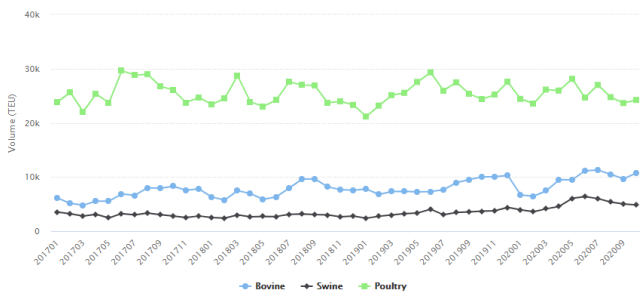
In the case of beef, estimates by ABIEC (the Brazilian association of meat-exporting industries) indicate that Brazil should export 2.2 million tons of beef by the end of this year. The forecast is 8.8% higher than the total for 2019. ABIEC represents 32 companies in the sector. If the estimate is confirmed, protein exports should end the year with revenues of US \$ 8.53 billion, 11.8% above that reached last year. From January to November, sales totaled 1.84 million tons, exceeding the volume registered in that interval, in 2019, by 9%. Over the last eleven months, sales grew 13.9%, reaching US\$ 7.76 billion.

Despite the good numbers, the year was also marked by the suspension of exports from several Brazilian meatpackers to

China and Hong Kong, who claimed to have found traces of the coronavirus in imported meat packaging, temporarily suspending the licenses of some plants, which were later reversed. China also requested greater attention not only from Brazil, but also from other meat suppliers, for disinfecting packaging and containers. The Philippines and Indonesia also ended up placing embargoes on Brazilian meat. In 2020, there were also some market openings for Brazilian proteins: Mexico opened a market for Brazilian eggs, Myanmar for pork, Egypt for poultry, Thailand for beef and pork, and the United States for fresh beef. South Korea also started importing Brazilian shrimp.

The chart below shows a monthly history of Brazilian meat exports:

Brazilian Meat Exports (HS 0202, 0203 and 2007) | Jan 2017 to Oct 2020 | TEU



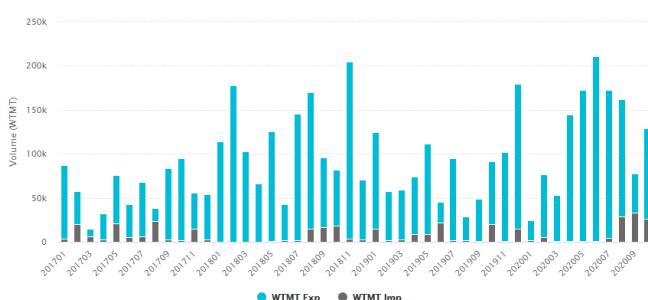
Source: DataLiner

Rice: Rice was a hot topic in 2020 due to the high price that reached the shelves of Brazilian supermarkets. Brazil exported so much rice that it harmed its domestic supply. Data from the SECEX (the Foreign Trade Secretariat) compiled by ABIARROZ (the Brazilian rice industry association) show that Brazilian exports of rice (husk base) totaled 153,500 tons in October, a volume 84% higher than in the same month of 2019 (83,570). In the commercial year for rice (March-October), Brazil exported 1.54 million tons of the cereal, compared to 852,240 a year earlier.

According to ABIARROZ, rice exports (husk base) reached 1.69 million tons from January to October, compared to 1.08 million tons in the same period of 2019. To contain the increase in the product in the domestic market, GECEX (the executive management committee of CAMEX (the chamber of foreign trade)) decided to zero the import tax rate for paddy and processed rice until December 31. The temporary reduction in the import tax on rice was restricted to a quota of 400 thousand tons, applicable to products covered by codes 1006.10.92 (rice with unparboiled husks) and 1006.30.21 (semi-blanching or blanching rice, not parboiled) of the Common Nomenclature Mercosur (NCM).

See Brazilian rice imports and exports since 2017:

Brazilian Rice Movement (HS 1006) | Jan 2017 to Oct 2020 | WTMT



Source: DataLiner

Soy and Corn: Soy was another commodity that Brazil exported freely in 2020, mainly to China. Data released by Chinese Customs in October indicate that China imported 51.4% more Brazilian soy in September than in the same month of the previous year. 7.25 million tons of oilseed were imported from Brazil in September, compared to 4.79 million tons in the same period in 2019, according to the agency.

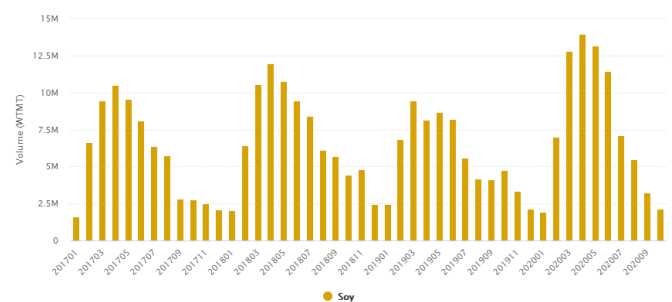
As in the case of rice, external demand has caused internal shortages.

To balance the supply and demand of grains in the domestic market and to contain high prices, the GECEX decided to zero the import tax rate for soybeans and corn. In the case of soybeans, the temporary reduction will be valid until January 15, 2021 and includes NCM codes 1201.90.00, 1507.10.00, and 2304.00.10, which refer, respectively, to soybeans, soybean meal, and oil. As for corn (NCM 1005.90.10), the product was included in LETEC (the Brazilian list of exceptions to the common external tariff), with a reduction from 8% to 0%, valid until March 31, 2021.

The increase in world demand for food due to the Covid-19 pandemic generated similar reactions in the markets related to these two commodities. In the case of corn, there was an increase in domestic consumption to supply the production of animal protein, which registered growth in exports, a movement that has been registered in the last two decades at a rate of 14.3% per year. In the case of soybeans and derivatives, such as bran and oil, there was also an increase in foreign sales, which gained momentum with the appreciation of the dollar.

