

Ports, Terminals and Other Infrastructure

On Wednesday the Itaqui Port Authority signed an agreement with the Panama Canal Administration which will allow the port to use the canal and enable mutual partnerships. The groundbreaking deal will not only facilitate grain shipments to Asia but also greatly enhance the port's competitiveness amongst its peers, in addition to the port's strategic location for the Asian markets. Of the total amount of grains usually exported from Itaqui, 80% go to Asia. It is the first port of entry and the last port of departure to and from the Asian countries. According to government data, Itaqui handled 8m tons of soybeans in the first ten months of 2018 via Maranhão port, up 40% YoY.

The following table ranks top soybean destinations from Itaqui port:

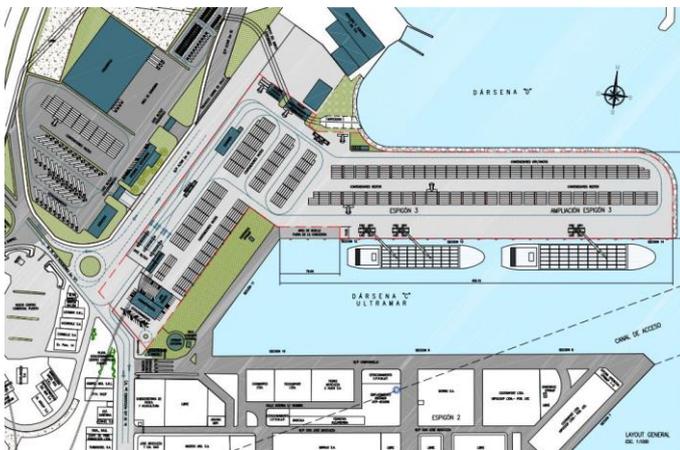
Itaqui Port's top soybeans (HS Code 1201) destinations

Jan to Oct 2016-2018 in WTMT

Destination	2016	2017	2018 Trends
CHINA	1.982.169	3.919.091	6.186.528
THAILAND	263.327	207.278	344.687
EUROPEAN			278.201
SPAIN	377.892	814.919	200.964
JAPAN	52.410	99.500	175.900
	2.675.798	5.040.788	7.186.280

Source: DataLiner

Mar del Plata Port Consortium has announced a tender for a multipurpose terminal to be built where the port's silo and grain conveyor belt are currently located. Part of the development plan is to demolish existing infrastructure to increase reefer container storage capacity. In the last stage of the development, two new berths will also be built. A total of 4 hectares of land is available for concession with a 30-year tenure. The deadline to submit an offer is February 18.



Map: NuestroMar

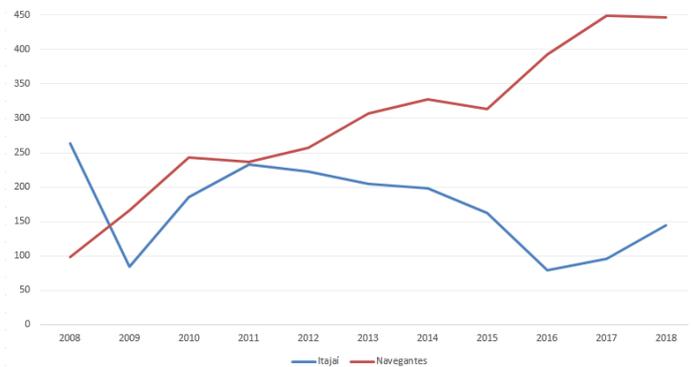
Itajaí port concessionaire, APM Terminals, predominantly a container terminal, signed a one-year contract to receive Ro-Ro vessels to import vehicles. It is believed that the terminal will move approximately 40,000 units in 2019 after having moved close to 13,000 vehicles this year. This diversification is in line with what a growing trend by container terminals to diversify in a bid to compete with the bigger players, such as DP World and Terminal Link.

APM Terminals has seen a roller coaster trip over the last ten years. After being hit by a major flood in November 2008 which rendered three berths completely unusable and having recovered against all the odds despite fierce competition from its neighbor Portonave and the loss of important services over the years, the terminal has seen a recovery in container volumes over the past two years.

According to DataLiner, APM Itajaí is now seeing better days. This year exports of full, long-haul containers have risen 49.78% to 144,204 TEU in the first ten months of 2018 YoY. According to Itajaí Port Authority, volumes including empties and cabotage during the same period reached 320,225 TEU, up 82.2% YoY.

