

Main news

India will maintain its export subsidies for sugar for the next harvest, despite complaints from competing producers, Brazil and Australia, to the World Trade Organization (WTO).

The objectives with the export subsidies are to increase shipments of the world's second-largest sugar producer and reduce its stocks. But that may put pressure on global product prices, which have only made a 2.1% gain this year, after having fallen more than 20% in 2018.

"The industry needs support from the government for exports. It will be provided without violating the structure of the WTO", said a senior government official involved in policymaking. "Maybe we need to make some changes in how we provide incentives."

Years of plentiful cane harvest and record sugar production have hurt Indian product prices, making it difficult for mills to pay the money owed to farmers.

To reduce this debt and the storages, the Indian government has promised to provide incentives for sugar mills abroad and has set an export target of 5m tons for the 2018/19 trading year, ending Sept. 30.

With the incentives, India's exports rose to 3.3m tons from 620,000 tons in the previous year. This has led competitors to complain to the WTO, claiming that the incentives violate the rules of trade.

India has provided transportation subsidies of 1,000 rupees (US\$14.59) to 3,000 rupees per ton for sugar mills, depending on the distance to the ports. The government has also increased the amount it pays directly to sugarcane producers to 138 rupees per ton. A year ago, this figure was 55 rupees.

For the next crop, which starts being marketed from October 1, industry and government representatives in India are discussing how to implement an incentive without violating WTO rules.

According to Abinash Verma, general director of the Indian Sugar Mill Association (ISMA), the mills are asking the government to provide incentives to export 7 to 8m tons of sugar next season, above the target of 5m tons.

India may start the new season with inventories of more than 14.7m tons and could produce another 28.2m ton in the season, against local demand of about 26m tons, according to ISMA estimates.



Source: DataLiner

Ports, terminals and infrastructure

The public hearing for the completion of studies to assist in the elaboration of a possible tender for the concession of the Port of Santos channel had gathered 14 companies. The first stage of the process, the request for authorization from the Port Authority of Santos to donate studies, ended last Thursday (07.11).

The call, which includes surveys, investigations, and technical studies on the Santos estuary, is considered the first step towards the eventual concession of the access and navigation canal, one of the fundamental projects to increase the efficiency of the Port of Santos. The studies will help in the modeling of the eventual concession of the canal – work that is in progress in the Company.

The Port Authority will publish, within 15 days, which companies will be authorized to carry out the studies. They will have 100 calendar days to present the studies to the Port Authority. The authorization, as well as the studies, does not cause any burden or obligation to the Company.

The Santos Port Authority's perspective is to launch in 2020 the announcement for the concession of at least the access channel to the port, and should cover at least the following activities: dredging for maintenance and deepening, evolution basins, and mooring berths; bathymetry and approval of depths with the competent authorities; tugboat service; environmental monitoring and remediation; emergency response; signaling and marking; and Vessel Traffic Management Information System – Information System and Traffic Management of Vessels.

ANTAQ – National Waterway Transportation Agency, reported, through Relevant Notice nº 23/2019, the change in schedule for the leasing auctions of two areas of the Port of Santos and one of the Port of Paranaguá.

The Public Auction Session, which was to take place on August 9, will take place on August 13, at 10:00 am, at B3, Rua XV de Novembro, nº 275, Centro, São Paulo. However, interested companies and consortiums should attend the same location on the 6th, from 10:00 AM to 1:00 PM to present and formalize the proposals to the company B3 and the Permanent Commission for Port Leases (CPLA).

