

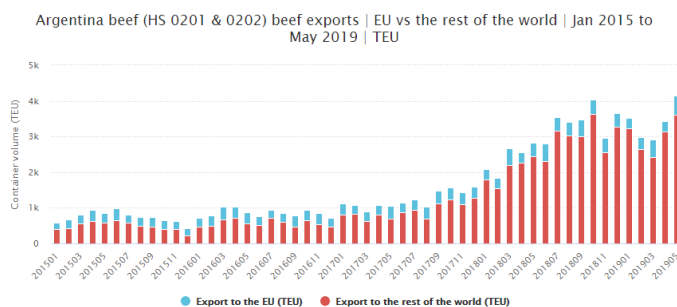
Main news**With the new trade agreement between the European Union and Mercosur, Argentina will have zero tariffs or reduced tax on most of their export quotas for beef.**

Although the Brazilian cattle herd is four times larger than the Argentine, Argentina will have access to quotas of 50 thousand tons of beef. Brazil will have around 38.5 thousand tons, Uruguay 20.4 thousand tons, and Paraguay 5.7 thousand tons.

The advantage of quota that Argentina will have with the agreement between EU and Mercosur is a heritage of the Hilton quota, valid for noble courts. With the deal, this quota, which already has lower import tariffs, will have the aliquot zeroed.

Currently, the Hilton quota has a tariff of 20% and, in Mercosur, Argentina has its most significant volume: 30 thousand tons per year. For Brazilians, the limit is 10 thousand tons, but the national industries can hardly fulfill it due to the restrictions from the health protocol with the European Union. In the last fiscal year, ended in June, Brazilian slaughterhouses occupied 41% of the Hilton quota.

To get an idea of the Argentine beef export volume to the European Union as well as to the rest of the world in the period from January 2015 to May 2019, follow the chart below, based on data from Dataliner:



Source: DataLiner

Ports, terminals and infrastructure

The Ministry of Infrastructure signed ordinances that alter the polygonal areas of 16 organized ports in Brazil: Angra dos Reis (RJ), Areia Branca (RN), Belém (PA), Rio de Janeiro (RJ), Estrela (RS), Fortaleza (CE), Ilhéus (BA), Itaguaí (RJ), Itajaí (SC), Maceió (AL), Natal (RN), Niterói (RJ), Recife (PE), Santarém (PA), São Francisco do Sul (SC), and São Sebastião (SP). The old polygonal presented obstacles in according to the Law of Ports (12.815/2013).

The purpose of the revision of polygons, which covers areas for port facilities, as well as protection infrastructure and port access, is to define more clearly the geographical boundaries of the jurisdiction and the public and private performance of these ports.

For the Minister of Infrastructure, Tarcisio Gomes de Freitas, the review will accelerate requests for the installation or expansion of private use terminals (TUPs). "Our goal is to simplify operations, reduce bureaucracy, and encourage private initiative to invest," said Freitas. "In the end, the definition of the polygonal is legal certainty. It gives clarity and the possibility that new investments

made due to this security and the clarity that the definition of these polygonal brings," he added.

Now only the public goods necessary for the fulfillment of the functions of the port authorities are under the control of each one of them. In the old areas, there were land owned or under private ownership, such as shopping centers, houses, business buildings, hotels, museums, squares, and even airports, which were not related to the operation of the ports.

The construction of the new design of the polygonal went through extensive discussions with the port communities, where interested parties presented their suggestions during consultations and public hearings.

For the National Secretary of Ports and Waterway Transport (SNTPA), Diogo Piloni, the contributions were significant for the revision of the proposals. "In all cases, SNTPA has democratically accepted one or more changes from the hundreds of stakeholders who participated in the process," said Piloni, who evaluates the signing of the ordinances as a long-awaited milestone by the sector and the port community. "From the review, we will have the legal certainty necessary for new investments to occur," he said.

Also during this year, the Ministry of Infrastructure intends to publish the polygonal of the ports of Santos (SP), Imbituba (SC), Rio Grande (RS), Itaquí (MA), Suape (PE), and Manaus (AM).

According to Tribuna, ADM in Brasil will invest R\$69m in its terminal in the Port of Santos. The works and the purchase of equipment are expected to be completed by May 2020; 150 employees were hired for this.

The company's contribution has already been authorized by an ordinance published by the Ministry of Infrastructure, through the National Secretariat of Ports and Waterway Transportation. It is worth noting that there is no guarantee of the right to economic and financial rebalancing in favor of the lessee.

Planned works

Improvement in the dedusting system of a new moega (a structure that receives goods from train wagons or trucks and directs them to a system of mats) for the railway unloading that is being built and the acquisition of fully automated German robots for the traction of wagons are both among the planned works.

Two of these robots are fully electric and two are diesel-electric. The electric ones are smaller and used to move empty carriages while the diesel-electric one can move loaded wagons.

The replacement of shipping belts and the installation of a dust suppressor are to be expected, in addition to the exchange of the firefighting system.

Another investment will be the increase of security with changes in the access gates to the terminal, which is in Ponta da Praia.