The graph below shows the history of Brazilian soy exports from 2017:

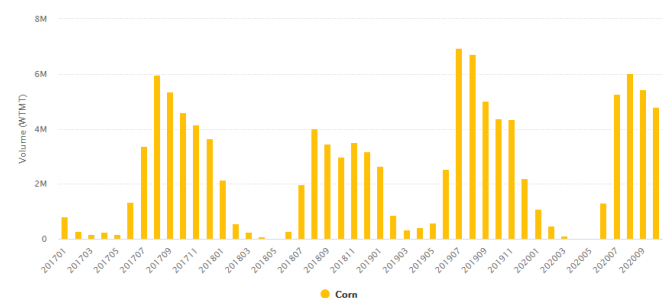
Brazilian Soy Exports (HS 1201) | Jan 2017 to Oct 2020 | WTMT



Source: DataLiner

The following graph shows corn exported by Brazil since 2017:

Brazilian Corn Exports (1005) | Jan 2017 to Oct 2020 | WTMT



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

With the tax exemption, soy imports increased. Brazil even imported American soy, which is an unusual situation. Data released by SECEX point out that in November, Brazilian soy

imports reached 122.4 thousand tons, 20 times more than in November 2019 (6 thousand tons). Purchases cost US\$ 49.2 million, compared to US\$ 1.9 million a year earlier, as the average value of the ton purchased increased from US\$ 328.8 to US\$ 402.4.

From January to November, imports totaled 748,000 tons, compared to 131,000 in the first 11 months of last year. According to SECEX, the value of purchases reached US\$ 245 million, almost six times higher than in the same period of 2019 (US\$ 41.1 million).

Brazilian imports of soybean oil increased by more than 8,000% in November, with Argentina offering most of what Brazil bought on the international market to deal with a shortage of raw materials.

2020 at a glance: ports and terminals

Despite the uncertainties in the economy due to the coronavirus pandemic which changed the daily lives of the entire planet, the year 2020 was positive for Brazilian ports and terminals, which, in general, registered excellent movements, mainly in the export of cargoes such as soy, sugar, and meat, motivated by the devalued real against the dollar. In contrast, imports, mainly of manufactured goods, fell for most of the year, recovering volumes slightly only in late 2020.

The year was also marked by auctions of areas in several ports and investments to receive larger and larger ships. Here are some points that had an impact on Brazilian ports in 2020, in chronological order:

Ministry of Infrastructure signs concession contract for the STS20 terminal, in the Port of Santos: In January, the concession contract for the STS20 terminal in the Port of Santos was signed with the Hidrovias do Brasil S / A consortium. During the 25 years of the contract, Hidrovias do Brasil S/A will operate an area of more than 29,000 m2 and three warehouses for the handling of fertilizers and salt.

Master Plan for public ports in Rio Grande do Sul approved: In January, the Ministry of Infrastructure published the final version of the Master Plans for the port complexes in Pelotas, Porto Alegre, and Rio Grande.

New Suape Port Development and Zoning Plan published: Prepared by the port authority, the document was approved by the Ministry of Infrastructure. In the PDZ, demand projections, capacity, and expansion calculations are forecast until 2035 in addition to a vision for the future after 2035.

Klabin signs a terminal exploration contract at the Port of Paranaguá: In February, the Minister of Infrastructure and the company Klabin signed a contract for the exploration of the PAR 01 container terminal, located in the Port of Paranaguá. The terminal was purchased by Klabin at an auction that took place in August 2019, under the Investment Partnerships Program (PPI). It will be used for handling and storing pulp and general cargo for a period of 25 years.

Bulk carrier stranded in the Port of São Francisco do Sul: In March, the bulk carrier Aeolian Grace (flying under the Cyprus flag) that had unloaded at the public port of São Francisco do Sul,

in Santa Catarina and was then bound for Singapore with another 65,804 tons, ran aground on Laje da Barata, in the Babitonga Bay.

Rio Docks reactivates the Port of Itaguaí interconnection channel: Companhia Docas do Rio de Janeiro (CDRJ) reactivated the North Channel of Ilha das Cabras, in the Port of Itaguaí, with the objective of improving the waterway infrastructure and increasing the productivity and billing. The interconnection channel is 9.4 meters deep and has an operational draft of 8.9 meters. It is able to receive vessels up to 242 meters long and 32 meters wide.

Port of Vitória obtains customs clearance at the Atalaia Pier: The Brazilian internal revenue service released the customs request for the Atalaia Pier in the Port of Vitória, requested by CODESA. With this, the multipurpose pier increases the operational capacity of the Port of Vitória, as it now receives all types of cargo. The new wharf replaced two old dolphins, and gained 278.9m in length, sheltering Berth 207.

Porto de Natal obtains an environmental license: IDEMA, the Brazilian Institute for Sustainable and Environmental Development, issued the Operation Regularization License (LRO) for the Port of Natal, administered by Companhia Docas do Rio Grande do Norte (CODERN). The process of obtaining the license was initiated in 2011. Over the years, several studies, documents, technical analyses, and requests were carried out with the objective of making the issuance of the license viable.

Ministry of Infrastructure approves new polygonal for the Port of Santos: The Ministry of Infrastructure published Ordinance No. 77 that changes the jurisdictional limits of the port of Santos. The definition of the new polygonal updates the route in force since 2002 and adapts the organized port to the Ports Law 12,815 of 2013, which differentiates leased and private terminals precisely because of what is inside or outside the polygonal. In addition, it paves the way for the approval of the new Development and Zoning Plan (PDZ), which provides for the leasing of areas that until then were outside the jurisdiction of the Port Authority.

New bathymetry increases the operational capacity of the Port of Pecém: Portaria No. 21 / CPCE, issued by the Brazilian Navy, through the Captainty of the Port of Ceará, defined the new maximum drafts for the operation of ships in the access channels and berths of the Port of Pecém. In the document, the operational drafts of 15.30 m were established for the new berths at the Pecém Multi-Use Terminal (TMUT): Berths 7, 8, and 9.

Ministry of Infrastructure approves new Port of Santos PDZ: In July, the new Development and Zoning Plan (PDZ) of the Port of Santos was approved by the Ministry of Infrastructure. Ordinance No. 1,620 was published in the Federal Register on July 29th and will make it possible to implement port modernization 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 tons.

Operation Relíquia searches for abandoned cargo in Santos: The accident that occurred in the Port of Beirut in August raised concerns regarding the safety of operations involving dangerous goods in Brazilian ports. As a result, the Reliquia operation was launched in the Port of Santos by IBAMA (the Brazilian Institute for the environment and renewable natural resources), with the participation of SPA, ANTAQ (the national waterway transport

agency, ANTT (the national land-transport agency), the Army, the Navy, the Brazilian Internal Revenue Service, and the city halls of Santos and Guarujá. The objective was to search for the existence of goods abandoned by importers and exporters at the terminals, which could pose risks, and to verify the conformity of operations involving dangerous goods. After a series of inspections carried out at all terminals, IBAMA concluded that the Port of Santos is safe and recognized as appropriate the practices adopted and the inspection work that SPA carries out aiming at operational safety.