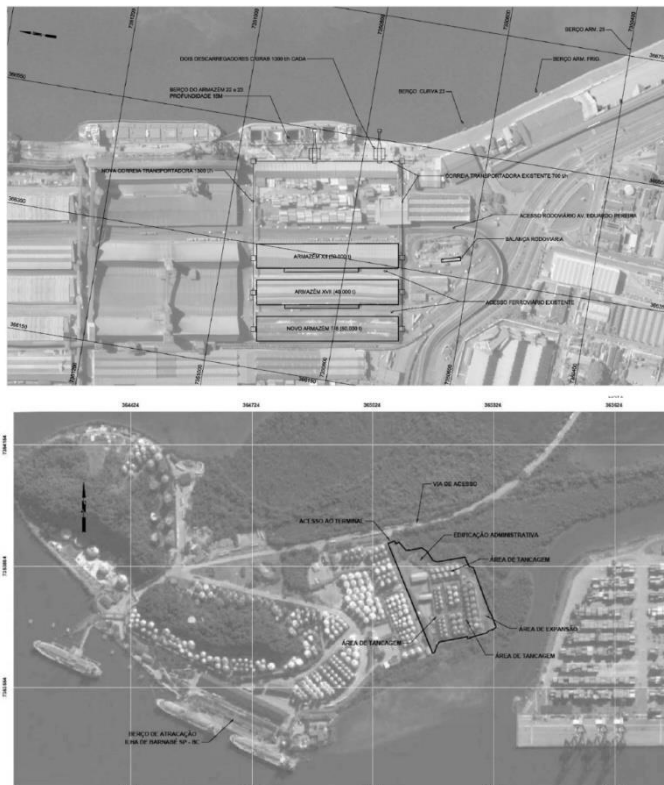
Below are the areas that will be auctioned:

Auction # 01/2019 (STS20)

Renting of the area called STS20, used for the movement and storage of solid mineral bulk, especially fertilizers and salts, in the Organized Port of Santos, in São Paulo. The area today is occupied by the company Pérola S.A.

Auction # 02/2019 (STS13-A)

Leasing of the area called STS13-A, used for the handling and storage of liquid bulk, especially fuel, at the Organized Port of Santos, in São Paulo. The site, on Barnabas Island, was operated by Vopak Brazil.



Source: Antaq

Auction # 03/2019 (PAR01)

Leasing of the area named PAR01, used for the movement and storage of general cargo, especially paper and pulp, in the Organized Port of Paranaguá, Paraná.

The Internal Revenue Services of Brazil has declared the customs of the Port of Fortaleza, in Ceará. Now, the 275 thousand square meters of the Organized Port are bonded, which will allow the expansion of berthing capacity of vessels with another 350-meter berth.

For Mario Jorge Cavalcanti, CEO of Companhia Docas do Ceará (CDC), this is a great achievement for the port, which will now have greater capacity to meet the demands of cargoes, including containers. “The measure brings more security and competitiveness since the expansion can leverage more business for the state of Ceará,” explained Mario Jorge.

In order to meet the demands from the Brazilian IRS, the Federal Government invested about R\$12.6m in equipment such as the electronic security and monitoring system (CCTV) and acquisition of OCR technology, which allows the recognition of characters in images, besides scanners for containers.

Among the main products handled by the Port of Fortaleza are cement, rice, steel, salt, fruits, cashew nuts, flour, wheat, blades, slag, gasoline, diesel, crude oil, liquefied petroleum gas, and vegetable oils.

In June, the Ports of Paranaguá and Antonina handled nearly 5.3m tons of cargo. The volume is 15% higher than that registered in the same month of 2018, when they were 4.6m tons. The figures were released by the public company Ports of Paraná.

Almost 68% of this total was exported, with growth in grain movements. “The most significant increases in handling are in the solid export bulk, and last year, in June, there were just over 3.1m tons of solid bulk”, explains director of operations, Luiz Teixeira da Silva Júnior.

“Maize made a big difference, we did not move it last year, but this year we exported more than 795 thousand tons in June,” he added.

Almost 2.5m tons of soybeans (as grain and bran) and maize were moved in June this year. This total is 29% higher than that recorded in the same period last year, when it was 1.9m.

Oil derivatives

Another highlight was the export of petroleum products. These products showed an increase of 84%. Last month, 58.7 thousand tons of petroleum were exported; last year, in the same 30 days, 31.9 thousand tons were exported.

On the other hand, the import of petroleum products decreased by 22%. In June 2018, 301,517 tons were imported by the Port of Paranaguá. This year, June, 233,820 tons.

Fertilizers

Of fertilizer, 929,688 tons were imported in June 2019, against 865,640 tons in the previous year.