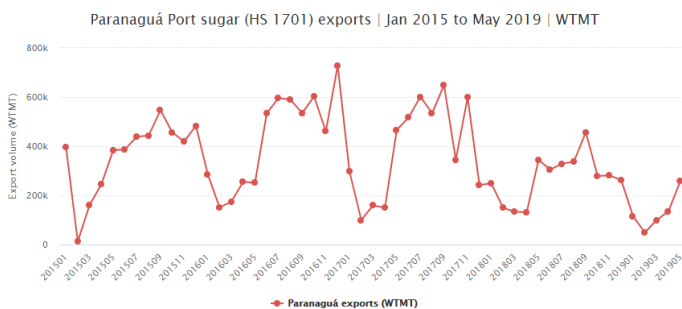
With the approval of the draft of 12.5 meters by the Maritime and Port Authorities, as well as the authorization of operation by the environmental agency licensor, IBAMA, the new mooring berth of TCP, company that manages the Container Terminal of Paranaguá, entered into operation on June 30, with the berthing of the ship Maersk Londrina (229.90 meters). The release of berth 218, built from the expansion works of the Terminal, makes

Paranaguá one of the first Brazilian ports to be prepared to serve the larger foreign trade ships.

Juarez Moraes e Silva, institutional director of TCP, emphasizes that the homologation of the new operational draft takes into account the Standards of Maritime Traffic and Permanence in the Ports of Paranaguá and Antonina. "This means that we obey all the operational constraints enabling us to start the operations of the new structure and integrating it into the existing structure," he says.

The executive emphasizes that the liberalization was possible, thanks to the alignment between the authorities and port operators. "It is the result of a work of strategic planning and alignment among all the parties involved. As a result, TCP and, consequently, the Port of Paranaguá deliver even more operational capacity for users and shipowners. It is a berth able to operate, aside from containers, cargo project, general cargo, and vehicles when necessary," he points out.

The following graph, based on data from Dataliner data, shows the sugar exports from that port between January 2015 and May 2019.



After the Addendum Signing Act for the conclusion of the first stage of the Restructuring Works of the New Waterway Access of the Port Complex of Itajaí, called "Evolution Basin," **completed on June 5, Draga "Backhoe Simson" completes 14 days of uninterrupted work.**

The Dredge "Backhoe Simson," or excavator dredger, is of Dutch manufacture and was built in 2008. It is 67 meters long by 23 meters wide and can operate with dredge depth limits of up to 26 meters. The equipment is considered one of the most efficient models of this category, having the high and fast capacity to remove sediments and larger stones in the River Itajaí-Açu, containing a bucket with an ability to store 34 m³ of extracted material, the equivalent of 5 truckloads.

In support of Draga Simson's operations, the "Jan Blanken" vessel, a "splitter" boat technically known as "Barge," whose vessel operates in a shallow river, lake, and lagoon waters, is equipped with a propulsion engine and used to transport material from dredging. The equipment was built in China in 2009 and is 96 meters long by 18 meters wide with a cargo capacity of 2,853 cubic meters.

With the return of operations at the works site (the banks of the Itajaí-Açu River and the north bank), about 1.3m cubic meters of the remaining areas are expected to be dredged, up to the stipulated period. According to the letter sent to the State Department of Infrastructure in April this year, a volume of 1.7m cubic meters dredging completed.

Paralyzed work

The works in the Evolution Basin began on March 2016 and were paralyzed on March 31 of this year, under non-operational conditions, from allegations of the State Government and the contracted company (Triunfo), stating that it would no longer be possible to make additives. Another justification of the State Government, through the State Department of Infrastructure (SIE), is that the calculation of the volume of dredging stipulated in the contract with Triunfo was completed. In this first phase of the works, Triunfo Engenharia was contracted for its execution while Prosul oversaw the inspection. Both relayed their services at the construction site under the supervision of the Superintendence of the Port of Itajaí.

Bigger ships

With the completion of the first phase of works (scheduled for September 2019), numbers in the Port Complex of Itajaí are expected to increase. The initial result will be proven with the ships of up to 336 meters in length that will dock at the terminals of the port complex.

According to the Santos Port Authority - Codesp - an area of 180 square meters of the Port of Santos, between the districts Macuco and Ponta da Praia, occupied by the Libra Terminais, is available for transitional contract to store and export pulp.

The port authority director, Casemiro Tércio Carvalho, stated that space will be used for pulp handling.

The Libra Group stopped loading and unloading cargoes in the area on April 28. Since then, the company has only operated with bonded warehouses.

Due to a court decision, the Libra Group was prevented from returning the terminal to Codesp, since the return was considered incompatible with the judicial recovery process. The area will be available for auction on May 2020.

The president of Codesp said that the area has already been visited by professionals from the Planning and Logistics Company (EPL), the Investment Partnership Program (PPI) and the Ministry of Infrastructure.