New PDZ of the Port of Imbituba is approved: The Ministry of Infrastructure approved the new Development and Zoning Plan (PDZ) of the Port of Imbituba, in Santa Catarina. The document was ratified by ordinance and entered into force on the 10th of August. The PDZ provides a broad description of the current situation of the port and outlines its horizon until 2034, proposing a development path that changes between short-, medium-, and long-term scenarios.

Federal Government sanctions MP that modernizes the Ports Law: In August, the Federal Government sanctioned Provisional Measure 945/20, which alters the Ports Law, promoting a mini-reform in the legislation. The law also provides rules for the functioning of ports during the pandemic, especially concerning the dismissal and compensation of workers at risk or with symptoms of Covid-19. Among the main changes is the flexibility in the management of lease agreements.

Ministry of Infrastructure ends the activities of Companhia Docas do Maranhão: In September, Companhia Docas do Maranhão (CODOMAR) definitively ended its activities, after ten years without carrying out port-related activities. The act was announced at an extraordinary general meeting, which paid off the company, ending two years of a liquidation process.

Expansion of the pier increases the capacity of the Port of Paranaguá: In September, the expansion of the pier in the Port of Paranaguá was inaugurated. Berth 201 has been modernized and the berth has been extended by 100 meters. The investments of the public company Portos do Paraná total R\$ 201.7 million and will increase the current cargo-handling capacity in that berth by 140%, in addition to allowing the Port of Paranaguá to receive larger ships that can hold up to 80 thousand tons of gross cargo, in the Post Panamax category.

Port of Vitória inaugurates new Atalaia Pier: In October, the new Atalaia Pier was inaugurated in Porto de Vitória. The forecast is that its berth operations will increase by 75%. The Atalaia multi-purpose terminal is located in Vila Velha, and will handle several types of cargo (liquid and solid bulk) such as wheat, malt, fertilizers, general cargo, and others.

Itaguaí now able to receive mega vessels with LOA of 367m: Companhia Docas do Rio de Janeiro (CDRJ) approved, with the Maritime Authority, the Normative Instrument of Operational Parameters nº 14.001.03 which establishes as a regular maneuver of the Sepetiba Tecon Terminal, in the Port of Itaguaí, container ships with LOA of 340m, a width of 50m, and a draft of 14.70m, which can reach 15.40m with the tide. In addition, as a special maneuver, the terminal is also able to receive mega-ships with LOA of 367 meters.

New draft approved at the Port of Rio Grande: After two years of dredging works with a federal investment of R\$ 500 million, the Port of Rio can receive vessels up to 366 meters in length. In

October, the new draft for the port was approved. Thanks to the removal of more than 16 million cubic meters of sediment, the operational draft of the so-called internal channel increased from 12.8 to 15 meters. The depth, which was 14.2, is now 16.5 meters. With this, the handling capacity begins to meet international navigation standards, and the port is able to receive vessels of up to 366 meters, a difference of 29 meters in relation to the previous capacity of 337 meters.

Port of Antonina will receive investments of almost R\$ 160 million: The government of Paraná and Interbulk S.A signed a protocol of intentions that foresees the company's adhesion to the state government's tax benefits program. Private investment will be R\$ 159.09 million. In return, Paraná will expand the movement of solid bulk (nitrogen fertilizers, phosphates, and potassium) through the Port of Antonina. The group intends to install a fertilizer-mixing unit in 2 phases, with a capacity to produce up to one million tons per year.

Pulp terminal concession contracts signed in the Port of Santos: In November, the Minister of Infrastructure, Tarcísio Gomes de Freitas, signed the contracts for pulp terminals auctioned in August (STS14 and STS14A) with Eldorado Brasil Celulose and Bracell Celulose. The leases yielded R\$ 505 million in grants to the Federal Government under a 25-year contract. The terminals are expected to invest R\$ 420 million – including railroad access – with another R\$ 110.9 million in fixed leases to Santos Port Authority (SPA).

São Paulo government invests in Santos-Guarujá bridge project: The São Paulo government handed over to the Ministry of Infrastructure a new project for the billion-dollar bridge between Santos and Guarujá. There are significant changes in relation to the engineering studies released in 2019. The central span of the bridge, which was 400 meters long, has now been extended to a distance of 750 meters between its pillars. The investment would be totally private through an amendment to the concession contract of Ecovias, a company that manages the Anchieta-Imigrantes highway system. Originally, the contract was to expire in 2026. Minister Tarcísio Freitas has adopted a skeptical discourse about the viability of the bridge and has proposed the design of a submerged tunnel as the preferred alternative for the Santos-Guarujá dry link. Tarcísio's concern is concerning possible damage to the maneuvers of large ships. The tunnel project, with a different location from the bridge (between the Macuco and Itapema neighborhoods), received the support of port terminal operators. They joined in a movement to defend the submerged connection of 1.7 kilometers and budgeted at R\$ 3.5 billion, promoted using the "Vou de Túnel" campaign.

Port of Santos opens a public notice for 3 temporary contracts: In December, the Port of Santos opened a tender for three new transitional contracts. There will be three lots, which together add up to 101,300 m²: two in the Saboó region – areas that belonged to the companies Deicmar and Set Port – and one in Paquetá that was used by Suzano.

Ministry of Infrastructure receives a proposal that foresees an investment of R\$ 3.6 billion for a new port in Natal: The project defends the construction of a terminal on the left bank of the Potengi River, in front of the current port, in addition to the construction of logistical corridors, a third bridge over the river, recovery of the degraded mangrove area, and other investments in logistics infrastructure – such as a railway line between the

port, the airport, and the Export Processing Zone. Together, investments would total almost R\$ 7 billion.

Public hearing approved for the privatization of CODESA:

Through ANTAQ (the national waterway transport agency) on December 17th, the federal government approved the opening of the public consultation on the studies of the privatization project of the ports of Vitória and Barra do Riacho, managed by Companhia Docas do Espírito Santo (CODESA).