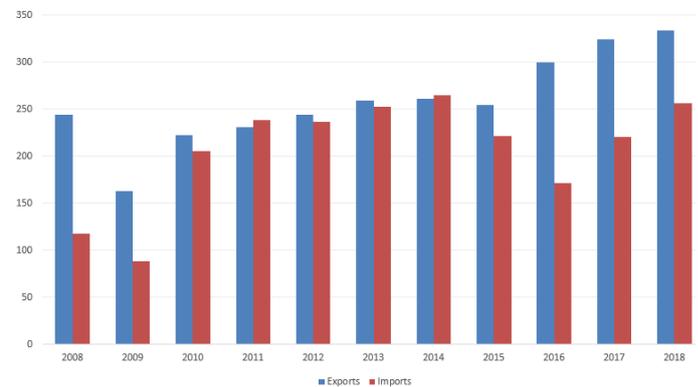
The graphs below show Itajaí's recovery over the past two years, as well as the dramatic change in the region's container terminal activity after the floods and the introduction of Portonave. A further graph shows how exports have dominated the port since 2015 when the most recent recession began and how imports are beginning to recover as the economy gradually bounces back.

Itajaí and Navegantes full deepsea TEU throughput (Exp & Imp) - Jan to Oct 2008-2018 ('000 TEU)



Source: DataLiner

Itajaí and Navegantes Exports vs Imports - Jan to Oct 2008-2018 ('000 TEU)



Source: DataLiner

No bids were put forward for the area known as STS20, occupied by Pérola Terminal at the Port of Santos and specialized in handling fertilizer and salt amongst other things. Hence, the National Water Transportation Agency (Antaq) must carry out a new auction. The 29,200 square meter area has three warehouses - warehouse XII and XVII, and the Salt Warehouse (T-8). The winning party would be expected to invest around R\$219m with a 25-year tenure.

Logistics

A road block by truckers affected a 2km stretch of the Presidente Dutra highway (BR-116) in Rio de Janeiro, causing disruption to traffic on Monday morning. The protest ensued after the Supreme Court imposed an injunction to prevent ANTT (the National Land Transport Agency) from fining transport companies for violating the minimum freight rates. The truck drivers left the scene by 11am.

Bolsonaro's future government has said it will work towards revising the pricing policy for the minimum truck freight rate table rather than scrap it, as many have asked for. The idea is to introduce a new set of prices and encourage the market to use them after publication. The Temer government devised the present model of freight rate to end the trucker's strike in May. However, the measure encountered fierce criticism soon after the country's commodity transportation costs started to rise. Bolsonaro is popular among both truckers and farmers which puts his government in the difficult situation of not favoring one side over the other.

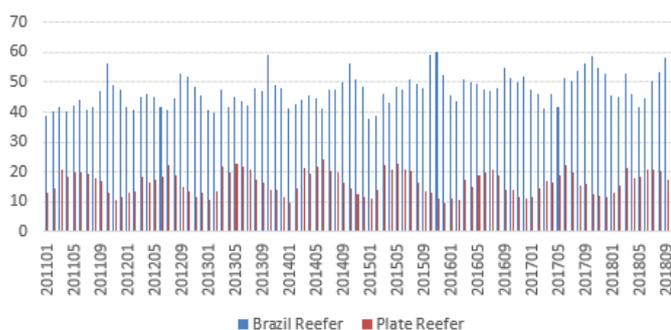
Trade Relations

Argentina has lodged a complaint with the World Trade Organization (WTO) regarding Peru's anti-dumping and anti-subsidy tariffs on its bio-diesel. The two countries failed to resolve a dispute over unfair competition allegations in 2016, causing Peru to slap tariffs on Argentina's bio-diesel imports for five years.

Reefer and Tank Exports

DataLiner data shows Brazil's reefer exports has decreased in October, down 0.5% to 58,099 TEUs compared to September. Overall, for the first ten months of 2018, Brazil's total reefer exports reached 495,978 TEUs, up 0.4% year-on-year. The Plate region's reefer exports fell significantly in October, down 8.5% to 15,833 TEUs compared September. Total reefer exports for the Plate region went up 10.2% between January and October year-on-year, to 181,385 TEUs.