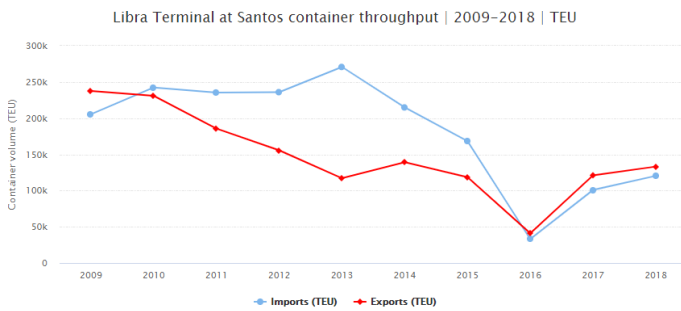
Based on the data collected, studies will be carried out on the area so that a new concession can be made possible. The work is expected to be completed by the end of this year.

Despite this, Carvalho says that a transitional contract can be made before a future auction. "Whatever we get from a transition contract to generate jobs right away, let's sign it." And he remembers: "The transitional contract is possible, but it does not depend only on the port authority, but also on the pulp trade and the National Waterways Transports Agency [Antaq]. The goal is to have this contract signed in the second semester."

Interested companies

The CEO of Codesp says there are companies that are already interested in the area, especially when it is said that Libra Terminais at Santos will be a cluster dedicated to pulp. With this, it will be possible to load pulp from different companies on the same vessel.

The following DataLiner graph shows Libra Terminais export-import trends since 2009:



Source: DataLiner

The concession terminals of Port of San Antonio, in Chile, received 92 ships during the month of June. According to state records, most ships were container ships.

Of the container ships, 38 were received at the San Antonio International Terminal and 15 in the Central Port.

The second-largest group of vessels was the “RoRo vessels”, which totaled 14, all received by the Central Port.

Regarding solid bulk, Central Port received nine vessels, while Port Panul received six, all with clean bulk.

STI (San Antonio International Terminal) also received two vessels with liquid bulk, specifically sulfuric acid and one of the fuels. Meanwhile, Sitio 9 EPSA made a transfer of liquid bulk.

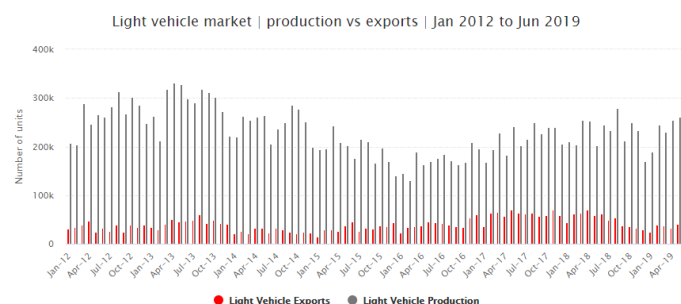
Automotive

Brazil’s vehicle exports performance is the main culprit in the country’s fall in export statistics in 2019. The information provided by Iedi – The Industrial Development Study Institute – shows that passenger automobile shipments fell from US\$3.04bn to US\$1.95bn from January to June 2018 for the same period of this year.

The absolute decrease of US\$1.08bn represents 37% of the US\$2.9bn decline in total exports in the first half of the year. Brazilian shipments fell over the same period from US\$113.8bn to US\$110.9bn (1.8% decline from the daily average, compared to the same period a year ago).

Imports in the same period totaled US\$83.76bn (up 0.8%).

According to Rafael Cagnin, an Iedi economist, the Argentine crisis has a significant influence on the decline in Brazilian automobile exports. “But the decline in Brazilian exports of manufactured goods, despite being pulled by the automotive sector, is widespread in several sectors with a more diversified profile,” he says.



Source: Datamar, based on Anfavea

Trade balance

According to an analysis released by Iedi, the level of economic activity has been showing signs of slowing in the first half of 2019, making the recovery of the economy, which was not robust, to begin with, become even weaker.

Imports, which respond to the growth of the national economy, registered US\$13bn in June 2019, practically the same level as a year ago if we consider the average per working day (+0.5% before June/18). More than a regular performance, this was the pattern of the first half of the year.

After having grown +20% in 2018 as a whole, total imports were stagnant (0%) in the first half of 2019 compared to the same period last year, totaling US\$83.7bn. Once adjusted for business days, the result improves to +0.8%, but the overall stability remains.

The worst result was the import of consumer goods, which fell -7.1% in Jan-Jun/19; a reality different from that of the first half of 2018 when it grew at a rate of +16.5%. The import of fuels and lubricants was also negative: -1.7% compared to the same period of the previous year.

Foreign purchases of intermediate goods, which feed domestic production of many products, did not fall but suffered a significant slowdown. It had grown +12.1% in 2018 as a whole, and now, in the first half of 2019, it only increased by +1.1%. Only capital goods (+4.7%) managed to show a better dynamism, but in this case, the series has been hugely influenced since last year by operations with oil platforms.

The loss of momentum from imports could have worked to at least stop the deterioration of our trade balance surplus, but this was not the case, as shown by the following interannual variations.

- Exports: +5.6% in Jan-Jun/18; +14.3% in Jul-Dec/18; and -2.5% in Jan-Jun/19;
- Imports: +17.2%; +22.9%; and 0%, respectively;
- Trade Balance Surplus: -17.4%; -7.9%; and -9.3%, respectively.