Auction of port terminals: On December 18, the Ministry of Infrastructure (MINFRA) raised a total of R\$ 87.5 million in grants with the auction of four port terminals located in Alagoas, Bahia, and Paraná, which will attract more than R\$ 400 million in investments. The auction winners were Timac Agro Indústria (MAC10), CS Brasil Transportes (ATU12 and ATU18), and Ascensus Gestão e Participações (PAR12).

A summary of Brazil's foreign trade solutions to combat the pandemic in 2020

In terms of foreign trade, the year 2020 has been marked by a series of innovative solutions to circumvent the problems caused by the Covid-19 pandemic. Below are the main solutions, in chronological order:

Government signs Memorandum of Understanding with South Korea for investments in the port area: In January, the Ministry of Infrastructure signed a Memorandum of Understanding with the South Korean government to encourage foreign trade and promote the exchange of must collaborate to encourage economic growth through the exchange of information on business opportunities, which includes logistics parks and port development projects.

Brazil and Argentina sign a Cooperation Agreement in the agricultural sector: Representatives of Brazil and Argentina signed an agreement to diversify the agricultural agenda between the two countries. One of the themes agreed upon is Argentina's approval of the International Health Certificate model for the export of frog meat from Brazil. The International Zoosanitary Certificate model was also approved for the export of swine semen from Brazil to Argentina. Brazil reciprocally approved the International Zoosanitary Certificate model proposed by the Argentines for the importation of breeding cattle from Argentina.

Single Foreign Trade Portal reduces import bureaucracy at ports, airports, and borders: The implementation of the Single Foreign Trade Portal, an initiative of the Ministry of Agriculture and SECEX (the Secretariat of Foreign Trade of the Ministry of Economy) allows low-risk cargo or cargo which only requires document control to be released within just a few minutes, optimizing the inspection team time.

Phytosanitary Certificates are now issued with an electronic signature: As a result of the Coronavirus pandemic, the Ministry of Agriculture implemented the electronic signature for Phytosanitary Certificates that accompany the export of plant products. The measure was aimed at reducing physical contact between foreign trade agents and federal inspection.

Brazilian Internal Revenue Service extends the deadline for submitting a Certificate of Origin for imports: The Brazilian IRS has extended the deadline for submitting the Certificate of Origin to 60 days after the registration of the Import Declaration. The

Certificate of Origin is a document that certifies the origin of the merchandise traded between countries that have trade agreements, which results in tariff benefits for the importer. The extension of the deadline for the presentation of the document was due to the difficulty encountered by Brazilian importers to obtain the document from the official agencies of the countries since they were closed due to the coronavirus pandemic.

European Union-Mercosur agreement is under pressure from France, Germany, and 265 other entities:

In June, France declared its opposition to the free-trade agreement between the European Union (EU) and Mercosur. In addition, 265 more organizations were also mobilized against the agreement. The attacks in Europe are also growing due to positions taken by President Jair Bolsonaro in the environmental area. At the same time, a "collective" of 265 organizations sent a letter to German Chancellor Angela Merkel and all 27 EU member states to reject the agreement with Mercosur. Among the entities are Attac, Agricole Confederation, League of Human Rights, and Foodwatch. The group tries to take advantage of the loophole opened by the parliaments of Austria, the Wallonia region of Belgium, and the Netherlands, which withdrew their support for the bi-regional agreement. The entities claim that the EU-Mercosur agreement implies worsening environmental destruction and the climate crisis to expand car exports and monocultures in the forest.

Mexico postpones free trade agreement with Brazil on heavy vehicles for three years: In June, the beginning of a free trade agreement between Mexico and Brazil involving heavy vehicles was postponed for three years. The pact was scheduled to start on July 1, 2020, but was postponed to July 2023.

"Operation Asia" Brazilian IRS Combats Billion-Dollar Fraud in Foreign Trade:

In June, the Brazilian IRS and the Federal Police launched "Operation Asia" with the objective of combating the under-invoicing scheme for goods imported mainly from Asian countries, with a large amount of evaded taxes and irregular remittance of foreign currency through money changers. The operation targeted the scheme's mentors, companies used by investigated groups and stakeholders who register under-invoiced statements and submit false documents to Customs Authorities.

CAMEX adopts new rules to zero the import tax to avoid shortages: In July, CAMEX (the Chamber of Foreign Trade) approved new rules to zero the import tax on up to 100 Mercosur Common Nomenclature (NCM) product codes to avoid shortages in the national market. In addition, the goods will now have the tax rate reset, replacing the 2% level of the previous rule.

Peru files a complaint against Brazil at the WTO over tariffs on PET:

The World Trade Organization (WTO) issued a statement stating that Peru has filed a complaint against Brazil over tariffs on polyethylene terephthalate (PET) and the tax treatment of Brazilian imports to the country. According to the note, the Peruvian complaint applies to definitive anti-dumping measures in Brazil on this polymer used in weaving and packaging and the tax treatment of products in general through the imposition of the Tax on Industrialized Products (IPI). The complaint was circulated to entity members on July 15.

Government promotes Automotive Free Trade Agreement with Paraguay:

In August, President Jair Bolsonaro enacted the Automotive Free Trade Agreement signed with the government of Paraguay in February. The document's objective is to facilitate

trade and customs cooperation between the two countries, especially for automotive products. Under the agreement, parts and vehicles sold by the two countries will have minimum or zero tariffs, but the range for free trade will vary between the two countries.

SECEX eliminates license requirements for 210 imported products:

The Foreign Trade Secretariat of the Ministry of Economy (SECEX / ME) eliminated the requirement for automatic import licenses for 88 products and non-automatic licenses for another 122 different goods. This allows the dispensation of 159 thousand automatic licenses and 111 thousand non-automatic licenses approved in 2019, generating savings for Brazilian importers of more than R\$ 23 million with the payment of fees that were charged for obtaining these documents. Among the products that can be imported without the need for licenses are wall coverings, acrylic wires, and steel tubes, which previously depended on SECES approval – directly or by delegating powers to Banco do Brasil – as a requirement prior to completion of imports into the country.

A free trade agreement with Brazil gains green light from the Chilean Senate:

In August, the Chilean Senate approved a free trade agreement with Brazil that complements a 1990 pact with the Mercosur bloc and incorporates issues related to telecommunications, electronic commerce, environment, and SMEs. The treaty “will incorporate new cutting-edge terms, update existing ones, and allow small and medium-sized Chilean companies to have equal access to the large Brazilian public procurement market. It also provides for the elimination of ‘roaming’ between the two countries.