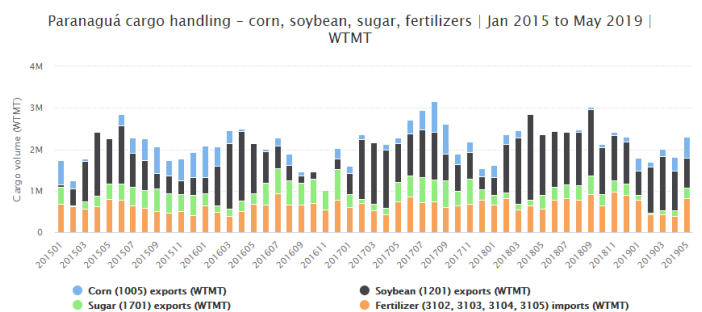
Only the port of Antonina recorded a 143% increase in the handling of fertilizer. In June of this year, 35,482 tons of fertilizer were imported, while last year only 14,585 tons.

Antonina

In general, movement in the Port of Antonina registers that June was 119% busier this year. In total, this year there were 79,063 tons of products transported (sugar and non-transgenic soybean bran for export and fertilizers for import). In June 2018, the monthly movement was of 36,117 tons.

General cargo

In the Port of Paranaguá, the highlight was general cargo operations, which recorded a 12% increase: 973,068 tons in June 2019, compared to 872,387 tons in June 2018.



The increases were most significant in container volumes, which grew by 29%. There were 76,245 units moved in June 2019, and 58,967 units in June last year.

Vehicles were also discharged. The 10,650 units exported and imported in June this year, represent 9% more than the 9,770 units registered in June 2018.

Trucks

In June alone, 42,407 trucks passed through the Screening Court of the Port of Paranaguá. The volume is almost 6% higher than that of last year June.

1st Semester

In the first six months of 2019, the ports of Paraná already had a volume of more than 25m tons of cargo. Of this total, more than 63.2% – that is, almost 15.8m tons – were exports and the remainder, a little more than 9.2m tons, were imports.

Considering the semester, however, the movement of 2019 fell 6% compared to last year.

Mega-operation against drug trafficking

Still on the Port of Paranaguá, the administration of the Ports of Paraná, the Military Police and Federal Police have integrated into a mega-operation against drug trafficking. On Tuesday night, 09/07, a group of 20 men, members of the Port Guard, military, and federal agents, with sniffer dogs, surveyed about 109 vehicles that left the terminal for Africa.

According to the head of the Port Security Administrative Unit (UASP), Major César Kamakawa, the action is a response to increased arrests of shipments at the Paranaguá Container Terminal (TCP). “Scanning technology and equipment, coupled with constant surveillance work and the Federal Internal Revenue Service, have caused drug arrests to increase by 13 times this year,” he said.

Administrative changes have also aided in the greater security of the bonded areas. “A new service order, which deals with the Port Guard, directs the patrol teams at the dock to more effectively approach the vehicles and people that access the port area, with badge identification and other documentation as well as inspections of the vehicles and cabins of the trucks”, emphasizes the head of UASP.

The port terminals of the Bio Bio Region in Chile surpassed the handling of half a million TEUs in the first five months of the year.

According to the National Institute of Statistics (INE), the port facilities in this area handled 536,289 20-foot containers. The figure, however, is 1.4% lower than the same period in 2018.

In terms of total cargo handled, the Bio Bio Region port terminals registered 14m tonnes of cargo from January to May 2019, a decrease of 3.3% compared to the same period of the previous year.

The Port of Buenos Aires has agreed to relocate a free zone of 10,700m² that Paraguay has within the jurisdiction of the Argentine port, originally granted in 1997.

It will be transferred to a new area located near F Dock in order to facilitate the region’s foreign trade. The zone, used as a warehouse

and a distribution center for imported goods, covers 10,700m² of the port’s South Zone.

According to the port authority, the agreement will encourage the arrival of Paraguayan transshipment cargo, since the new property is near a dock that is exclusive for barges.

This can facilitate the process of loading and unloading the shipment and considerably reduce operational and transfer costs.

In addition, the implementation of a single bonded corridor that will internally connect all port terminals is being developed jointly with Argentinean Customs.