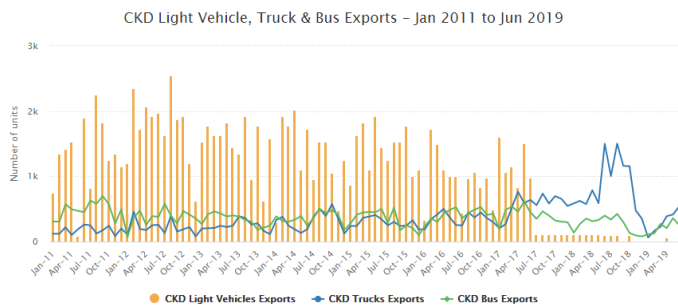


Source: Datamar, based on Anfavea

Tensions in international trade and especially the crisis of the Argentine economy have significantly damaged the Brazilian export performance. In June, exports fell -1.7% on average per working day compared to June/18, registering a total of US\$18bn. In the first semester of 2019, foreign sales of US\$110.9bn implied a reduction of -2.4% compared to the same period of last year, leading to a drop of -9.3% in the total trade surplus.

It was the manufactured and semi-manufactured goods that were behind this negative performance of exports. In the first case, the decline reached -5.5% compared to Jan-Jun/18 and, in the second case, -0.4%. Commodity shipments continued to grow in the first half of 2019, but at a much slower pace than they had been: they were only +4.3%, after rising +17.6% in 2018 as a whole.

In addition to automobiles, other manufacturers with significant losses were aircraft, oil extraction platforms, auto parts, and cargo vehicles.



Source: Datamar, based on Anfavea

Logistics

According to Valor, **Mercosur opened part of its cabotage market in the agreement with the European Union.** Ten years after its implementation, European ships will be able to transport containers in the regional service, that is, between countries of the South American bloc.

To preserve the national market, routes like Manaus to São Paulo were left out of the agreement.

The agreement now allows the transport of containers via cabotage and gives legal security to the transportation of wheat and minerals through this route. For these products, foreign vessels were already admitted but the rule was not in any legal instrument.

Currently, approximately 200,000 TEU are transported each year on regional routes. The freight value for all this cargo amounts to US\$50m. It is this market that Europeans will have access to.

However, large market segments such as the transport of soy, maize in bulk, and ro-ro transport (such as cars), will be out of reach for European vessels.

The Paraná-Paraguay waterway, which extends through the four Mercosur countries (Brazil, Argentina, Paraguay, and Uruguay) and Bolivia, was also left out. In it, cabotage remains restricted to vessels with bloc flags.

Trade

The South Korean government will begin their third round of negotiations with the four Mercosur member countries on Friday (12/07) in Montevideo, Uruguay. They seek ways to increase exports between South Korea and Mercosur countries.

Since last May, when the first meetings were held in Seoul, two official negotiations have been held. This time the meetings will cover wide areas, including exports of goods and services, investments, intellectual property, country of origin, sanitary and

phytosanitary measures, technical barriers to trade, and government procurement.

Trade volume between Korea and Mercosur countries have constantly decreased, peaking at US\$20.8bn in 2011. The numbers, however, rose slightly last year to US\$11.12bn.

According to Valor, **US President Donald Trump and Brazil's President Jair Bolsonaro are studying a Mercosur-US agreement** and even talked about it at the G20 summit in Japan.

The president of Argentina, Mauricio Macri, stated at an event in Buenos Aires that he is talking with Brazil about a trade agreement with the United States. The speech was made during a celebration of the Day of Small and Medium Enterprise, in which Macri also praised the agreement signed between Mercosur and the European Union.

"Next year, we will have [South] Korea on the agenda and we are talking to Brazil about a free trade agreement with the United States," said the Argentine president, according to the Argentine newspaper La Nación. The terms of the agreement are not known yet.

The agreement between Mercosur and the European Union (EU) will modernize and increase the competitiveness of Brazilian agriculture, said Minister Tereza Cristina (Agriculture, Livestock, and Supply). In a press interview, she said the agreement will allow the country's products to become more attractive and reach a market of approximately 700m people.

"It will bring to Brazil a quest for more quality and competitiveness to access this market, which is a market accessed by countries such as Canada and Korea. Brazil will be on equal footing," said the minister.

In addition to making exports to the European Union more accessible to large producers, the minister said the government's intention with the partnership is to put small and medium-sized producers at a level so that they can reach that market. "We will bring this possibility to those agricultural products that are already very competitive within the gate."

Precautionary Principle

The Secretary of Commerce and International Relations, Orlando Ribeiro, explained the inclusion of the precautionary principle in the agreement. According to him, this was a central element for the agreement to be signed. "We kept the expression but completely encapsulated any possibility of using the principle against Brazil. We seek guarantees to avoid or reduce the risk of such abuse that would justify barriers to trade," he said.

The secretary explained that in theory, the precautionary principle allows a country to reject the import of a product on the grounds that it is harmful to human health and the exporting country has to prove otherwise. "If we accepted in the original sense, whenever we were exporting the Europeans could say that they did not want to import a product because they think it is bad for their health."