Government sanctions law that extends deadlines for exporters in drawback regimes:

In September, President Jair Bolsonaro sanctioned Law No. 14.060, which allows the exceptional 1-year extension of the deadlines for complying with drawback suspension and exemption regimes. These regimes waive taxes on local imports and purchases of inputs used in the production of goods for the foreign market. The new legislation originated from Provisional Measure 960, issued on May 4, 2020, and is part of actions to reduce the impacts of the Covid-19 pandemic on the Brazilian economy.

Chamber approves a provisional measure that dispenses export target in SPA due to the pandemic:

In September, the Chamber of Deputies approved Provisional Measure 973/20, which exempts companies located in export processing zones (ZPE) from reaching 80% of this year gross revenues from exported goods. The text went to the Senate. It is worth remembering that ZPEs are industrial districts, whose companies benefit from the suspension of taxes to export, among other benefits. To qualify for the tax benefit, at least 80% of the total gross revenue must come from exports, a rule created by Law 11.508 / 07.

About 68% of industries had difficulties obtaining inputs in Brazil:

A special survey carried out by the National Confederation of Industries (CNI) pointed out that in October, 68% of the companies consulted had had difficulties in obtaining inputs or raw materials in the domestic market, and 56% of companies that use imported inputs regularly had difficulties acquiring them in the international market. According to the CNI, “the economy reacted faster than expected. Thus, there was a mismatch between supply and demand for inputs. And both producers and suppliers had low inventories. At the height of the crisis, we saw

the demobilization of production chains and low stocks. In addition, we have a strong devaluation of the real, which contributed to the increase in the price of imported inputs”.

Argentina leaves US\$ 100 million in Brazilian exports stuck at the border:

According to the media, since the beginning of the year, the Argentine government has been slow to release the entry of Brazilian imports, not complying with the rules of the World Trade Organization (WTO) and the agreement bilateral agreement between both countries.

Brazil and the United States conclude investment facilitation agreements:

In October, President Jair Bolsonaro reported that representatives from Brazil and the United States concluded negotiations on three agreements demanded by businessmen from both countries – on trade facilitation, good regulatory practices, and anti-corruption.

Mercosur negotiates agreements with Lebanon, Tunisia, and Morocco:

In October, the Special Secretary for Foreign Trade and International Affairs of the Ministry of Economy, Roberto Fendt, stated that Brazil is negotiating with Mercosur for new free trade agreements with some Arab countries. “In fact, Mercosur has already signed a free trade agreement with Egypt and Palestine. It is currently negotiating an agreement with Lebanon, and has also initiated negotiations with Tunisia and Morocco,” stated Fendt. The agreement with Palestine has not yet entered into force.

Brazil suspends import concessions from Costa Rica in retaliation for Brazilian sugar safeguards:

In November, the Brazilian government suspended concessions on imports of certain products originating in Costa Rica. The measure was taken through a CAMEX resolution because of Costa Rica’s decision to apply unjustified safeguards to sugar imports from Brazil and is supported by the WTO Safeguards Agreement. In practice, the measure will represent a 27.68% surcharge on imports of Costa Rican products such as chocolates and teas. The decision was taken in retaliation for the application of safeguards to sugar imports from Brazil by Costa Rica, which represents a 27.68% surcharge on the Brazilian product.

Brazil is victorious against Indonesia in the WTO:

In November, Brazil had a new victory against Indonesia in the World Trade Organization (WTO). According to a statement from the Ministry of Foreign Affairs, there was an “undue delay” by Indonesia in recognizing Brazil’s health certification process for exports of chicken meat to the Asian country.

CAMEX approves a reduction in the import tariff on toys:

In November, the Executive Management Committee (GECEX) of the Chamber of Foreign Trade (CAMEX) – a collegiate body chaired by the Ministry of Economy – approved the reduction from 35% to 20% of the tariff applied to toy imports. The measure should start to have more expressive effects on prices at the beginning of 2021, considering the time necessary for the realization of new imports already supported by the tariff reduction. The reduction to 20% equates the Brazilian tariff to the Mercosur Common External Tariff (TEC) and eliminates the exceptional tariff increase that applied to imports since 2011.

Chamber approves basic text of BR do Mar:

In December, the Plenary of the Chamber of Deputies failed to complete the vote on Bill 4199/20, to encourage coastal shipping, known as BR do Mar. Despite that, parliamentarians of the Chamber approved the basic text of the BR do Mar proposal, in the form of the substitute

submitted by the rapporteur, Deputy Gurgel (PSL-RJ), to the original of the Executive Branch. Although most of the highlights have already been analyzed, six remain to be analyzed, which may alter the proposal. The project progressively releases the use of foreign ships in Brazil without the obligation to contract construction units at local shipyards. The text foresees that companies will be able to rent boats to operate in cargo transportation.

CAMEX extends zero tariffs for importing medicines and supplies against Covid-19: In late December, CAMEX extended the validity of Resolution No. 17/2020, which reduced the Import Tax rate to zero for products considered essential to face the pandemic of Covid-19. The extension was approved at a virtual meeting of the Executive Management Committee of CAMEX (GECEX), on December 18, and published on December 29 in the Federal Register, in GECEX Resolution 133/2020. The reduction in the rates would have expired on December 31, 2020, but was extended until June 30, 2021, for 298 products, covering medicines and their inputs, tests for virus detection, and vaccines.

Ports and Terminals

Companhia Docas do Rio de Janeiro (CDRJ), the port authority that manages the Ports of Rio de Janeiro, Itaguaí, Niterói and Angra dos Reis, ended 2020 with a 21% increase in revenue.

The turnover of approximately R\$ 630 million represents the highest billing ever and is the largest growth during the last 10 years out of a succession of consecutive increases of 19.4% in 2017 (second-highest increase in the period), 16.8% in 2018 (third-highest increase in the period), and 13.6% in 2019 (fourth-highest increase in the period).

According to the figures released by the Market Relations and Planning department, revenues were higher than in 2019 by R\$ 108 million. The record amount is due to a combination of factors: the sustaining of operations during the pandemic, the resilience of container operators during the crisis, the recovery of iron ore handling after a fall in 2019, the successful negotiations with commercial partners, and the sharp increase in the price of iron ore in reais.