TEU by Port

Exports:

When analyzing the volumes (in TEUs) exported by the main ports of the country from January to May 2019, compared with the same period of 2018, from the data collected by DataLiner, Datamar, some details stand out.

The main highlight is the Port of Fortaleza (CE), which registered a growth of 93.3% in the first five months of the year, moving 8,822 TEUs against 4,564 TEUs in the same period of 2018.

The Port of Santos continues to be the busiest in the country, having exported from January to May 2019 399,035 TEUs, up 2.44% over the same period in 2018, when the movement was 389,537 TEUs.

The second port that most exported volumes in the first five months of the year was Paranaguá, with 143,845 TEUs, an increase of 16.35% in relation to the same months of last year, when the volume handled was 123,634 TEUs.

Check out more information on the following tables, from DataLiner’s data:

Top POMO ^	2018 ^	2019 ^	%-diff
SANTOS	389.537	399.035	2,44%
PARANAGUA	123.634	143.845	16,35%
NAVEGANTES	117.419	111.766	-4,81%
RIO GRANDE	87.230	93.860	7,60%
ITAPOA	82.521	75.986	-7,92%
ITAJAI	43.389	53.709	23,78%
RIO DE JANEIRO	35.564	39.613	11,39%
SALVADOR	35.263	37.595	6,61%
VITORIA	22.339	27.675	23,89%
VILA DO CONDE	20.543	22.436	9,21%
PORTO DE ITAGUAI	16.093	14.251	-11,45%
SUAPE	10.530	8.344	-20,76%
NATAL	10.112	7.072	-30,06%
PECEM	7.157	6.517	-8,94%
FORTALEZA	4.564	8.822	93,30%
MANAUS	6.219	7.078	13,81%
IMBITUBA	8.458	813	-90,39%
MUNGUBA	700	0	-100,00%
OTHERS	8	4	-50,00%
	Σ = 1.021.280	Σ = 1.058.421	

Source: DataLiner

Imports:

According to information from DataLiner, the largest volume of imports also occurred through the Port of Santos, with 384,895 TEUs during the period from January to May 2019, a

decrease of 1.89% in relation to the same period of 2018, which had a volume of imports of 392,313 TEUs.

The second port in the movement of imports in TEUs, Paranaguá, also registered a smaller movement than in 2018. The fall was 6.39%, with imports of 94,771 TEUs from January to May 2019 compared to the same period in 2018 (101,242 TEUs).

A positive highlight was the Port of Itajaí, which imported 68.81% more cargo in the first five months of 2019 (39,766 TEUs) compared to the same period of 2018 (23,556 TEUs).

Top POMD ^	2018 ^	2019 ^	%-diff
SANTOS	392.313	384.895	-1.89%
PARANAGUA	101.242	94.771	-6.39%
NAVEGANTES	97.603	93.082	-4.63%
ITAPOA	62.540	68.942	10.24%
MANAUS	56.198	64.313	14.44%
RIO DE JANEIRO	49.321	53.124	7.71%
SUAPE	33.079	32.083	-3.01%
ITAJAI	23.556	39.766	68.81%
RIO GRANDE	32.282	31.035	-3.86%
SALVADOR	24.903	25.405	2.02%
VITORIA	23.256	24.002	3.21%
PORTO DE ITAGUAI	19.484	15.128	-22.36%
PECEM	11.342	10.696	-5.70%
VILA DO CONDE	2.631	2.926	11.21%
IMBITUBA	2.093	724	-65.41%
FORTALEZA	1.824	778	-57.35%
NATAL	548	255	-53.47%
PORTO ALEGRE	4	128	3.100,00%
OTHERS	121	107	-11.57%
	Σ = 934.340	Σ = 942.160	

Source: DataLiner

Shipping

The representative of Cosco Shipping in Bolivia, Franklin Durán, expressed his concern about the increase in port costs being implemented by ASP-B – Bolivia Administration Port Services – the agency that manages the Bolivian cargo trade in the Port of Ilos, Peru.

The Peruvian port of Ilos was being used by Colombians as an alternative to Chilean ports but according to the navigation company executive, if port costs are high for exports and imports, as it happens in Chilean ports, Ilo will no longer be a historical alternative, as it had been designed by Bolivia.