However, express clauses were included in the negotiations to avoid arbitrary restrictions. Thus, in the Mercosur-European Union agreement, there will be a need to base the measures on scientific evidence. If this evidence is inconclusive, the application

of the device was restricted to situations that occur in the territory of the party applying the measure, which should also assume the burden of proof.

Aliquots

Orlando Ribeiro recalled that, with the agreement, 82% of Brazilian agricultural exports will remain at zero tariffs in ten years. "The agreement covers 99% of exports. The minimum with quotas is left and the quotas are quite generous. Rice, for example, was left with a quota of 60,000 tons, chicken 180,000 tons, and sugar 180,000 tons. The reaction of the productive sector has been very favorable," he said.

The minister also cited the case of soluble and roasted coffee, whose tariffs will be totally zeroed in four years. She recalled that Brazil today only exports green coffee, in grain, and that countries like Germany and Italy make the blends and sell the product, such as gourmet coffee. "Coffee is a very good example. We will have a 9% tax rate and a four-year tax deduction," he explained.



Tereza Cristina
@TerezaCrisMS



Acordo Mercosul-União Europeia. O que ele representa para a agricultura brasileira? E como impacta a vida do cidadão?

Via @planalto @governodobrasil

♥ 2.053 11:32 - 3 de jul de 2019

Tereza Cristina also pointed out that there were great gains to Brazil in the export of fruit, a great Brazilian potential which is still not very explored. She announced that the grape, for example, will have the tariff eliminated once the agreement comes into force. And avocado will have aliquot zeroed in four years. Brazil also benefited from quotas for sugar, ethanol, and meat, traditionally protected sectors in Europe.

It is worth remembering that before entering into force, the agreement needs to be approved by the parliaments of the European Union and Mercosur. She said she hoped it will happen in about two years.

The Brazilian Foreign Affairs minister, Ernesto Araújo, said that he expects two new trade agreements to be signed between Mercosur and other regions as early as the second half of 2019.

According to the Ministry of Foreign Affairs, Mercosur is in advanced negotiations with the European Free Trade Association (EFTA), with Canada, Singapore, and South Korea.

"I think we are very close to completing negotiations with EFTA. I think we can also finalize with Canada in the coming months," said Pedro Miguel da Costa e Silva, the main trade negotiator of the Ministry of Foreign Affairs. "We are working hard on the negotiations with Singapore and moving quickly with Korea."

Araújo believes that the agreement of the free trade agreement between the European Union and Mercosur signaled the beginning of an era of "Big Brazil", in which the country would be more open, prosperous, and competitive.

Also according to the Minister, Brazil will work to secure more trade agreements during the period in which it will assume the rotating leadership of Mercosur at the end of July.

Coffee

Frost hit several regions of the country last weekend, including areas producing coffee, sugar cane, corn, and wheat.

The cooperatives and companies that work in the sector sent their technicians to the field to evaluate the situation.

Sugar and ethanol producer São Martinho SA, for example, said that frost hit 12,000 hectares of cane plantations. However, the company expects that any losses in production will be small.

The coffee cooperative Minasul, in Minas Gerais, said the frosts mainly hit lowlands and mountains. "We are still evaluating, but it seems clear that there will be some impact on production," said Minasul president José Marcos Magalhães.

A better evaluation of the coffee and sugarcane fields will probably take a few days.

Brazil is in the midst of the coffee harvest; therefore, any impact will only be felt in next year's crop.

Traders were expecting a record harvest in 2020, but it is now unclear if production could surpass the record of 2018 near 62m bags of 60kg.

The expectation of frost in the South and Southeast regions of Brazil – coffee-producing regions – caused coffee prices to rise on the New York Stock Exchange.

Although at least half of the 2019/2020 crops completed harvesting in the country, a possible frost can cause impacts in the next harvest, since the cold reduces the production of branches that have had leaf burning.

Because of the risk of frost, second-place contracts for arabica coffee rose 3.84% this week. Last Monday, prices hit the highest since November, at US\$1.1365 per pound.

It was not only the possibility of frost that contributed to the increase in the price of coffee. The lower supply of quality grains in the current Brazilian crop and the projections of supply and demand also affected. In a report released on Tuesday (07/02), the International Coffee Organization (ICO) reduced the estimated surplus in world coffee production by 8.8% to 3.11m bags in 2018/19 – the international harvest closes in September.

Coffee Growers Seek Alternatives

Despite the recent rise in prices, according to coffee growers, the sector faces its worst moments, with prices only covering production costs.

To find alternatives to this crisis, the city of Campinas (SP) will host the 2nd World Forum of Coffee Producers on July 10 and 11. The first edition took place in 2017 in Medellín, Colombia.