As in almost all businesses that were unable to stop operations at the height of social isolation measures, the company had to quickly adapt its work processes in partnership with port operators to ensure continuity of operations. Thus, with the sustained demand for iron ore (the main product exported through the CDRJ ports), the total volume handled by the company grew by 7% compared to 2019.

At the iron ore terminals, which account for approximately 72% of the product volume handled at the ports managed by CDRJ, there was a recovery in the movement that had fallen in 2019, after a drop in production from the mines in the southeast after the Brumadinho mining tragedy. Iron ore handling in 2020 was about 3% higher than in 2019.

Container terminals managed to recover after the drop in handling in the second quarter of the year and moved more consistently in the last quarter of 2020, reaching a 7% increase in the consolidated volume for the year compared to 2019. This growth at the end of the year was due to the fact that these terminals sought other types of cargo, in addition to their main container cargo.

The other terminals, whose main cargo is neither containers nor iron ore, presented a cumulative growth of more than 30% in the volume handled in relation to last year, driven by the 56% growth in the handling of pig iron. Thus, in the consolidated volume of 2020, the movement of ports managed by CDRJ will be close to 55 million tons, an increase of 7% above the result of 2019.

The approximate growth of R\$ 108 million in relation to 2019 revenue is mostly concentrated in the ore terminals, which increased by 66% in relation to last year. According to the director of Market Relations and Planning, Jean Paulo Castro e Silva, "this increase is due to the friendly agreement with one of our main commercial partners to pay the difference in relation to the contractual minimum not reached in 2019, the increase in the movement in relation to last year, and the great appreciation of iron ore in reais as a result of the combination of the increase in the value of the commodity in international markets and the strong appreciation of the dollar against the real".

The Superintendence of the Port of Itajaí won the recommendation for ISO 14001 certification on December 22nd. The official certification of the Port Authority of Itajaí will take place when the certificate goes through the necessary international process, a process that can take 40 to 60 days. The recommendation indicates that the Itajaí Port Authority meets the certification parameters and that the port may now be considered ISO 14001-compliant.

There were 4 audit days (Dec. 17, 18, 21, and 22) in December 2020, carried out by the company TÜV NORD Brasil, an independent Brazilian certification body, belonging to the German group TÜV NORD, an organization with over 150 years of experience in certifications.

The Importance of ISO 14001 Certification - ISO 14001 certification demonstrates that the institution is concerned with the management of the environmental impacts generated by its activity, in addition to attesting that there is an Environmental Management System in place at the institution. ISO 14001 is designed to help companies and institutions to adapt environmental responsibilities to their internal processes, without neglecting the search for economic development.

2020 Challenges - The ISO 14001 implementation process began in late 2019, by COAMB (the environment, work safety, and sustainability coordination) at the Port of Itajaí, aiming to achieve certification in the first half of 2020.

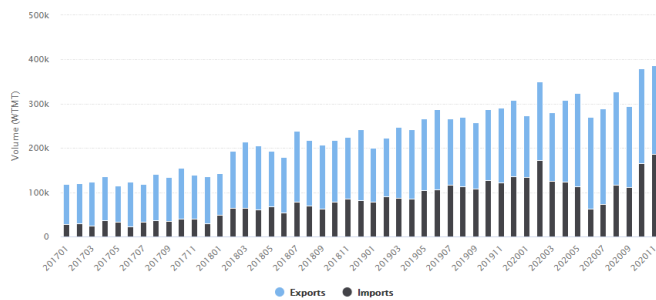
The first steps towards achieving the certification took place through the implementation of the Integrated Management System and the creation of the Sustainability Committee, formed by Port of Itajaí employees. The voluntary members of this committee were responsible for disseminating information from the SGI (Integrated Management System) at their jobs, in addition to receiving training related to environmental management.

All of this occurred in the first months of 2020. In March, the pandemic was decreed and certification plans had to be stopped.

At the end of September, when the Coronavirus dissemination control strategies were implemented and working, the management of the Port of Itajaí decided to resume the ISO 14001 certification target for 2020.

Check the chart below for the history of cargo handling at the Port of Itajaí since 2017:

Cargo Handling at the Port of Itajaí | Jan 2017 to Nov 2020 | WTMT



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

On December 29th, CIARA, (the oil industry chamber of the Argentine Republic) reported that after a 20-day strike, an agreement was reached with the workers' unions to suspend the blockade.

Argentina's port and grain processing activities have been affected since December 9, when two workers' unions in the processing industry and one technician union from the port of Uragara started a simultaneous strike over wage claims.

"CIARA had called for joint work without conflicts; this led to a significant decrease in competitiveness with penalties for non-compliance and loss of markets and exports," said a statement.

Argentina is the world's largest exporter of soy oil and soybean meal, and the agro-industrial and port hub located to the north of Rosario ships around 80% of the sector's exports from the South American country.

The modern Navi-Harbor 4.6 3D vessel traffic monitoring and control system is already in the final testing phase at the Port of Vitória. According to CODESA's VTS Management coordinator, Agostinho Sobral Sampaio, the new system is running in parallel to Indra's Imare software, which currently operates the VTMS (Vessel Traffic Information and Management System) in the Port of Vitória.

"The VTMS team of operators and supervisors is undergoing various training courses to operate the Navi-Harbor, from the company Wartsila. The first phase took place in November, via the web, and in the second week of January, Russian engineer Dimitri Vinogradov, from Wartsila, will be here for the on-site phase and the conclusion of the course. From then on, the new system goes into operation for good," explained Sobral. Used in more than 300 ports worldwide, Navi-Harbor allows a three-dimensional view of the navigation situation, allowing the operator to observe the traffic of ships from a variety of different perspectives. Important: the Imare system will not be deactivated and can be used in cases of emergency in the operating system.

PMIS - Imare's PMIS system data and information are being migrated to Navi-Harbor 4.6 PMIS, so that database records and integration with other CODESA internal and external systems like the Paperless Port (PSP), Maritime Traffic System of the Brazilian Navy (SISTRAM), and CODESA's port management system.

PMIS is a tool that essentially helps the Port Authority, the VTS Manager, Allied Services, port operator, and other agents (Maritime Authority and service providers) to manage the stopovers: stopover authorization and departure dispatch, and

assignment and monitoring of services provided vessel call (piloting, towing, mooring, etc.).