“The ASP-B only intermediates the service between the port and the importer, but this intermediation is more expensive than the actual service that is given at the port. The National Chamber of Exporters of Bolivia (Caneb) demonstrated, through a technical study, that the operator doubles and triples the port cost and that it is an obstacle to foreign trade”, said Duran.

It should be noted that Cosco is the fourth largest shipping company in the world, with 311 vessels with a capacity of 1.64m TEUs.

According to CIPP S/A – Pecém Industrial and Port Complex – the port registered a 56% increase in container cabotage in the first semester of 2019 compared to the same period of last year.

Growth was driven by increased demand for different types of cargo, ranging from fruit to cleaning materials.

For this type of movement, the terminal of Ceará has two “Ship to Shore” (STS) cranes that allow the operation of containers to be made more efficiently.

“The cranes have an average productivity of 65 movements per hour, making our operations faster and, consequently, making the Port of Pecém more attractive for customers seeking efficiency and quality in operations,” says Danilo Serpa, CEO of CIPP.

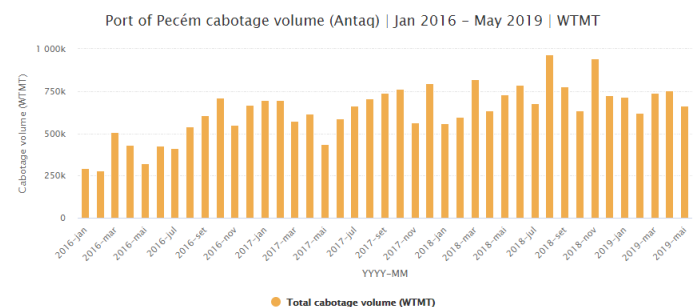
The general cargo shipments through the port of Pecém was a highlight with a 15% increase in relation to the first semester of 2018. The main cargoes that went through Pecém were steel plates, wind shovels, fruit juice, fresh fruits, salt, cereals, and wheat flour.

The handling of the port of Ceará in the first semester of the year totaled 8.7m tons, a total of 2% growth.

Solid bulk, with emphasis on iron ore and coal, which is the raw material for the steel mill and thermal plants, representing 54% of the total accumulated movement, followed by containerized cargo (23%), loose general cargo (20%), and liquid bulk (3%).

“We expect to finish this year with an increase of about 10% in total handling compared to 2018. We have seen growth since the beginning of the year and the second half will be no different. We are looking for new cargoes, prospecting new shipping lines and customers. The fruit harvest will begin in August, so, of course, the goal will be achieved,” says Serpa.

The following graph, based on data from Antaq, shows the volume of cargo handled by the Port of Pecém via cabotage in the period of January 2016 to May 2019:



Source: Antaq

Logistics

The Public Prosecutor of the Federal Audit Court (TCU) has requested the rejection of the early renewal of the Malha Paulista rail concession, operated by Rumo, a logistics company controlled by the Cosan group.

According to Valor, prosecutor Júlio Marcelo de Oliveira, who analyzed the case since the end of March, requested the rejection of the extension of the contract for not seeing its advantages to the Brazilian society. He said he would prefer a new railroad bid following the end of the contract, scheduled for December 2029.

The 30-year renewal of the concession, in exchange for investments of about R\$7bn, had already been approved by the National Land Transport Agency (ANTT) and the technical area of the TCU, which approved the project in view of some changes in the additive term of the contract.

Now, with the opinion of the prosecutor, the reporter of the case, Minister Augusto Nardes, will prepare his final report – which will not necessarily comply with the opinion of the Public Prosecutor – and forward it to the court.

Despite the setback, the expectation of the federal government, the company, and the market is that the ministers will agree to the renewal, although with some changes in terms, according to sources. Following the release of the negative opinion, Rumo's shares ended yesterday's trading session at B3, up 1.24%.

The extension of the Malha Paulista contract is considered strategic by the industry and the government because it is the first request of early renewal of a railway to be analyzed by the TCU. There are four other projects of the kind already qualified by the Council of the Investment Partnership Program (PPI), which would anticipate about R\$30bn of investments in the sector, according to the government.