Brazil and Plate Reefer exports per month
January 2011 - October 2018 ('000 TEU)

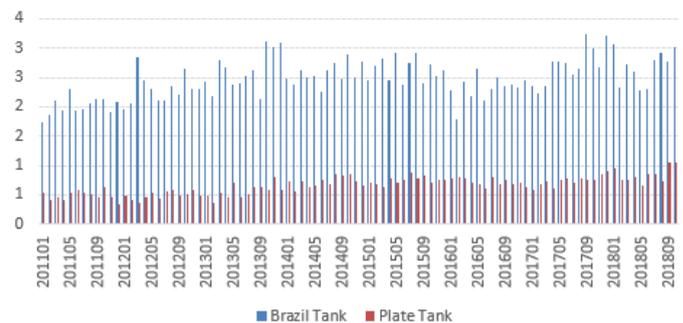


Source: DataLiner

DataLiner data shows Brazil recorded a sharp increase in tank exports in October, up 9.4% to 3,028 TEUs compared with the previous month. For the first ten months of this year, tank exports improved slightly by 0.7% to 26,846 TEUs year-on-year. The Plate region's tank exports showed no significant movements, falling 0.1% in September compared with the previous month, to 1,057

TEUs. In total 8,456 TEUs were exported via tank by the region between January and September this year, up 18.5% year-on-year

Brazil and Plate Tank exports per month
January 2011 - October 2018 ('000 TEU)



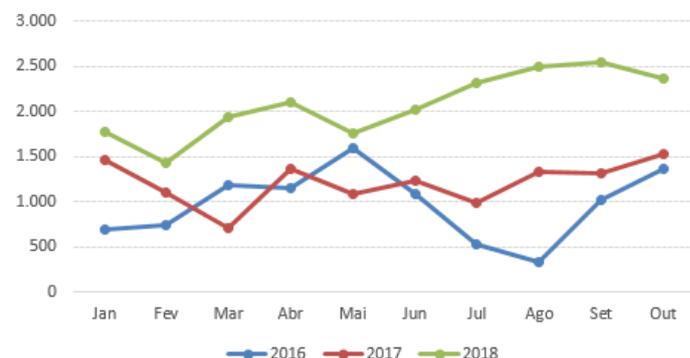
Source: DataLiner

Meat & Fish

Brazil is expecting to handle a record amount of beef in 2019 due to China opening its doors to more Brazilian meat processing plants. According to the Brazilian Beef Exporters Association (ABIEC), Brazil's beef shipments will rise 10.8% YoY to 1.8m tons in 2019, which is equivalent to an increase in export revenues of 11% on year-ago levels, to US\$7.2bn. Abiec announced that China might authorize up to ten more meat plants in the first quarter of 2019, in addition to the existing 15 units. The organ is confident that with just 16 units, Brazil can earn US\$1.8bn in export revenues, equivalent to 431,000 tons of beef export.

The following graph shows Brazil's increasing trend in beef exports to China:

Brazil's beef exports to China - Jan to Oct 2016-2018 (TEU)



Source: DataLiner

Grain

Last week at the G20 summit, both Washington and Beijing agreed to ease up on import duties against each other, which have caused major disruptions to global commodity flows. The US agreed to put a hold on its plan to increase tariffs on US\$200bn worth of Chinese goods. Meanwhile, China has agreed to buy a substantial number of agricultural products amongst other things. For this to occur, the US is expecting that China will cancel import tariffs on American commodities, as China's 25% tariff on US soybeans make the commodity US\$60 per ton more expensive than Brazilian soybeans. According to a source, China plans to buy 5-8m tons of soybeans from the US, with a further possibility of purchasing another 2m tons.

According to Food Supply and Statistics Agency Conab, Brazil is expected to produce up to 238.4m tons of grain in the 2018/19 harvest, up 4.6% compared to the previous harvest. It already planted 62.49m hectares by November, up 1.2% compared to the previous season. Conab also estimates Brazil will yield up to 120.1m tons of soybean, 91.1m tons of corn, and 11.3m tons of rice next season.

Louis Dreyfus Company (LDC) and Cofco International were among the top soybean shippers from Brazil in 2018. According to shipping agency Williams Sons, Dreyfus moved 30.5% more soybeans (10.56m tons) in the first eleven months of 2018, YoY. The volume represents 13% of Brazil's total soybean shipments. China's Cofco recorded a significant increase as well, up 22% to 10.49m tons between January and November YoY.

Bunge forecast that Brazil's wheat imports will rise 11% to 7m tons next year to make up for the deficit due to crop failure this year. This year's wheat production was initially estimated at 6m tons, but this has been revised down to 5.3m tons due to rainfall during harvest destroying a portion of the crop. Brazil is expected to face higher prices when importing wheat from neighboring Argentina despite its record production levels this year at 20m tons, as farmers have managed to sell most of their crop in advance.

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