The new technology will make the control and monitoring of vessel traffic in the Port of Vitória even more efficient. Implemented in 2017, CODESA's VTMS, which covers the Port of Vitória, Tubarão Port Complex, and Praia Mole access channels, anchorage areas, and adjacent areas, has a 100% accident-free rate.

On December 28th, ANTAQ (the national waterway transport agency), opened a public consultation for the concession process of the Ports of Vitória and Barra do Riacho, under the current management of Companhia Docas do Espírito Santo (CODESA). The project will be a pioneer in the transfer of activities performed by a dock company to private partners and is part of the company's privatization process – the first of its kind in Brazil.

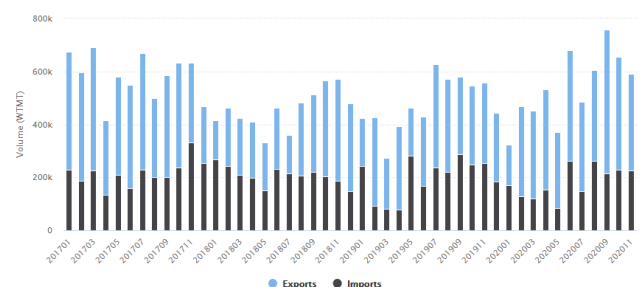
The expectation is that the new model, which will be more flexible in terms of managing and establishing performance indicators, will generate investments that can contribute to the increase of national competitiveness. In the concession proposal, the object of the contract will mainly cover the performance of the port administration functions and the indirect operation of the port facilities. In order to preserve competition within the ports, the concessionaire will not be able to act directly on cargo handling.

The concession model, developed by the BNDES, provides for mandatory investments of at least R\$ 1.6 billion over its term, including R\$ 63 million in infrastructure recovery, R\$ 530 million in operation and maintenance, R\$ 772 million in maintenance dredging at the ports of Vitória and Barra do Riacho, and R\$ 290 million in improvements in land access to the port.

Other investments may be made in partnership with those interested in exploring areas available for cargo handling and terminal implantation. Today, the Port of Vitória has about 400,000m² of operational areas available for the development of new businesses. In Barra do Riacho, there are more than 500,000 m². The project foresees a 35-year concession of the organized ports. The public consultation will present the main regulatory aspects for the exploration of these assets and the studies that support the modeling. During the consultation period (accessible on the ANTAQ website at <http://web.antaq.gov.br/Sistemas/LeilaoInternetV2/PaginaPrincipal.aspx>) civil society, government entities, and potential investors may ask questions and propose contributions to the project. The bidding notice should be published in the third quarter of 2021 and the auction is expected to be held in the fourth quarter of the same year.

See the graph below for cargo handling at Port of Vitoria:

Cargo Handling at the Port of Vitoria | Jan 2017 – Oct 2020 | WTMT



Graph source: DataLiner (to request a DataLiner demo, click here)

Grain

A statement released on December 30 by the Argentine Ministry of Agriculture has announced that the country will suspend its corn exports until March 1, 2021. The measure is a government effort to guarantee a sufficient domestic supply of food. “This decision was based on the need to guarantee the supply of the grain to sectors that use it as a raw material for the production of animal protein, such as pork and chicken, eggs, milk, and cattle, in which corn represents a significant component of production costs,” according to the statement.

Argentina is a major global supplier of corn, soybeans, and wheat, and is the largest exporter of soybean meal and oil in the world. “To date, 34.23 million tons of corn from the 2019/20 season have received export authorization, compared to 38.50 million exportable tons,” said the note. “The objective of the measure is that the remaining 4.27 million tons remain available for domestic consumption, aiming to guarantee the supply during the summer months when the availability of the cereal tends to be scarce”, he added.

Farmers and other “players” in the corn chain in Argentina often oppose this type of intervention in the markets. “We are absolutely surprised. It makes no sense. There was never a shortage of corn in Argentina,” said Alberto Morelli, president of MAIZAR, the country’s corn industry chamber.

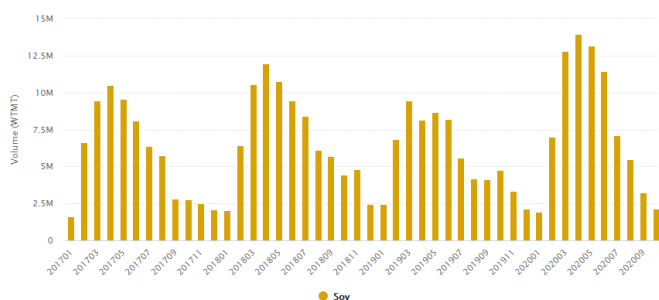
According to the monitoring done by consulting firm Safras & Mercado, Brazilian ports begin 2021 without soybean shipments scheduled in January or February.

“With the delay in the harvest, a very low volume was expected in January, and this should be confirmed,” said Luiz Fernando Roque, an analyst at Safras & Mercado. In addition, the rise in the dollar and prices stimulated shipments of large volumes of the grain in 2020, which reduced exports to be made in early 2021.

The report by ANEC (the national association of cereal exporters), released on December 30, 2020, already indicated that that week there would be no movement of oilseeds in ports. In January 2020, shipments of soybeans totaled 1.6 million tons; in 2019, there were 2.2 million tons handled.

Brazilian soy exports ended 2020 at 82.2 million tons, according to ANEC. The volume is 13.66% higher than the 72.4 million shipped in 2019 but does not exceed the record of 83.2 million tons shipped in 2018. In the estimates of Safras & Mercado, Brazilian exports will total 83 million in 2021. Consult the chart below for the history of Brazilian soy exports since 2017:

Brazilian Soy Exports (HS 1201) | Jan 2017 to Oct 2020 | WTMT



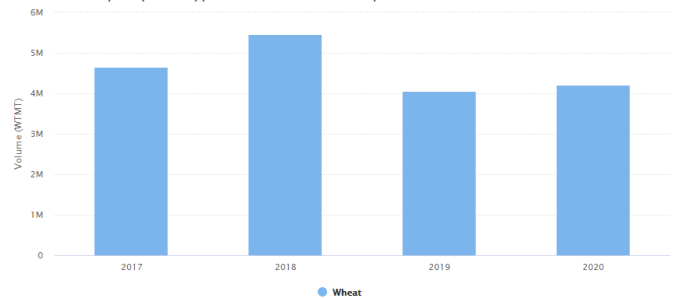
Graph source: DataLiner (To request a DataLiner demo click here)

Wheat imports into Brazil are expected to plummet by the end of December, according to partial data on imports released on December 29 by the Ministry of Economy, as a strike by port workers in Argentina affected the flow of the main supplier of the cereal to Brazilian mills.