One of the criticisms made by the prosecutor is that ANTT did not consider, in its analysis, the possibility that the investments anticipated in the early renewal would be made even without the extension. He suggests that this be accomplished by means of another concession from Rumo, the Malha Norte – which, together with the Malha Paulista, forms a corridor between Rondonópolis (MT) and the port of Santos (SP).

Rumo affirmed in a statement that they “have met all the legal requirements for renewal” and that investments will bring a 150% increase in road transport capacity, which “will increase the efficiency of the Brazilian agribusiness outflow and the handling of industrial cargo destined, mainly, to the domestic market”.

The increase in iron ore exports has raised sea freight rate from South America to Asia. In July and August, the cost of shipments of soybeans and corn from this region to the East should be impacted by this increase.

According to market sources, the cost of shipping Panamax ships from Brazil and Argentina to Asia rose 6% after several vessels were booked by iron ore exporters.

One reason is that China reduced its inventories during the period that Vale's Brucutu mine, which produces 30m tons of iron ore per year, was closed. Now that the mine has been reopened, it needs to be refueled.

According to Clarksons Platou Securities, tariffs for Capesize vessels – vessels with a capacity of 100,000 deadweights (DWT) or more – reached US\$26,400 per day on July 9, up 25% on the week and 76% on the monthly comparison. Tariffs for Panamaxes (65,000-90,000 DWT) were US\$15,200 per day, up 22% on the week and up 33% on a monthly basis.

The volume of Brazilian iron ore exports is about three times higher than that of soybeans, which is the most exported agricultural product.

As freight increases, the total cost of soybeans to China is expected to increase by 1%. South Korea and Vietnam are also expected to pay 1% more in Brazilian corn because of the increase in freight.

China, the world's largest soybean importer, has become the largest buyer of Brazilian soybeans, accounting for 79% of the

total of 9.06m tons exported by Brazil in June 2019, according to official export data.

In the corn market, South Korea and Vietnam are important importers of maize but are able to vary their origins according to the most competitively priced countries.

The opening of the bidding for feasibility studies and the final project of the international bridge over the Paraguay River, which will connect the cities of Carmelo Peralta (Paraguay) and Porto Murtinho (MS, Brazil) is scheduled for July 20.

The structure is considered fundamental for the development of the bioceanic corridor that will connect the Chilean ports to the Atlantic.

The announcement was made in a meeting of President Mario Abdo with the Minister of Agriculture of Brazil, Tereza Cristina, and the governor of Mato Grosso do Sul, Reinaldo Azambuja. The Paraguayan director in Itaipu, José Alberto Alderete, and other authorities also participated.

It is a cable-stayed bridge, which will be 680 meters long and is expected to be completed by March 2023, the Paraguayan government said in a statement.

The project is expected to cost approximately US\$75m and will be financed by the Itaipu Binacional Hydroelectric Power Plant.

This is the second investment in closed infrastructure works between the two countries after the construction of the international bridge that will link Foz do Iguaçu, in western Paraná, with the Paraguayan city of Presidente Franco.

Trade

The IMF – International Monetary Fund – will release another US\$5.4bn to Argentina. This new disbursement is given after the country has met the quarterly targets, until March, imposed by the fund's technical staff.

With this last payment, the value now reaches 78% of the disbursement that was agreed upon last year between Argentina and the IMF.

Meanwhile, the new director responsible for the agency, David Lipton, “praised” the Argentine government “for its continued efforts and firm implementation of its economic policy program.” He stated that “the authorities have completed all their fiscal, monetary, and social expenditure objectives under the IMF-supported program in the context of this review.”

However, Argentina went into recession in 2018, after two exchange rates that triggered inflation and led the government of Mauricio Macri to agree to a plan with the IMF which at first was of US\$50bn, but was later expanded with another US\$6bn.

In return, Argentina committed itself to achieve fiscal balance in 2019, and a surplus, in 2020, with a tight adjustment plan.

Coffee

Brazilian coffee exports to China increased by 23.1% during the first five months of 2019 compared to the same period in 2018.

The country has exported 88,179 bags of coffee to China from January to May in 2019, according to the Coffee Exporters Council of Brazil (Cecafé).