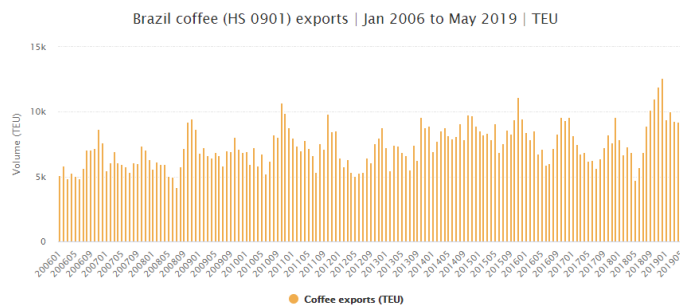
Organizers of the global conference say the primary goal this year is to look for ways to improve the economic sustainability of producers.

"In Medellín, the goal was to find a way to mobilize producers, to have a coordinated forum to discuss our issues," said Vanusia

Nogueira, one of the organizers. “Prices have only fallen from there, so now we need to discuss alternatives to improve farmers’ incomes,” she added.

Other topics to be discussed are how coffee growers sell their crops and the use of technology and new applications to facilitate and accelerate sales. Another highlight is the establishment of a minimum value of grain sales similar to what the leading cocoa producers in Africa are trying to negotiate with processors.

The following graph uses Dataliner data to show the monthly trend in coffee exports between Jan 2006 and May 2019:



Source: Dataliner

Meat

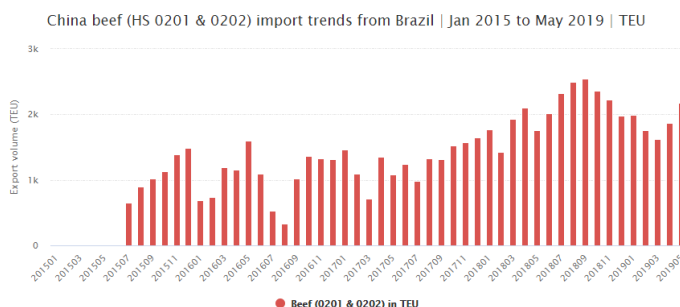
According to the Brazilian Association of Refrigerators (Abrafrigo), **total exports of Brazilian beef increased 27% in the first semester of this year compared to the same period of 2018, reaching 828,669 tons.**

The agency also reported that revenues from both fresh and processed beef shipments also grew, reaching sales of US\$3.1bn, up 17% from the first six months of last year.

China remains the main destination for Brazilian exports of the product, despite having reduced its market share from 45.3% in the first semester of 2018 to 38.4% of shipments in the first six months of this year. Still, the amount purchased by the Chinese rose 7% during this period, to 317,828 tons.

For the entity, the increase in exports in the first semester and the percentage reduction in Chinese participation were driven by advances in shipments to Egypt, the second main destination of the Brazilian product, with a 12% increase, and by significant growth in sales to nations such as Turkey (+870%), Russia (+865%), and United Arab Emirates (+443%).

The following Dataliner graph shows Brazilian beef exports to China from January 2015 to May 2019.



Source: Dataliner

Even with the momentary embargo imposed by China at the beginning of June, the month ended with a strong increase of 107% in export volumes of fresh and processed beef compared to the same period of 2018, with a total of 134,377 tons shipped, according to Abrafrigo. It is worth remembering that in June 2018 exports were hampered by a historic strike by truck drivers against the high prices of diesel.

The Brazilian government confirmed that England returned 16 containers of chicken to Brazil due to the presence of salmonella in shipments. According to the Minister of Agriculture, Tereza Cristina Dias, the European country returned a total of 1,400 tons of chicken meat, over 15 months.

The confirmation was available in the publication of an investigative report conducted by the website Repórter Brasil in partnership with the British newspaper The Guardian and the Bureau of Investigative Journalism. According to the website, some of the shipments belonged to the country’s leading slaughterhouses, JBS and BRF Foods.

After being refused by Great Britain, the contaminated chicken was sold on the Brazilian market, as the country has a higher ceiling for salmonella traces than the EU components.

Largest frozen chicken exporter in the world

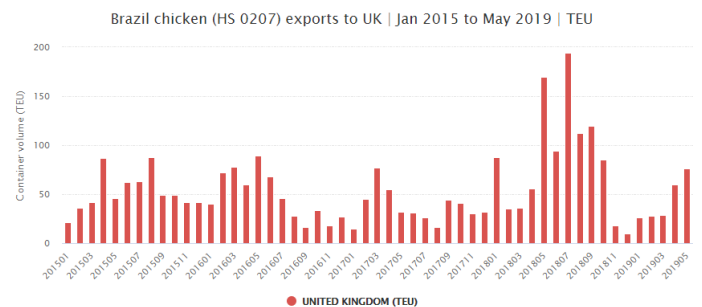
According to the Bureau of Investigative Journalism, Brazil is the largest exporter of frozen chicken in the world, but about one in five of its poultry runs the danger of contamination with the food poisoning virus salmonella. The country provides about US\$1bn in poultry to Europe each year.

Salmonella bacteria reside in the bowels of poultry and cattle. Birds and animals can be infected through the feed, in incubators, or through feces during transportation to slaughterhouses, where slaughter and processing can also spread the infection. In humans, salmonella poisoning can be fatal, particularly in infants and the elderly.

In the UK, salmonella rates ranged from 1.5% to 2.2% between 2013 and 2017, according to the Food Standards Agency.