By the fourth week of this month, imports of unground wheat and rye from Brazil had reached around 237,000 tons, compared to 650,000 tons for the same month last year, according to the ministry’s data.

Brazilian Wheat Imports (HS 1001) | Jan to November 2017-2020 | WTMT

Brazilian Wheat Imports (HS 1001) | Jan to November 2017-2020 | WTMT



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

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

A workers’ strike in the ports delayed the loading of various types of grain on more than 140 vessels in Argentina, one of the largest world suppliers of food, according to the chamber of agro-exporting companies CIARA-CEC.

Meat

China’s meat importers and processors have asked exporters in countries with Covid-19 outbreaks to step up care with disinfecting the goods before shipping them to the Asian country.

“China has been importing a lot of meat this year and has often detected viruses in the packaging of cold chain products, even with a lot of disinfection being done in-house,” said Gao Guan, a spokesman for the China Meat Association. It would be better to deal with this (controlling the virus) in the meat-exporting origins by doing the disinfection in the production units, because the cost would be lower and the efficiency greater”, he added.

China accelerated the disinfection and testing of viruses in frozen foods after finding the coronavirus in imported products and packaging. The measures increased costs, interrupted trade, and angered the main exporters.

The Association suggested that exporters in countries affected by Covid-19 disinfect the outer packaging of products and the inside of containers before sealing export products, according to a statement published in the association’s official WeChat account. According to the statement, the initiative was proposed to “guarantee the safety of food imported from the cold chain and to increase consumer confidence in imported products”.

The proposal came after some large exporters, including JBS in Brazil, began to take measures such as extensive product and storage location disinfection, to supply China with safe products, according to Gao.

According to the Chinese association, there are reports that showed that contact with coronavirus-contaminated packaging could lead to human infection. The World Health Organization, however, says the risk of contracting Covid-19 from frozen foods is low. Chinese authorities repeated that this risk was low, but that there was still a risk. "The virus is new. We are still gaining experience in fighting it" said Gao. "We must meet and discuss how to use the most scientific, efficient, and low-cost measures to ensure public health and trade at the same time," added Gao.

Ores

Data released by the Secretariat of Foreign Trade (SECEX) up to the fourth week of December shows that Brazilian iron ore exports exceeded the total shipped during the entire month of December last year. So far in 2020, 26.6 million tons have been exported, whereas during the entire month of December 2019, shipments of the commodity across the country totaled 24.99 million tons.

If the daily averages of iron ore exports are compared, the indexes up to the fourth week of December 2020 are 24.4% above those seen in the same month last year.

In relation to agricultural exports, Brazilian shipments of cotton and green coffee up to the fourth week of this month also already exceed the total verified in December 2019, and corn is also on track to surpass December 2020 totals.

Exports of green coffee reached 226,900 tons up until the fourth week of this month, compared to 189,800 tons during the whole month of December 2019. Cotton shipments reached 299,400 tons by the fourth week, versus 277,800 tons in all of last December.

According to SECEX, corn shipments totaled 4.13 million tons, against 4.16 million in the last month of last year. On the daily average, however, they increased by 15.7%.

Sugar exports so far this month also exceeded the December 2019 total already last week.

Other cargo

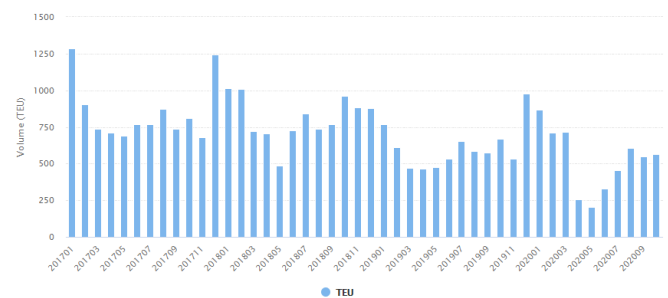
Projections from ABICALÇADOS (the Brazilian association of footwear industries) point out that Brazilian footwear exports are expected to increase 21.2% in 2021, while production is expected to grow 19% in comparison with the figures for 2020.

It won't be a true growth, but more of a recovery; the sector was strongly affected by the coronavirus pandemic. Exports from January to November this year fell by 19.4%. Between January and October, production fell by 27% and it is estimated that by the end of the year the decline will have stabilized at 25%.

2020 was a difficult year for the Brazilian footwear sector. Largely dependent on the domestic market which is responsible for 85% of sector sales, the industry saw its production plummet, according to data from IBGE (the Brazilian Institute of geography and statistics). The drop in manufactured volume, influenced by exports, will cause the sector to return to the production levels of 16 years ago, in the range of 650 million pairs.

See the graph below for Brazilian footwear exports from January 2017 to October 2020:

Brazilian Footwear Exports (HS 64) | Jan 2017 to Oct 2020 | TEU



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

In a note, the CEO of ABICALÇADOS, Haroldo Ferreira, informed that the Covid-19 pandemic severely affected the footwear industry, which produced 250 million pairs less than in 2019 and laid off 20,000 workers. "There is a recovery trend seen in the last months of 2020. For the beginning of next year, the trend is this, especially considering vaccination and the normalization of physical commerce, on which we are still dependent," said the executive. The return to 2019 levels, however, will only be reached in 2022, according to Ferreira's estimate.

Economy

CAMEX (the chamber of foreign trade) extended the validity of Resolution No. 17/2020, which reduced the Import Tax rate to zero for products considered essential to combat the Covid-19 pandemic. The extension was approved at a virtual meeting of GECEX (the executive management committee of CAMEX), on December 18th, and published on December 29th in the Federal Register as GECEX Resolution 133/2020. The exemption of the tax levy would have ended on December 31, 2020, but was extended until June 30, 2021 for 298 products, covering medicines and their inputs, tests for virus detection, and vaccines.

By maintaining exemption, the objective is to increase the supply of medicine and inputs for the national production of goods destined to fight the pandemic, reducing the costs for manufacturing these goods in the country and increasing their availability for the Brazilian health system.

Resolution 17/2020 also determines that the agencies and entities of the Federal Public Administration that perform licensing, control, or inspection of these imported items adopt priority treatment for the release of goods

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

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