Alexandre Campos da Silva, who coordinates meat inspections for the Brazilian government, said that this is “not a risk” to human health because the bacteria die in the cooking process. However, salmonella can change hosts from contact with the raw chicken.

The following DataLiner graph shows Brazil’s chicken exports trend to the UK since Jan 2015:



Source: Dataliner

Grain

Argentine 2018/2019 soybean harvest has been harvested with positive results: the highest yield in the last 19 years, at 3.36 tons per hectare, according to a report released last Thursday (07/04) by Buenos Aires Grain Exchange.

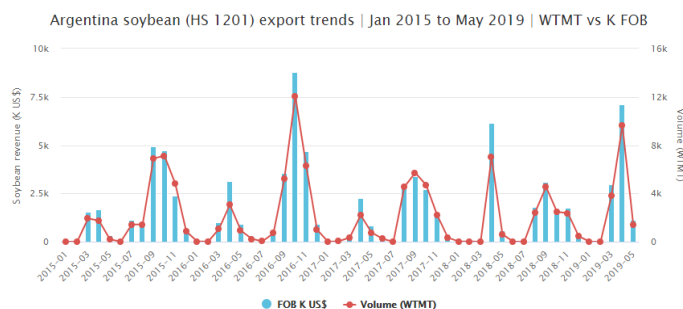
Total soybean production reached 56m tons, an increase of 48% over the previous year, putting the country at a better level to compete with Brazil, which is the world's largest grain exporter. The primary soybean import market is China, which accounted for more than 60% of the total soybean purchases in the 2017/2018 harvest.

Favorable weather conditions since the beginning of this year have raised the harvest level by 1.3% ahead of the five-year average, according to the report.

Last year, a prolonged heatwave in Argentina affected the forecast of humidity and soy production. This year, favorable weather conditions caused soybean yield and production estimates to be revised upwards.

According to the United States Department of Agriculture, Argentine exports of soybean meal from the 2018/2019 crop are expected to grow 10% in the year to 31m tons, and soybean oil exports 11% in the year, to 5.6m tons, boosted by the increase in milling volume.

The following INDEC graph shows Argentina's soybean export trends against FOB earned:



Source: INDEC

Ore

Brazil's iron ore exports totaled 29.40m tons in June, a strong 16.7% yearly decline and slightly down from the 29.83m tons shipped in May. The data were released by the Secretariat of Foreign Trade (Secex).

Brazilian shipments of the commodity have fallen on the yearly comparison since March, amid disruptions from the collapse of the mining dam in Brumadinho (MG) in January, which left hundreds dead and raised concerns about mining operations in the country.

In April, Brazil's iron ore exports reached a monthly low for 2019, with a volume of 18.34m tons, 29% lower than the same month of the previous year.

Concerns over a tight iron ore supply following the Brumadinho disaster and Australian mining companies' operating problems have boosted the price of iron ore this year.

Steel's raw material closed at a high 4.7% on the Chinese stock market in Dalian on September 1, at 873 yuan per ton. Iron ore

rose to 874.5 yuan at the session, the highest value registered since trading began in the stock market in 2013.

Prices should decrease with Chinese production

Despite this scenario, Reuters says current iron ore prices are expected to decrease as China's output is peaking this year. The price should decrease gradually.

According to the Australian government's commodity forecasting department in its latest quarterly report, China will produce 940m tons of steel in 2019, up from 928m last year.

The report also estimates that global steel production will be practically stable over the next few years, with 1.805bn tons expected for this year, 1.806bn tons in 2020, and 1.808bn tons in 2021.

The small decline in Chinese output will be offset by increased output in India, with 114m tons forecast for this year, rising to 130m by 2021.

Another forecast is that the global maritime trade in iron ore is expected to fall 4% in 2019 to 1.53bn tons, according to the report, as the Brazilian shutdowns due to the rupture of the Vale Dam in Brumadinho and climatic Australia have their impact.

Fish

According to the Argentine website Pescare, fishery products will be exempt from the entire export tariff to countries of the bloc in a period of zero to seven years.

Some products such as whole fish and hake fillets will be granted duty-free access at the time the agreement comes into force.

In addition, in the field of sanitary, phytosanitary, and technical regulations, the agreement provides for improved remittances by establishing deadlines and procedures, avoiding unjustified and arbitrary measures.

It should be remembered that approximately 40% of Argentine seafood shipments went to Europe last year, according to the Undersecretary of Fisheries of the Nation.

The main destinations were Spain (89,765t for 483m) and Italy (28,928t for 181,1m). Then Russia (15,342t for 58.9m), France (6,560t for 49,7m), and Poland (4,618t for 16,2m), among others.

Port Terminals

Also according to Pescare, from January to June 28, 2019, the seafood was exported by almost all the port terminals of Argentina:

- Rawson: 39,650.5t
- Puerto Madryn: 14,069.7t
- Puerto Deseado: 5,983t
- Mar del Plata: 5,448.4t
- Caleta Paula: 3,163.2t
- Comodoro Rivadavia: 918.2t
- San Antonio West: 208.8t
- San Antonio East: 35.2t
- Other ports: 2,285.3t

Oil & gas

Offshore oil drilling activity rose globally during the first semester of 2019, according to the Westwood Global Energy Group, helped by the Brent crude oil price that was above US\$60/bbl since February.

Several large-scale offshore projects, such as Mero 2 in Brazil, the expansion of North Field south of Qatar, and the LNG project in Mozambique, are underway with high drilling costs.

It is expected that long-term and ambitious investments will happen in the coming years since several large-scale offshore projects have been approved.

Drilling in Latin America is expected to grow with strength, with recent discoveries in Guyana and more than 200 wells to be drilled in Brazil, especially in the pre-salt region.

Petrobras expects to sell more refineries

Still on the oil market, Petrobras is expected to announce a process for the sale of four more refineries by the beginning of August, as part of a billion-dollar plan to divest half of its refining plant in up to 24 months, said the president of the state, Roberto Castello Branco.

In all, the company – responsible for almost 100% of Brazil's refining capacity – plans to sell 8 of its 13 refineries, four of which went on sale.

The idea is that only the refineries in Rio and São Paulo remain under the management of Petrobras.

Sale of onshore oil

Petrobras also reported that it had started the non-binding phase for the purchase of its onshore oil and gas cluster Polo Recôncavo, in Bahia.

During this phase of the process, interested parties should make non-binding offers for the cluster, consisting of 14 oil fields. Polo Recôncavo had an average production of 2,800 barrels per day of oil and 588,000 cubic meters of gas in 2018, according to Petrobras.

Other cargo

Minister Tereza Cristina (Agriculture, Livestock, and Supply) announced that the government will create a fund to modernize Brazil's wine sector to prepare winemakers for the demands of the Mercosur-European Union agreement.

The fund's resources will come from the Tax on Industrialized Products (IPI) in the sector (imported and exported products) and can be used to renovate crops (from 2 to 3 hectares), financing, equalization of interest rates, and improvement of logistics.

According to the minister, the ministry is yet to decide whether to create the fund by an interim measure or a bill in the parliament.

The treaty eliminates tariffs for wine bottles of up to 5 liters and champagne in a term of 8 years. The exceptions are bulk wines, musts (a type of sweetened mixture intended for alcoholic fermentation), grape juice. In the case of sparkling wines, those

with a price above US\$8 FOB/liter will be exempt from tariffs once the agreement comes into force. After 12 years, the duties for sparkling wines will become null, and free trade begins effectively.



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Embrapa

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"It is more than enough [deadline for market liberalization] so that the sector can evolve and become more and more competitive. This sector can find help to become modernized and be competitive. We will have resources for them to be able to invest in the production and industrialization of these products," said the minister.

The secretary of Commerce and International Relations, Orlando Leite Ribeiro, said that the fund could eventually receive resources from the Union. According to the secretary, the estimate is to reach R\$150m.

"This is one of the already agreed instruments with the sector. There are other instruments need utilization so that the sector can acquire strength. The idea is to take initiatives that can strengthen the sector so that once the expiration period is reached [end of tariffs], we can be in a better competitive position," said the secretary.

Argentine wine

In Argentina, the entities concerning the wine sector remain divided concerning the effect that the agreement of free trade between Mercosur and the European Union will have on the wineries of the country.

In a statement, Bodegas de Argentina – a chamber that gathers more than 250 wineries from all wine provinces – said the agreement "will boost Argentine wine exports to the European Union, the main market of export after the United States."

"We believe that with the signing of a zero-tariff agreement between the two blocs, Argentina will benefit," said the executive director of the entity, Juan Carlos Pina. According to the executive, "the main obstacle to the export of Argentine wine to Brazil is the tax burden on wine and not the potential import of European wine." He added: "This agreement is fundamental, since the future of Argentine wine is export, as it is today with our competitors in the Old and New World."

However, COVIAR – Corporación Vitivinícola Argentina – which brings together the entire value chain of the sector, warned in a statement that there are "serious risks if a progressive tariff convergence process requires an establishment." The entity also stressed that the free trade agreement could be a big step for the Argentine industry only if it contemplates the asymmetries of all markets.

Currently, the wine industry annually exports 200m liters of bottled wine for US\$800m to more than 130 countries, this being one of the few that Argentina shipments to the world in significant quantities, with high added value and its brand.

The Argentine cement market fell 11.4% compared to the same period last year, to 860,631m tons in June, according to the country's cement association, AFCP. Domestic demand was fully met by cement producers in Argentina, which produced 863,924 tons of cement during the month.

Regarding foreign trade, unlike June 2018, when 2,302 tons were imported, there was no cement imports in June 2019. However, the country's cement companies exported 3,293 tons of cement in June 2019, but the volume fell compared to June 2018, when the volume exported was 5,067 tons.

Accumulated 2019

In the first six months of 2019, cement consumption in Latin American countries fell 6.4% to 5,511m tons from 5,889m tons in the first six months of 2018, with all the volume being supplied by local manufacturers.

In addition, cement exports increased from 38,825 tons in the first half of 2018 to 49,839 tons in the equivalent period this year.

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