Brazil is the largest producer and exporter of coffee in the world, it accounts for 38% of the world coffee market with 300,000 producers.

Until June, during the 2018-2019 harvest period, Brazil exported a total of 41.1m bags of coffee, a 35% increase compared to the previous year.

European and American markets

The European Union imported, from different countries, a physical volume of 42.71m bags of 60kg of coffee from October 2018 to March 2019, of which 8.92m bags were purchased from Cafés do Brasil, which corresponds to 20.9% of this total.

In the same period, the United States imported 4.33m bags of coffee, equivalent to 28.9% of the country's purchases of the product.

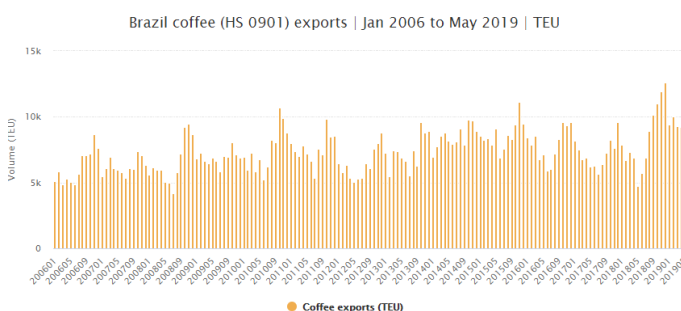
According to Cecafé – Coffee Exporters Council of Brazil – in the 2018/2019 harvest, Brazil reached a historic record in coffee exports, with 41.1m bags of 60kg of beans being sold, an increase of 30.5% over the previous harvest.

During this period, foreign exchange revenue was US\$5.3bn (equivalent to R\$20.8bn), which represented an increase of 9.8% over the previous crop. Despite this, the average price of the bag was US\$131.14, a decrease of 18.7% compared to the 2017/2018 harvest.

Meanwhile, the Port of Santos accounted for 78.9% of shipments, representing 32.4m bags of coffee. Moreover, despite the growth of 28.5% in the volumes loaded, there was a decline in participation since in the period 2017/2018 the Santos maritime complex was responsible for the shipment of 82.9% of the grains.

In the first half of 2019, the Port of Santos exported 15.7m bags of coffee, followed by the ports of Rio de Janeiro (2.4m bags) and Vitória (1m bags); however, Paranaguá (373,503 bags) and Salvador (166,347 bags) port complex appear in the sequence.

The following graph, based on DataLiner data, shows the Brazilian coffee exports from January 2015 to May 2019:



Source: DataLiner

Meat

Marfrig and BRF have given up on the possible merger, announced at the end of May. According to a statement sent by the two companies to the Securities and Exchange Commission,

the reason was the lack of consensus regarding “the governance of society” that would result from the transaction.

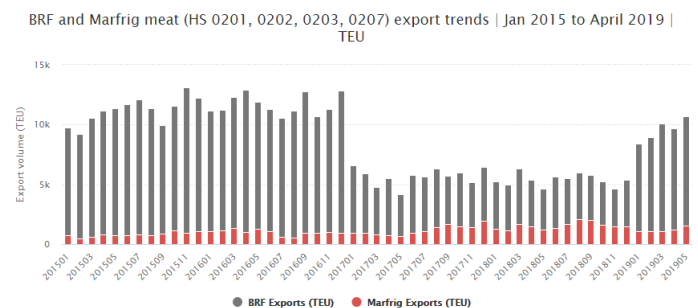
The two refrigerators had approved the signing of a memorandum that provided for a 90-day exclusivity period.

In a statement, BRF global president Lorival Nogueira Luz Jr. stated that “Despite the conclusion of negotiations for the combination of its businesses, the commercial relationship between the company and Marfrig will remain unchanged and there will be no changes in the practices, conditions, and terms foreseen in contracts concluded by them.”

Marfrig, in a note signed by the vice president of finance and DRI, Marco Antonio Spada, also said that the closing of the negotiations “will not affect other commercial partnerships between the company and BRF S.A.”

BRF is the leader in Brazil in the production of chicken and pork meat. On the other hand, the focus of Marfrig is the production of beef. The union of the two would generate a company with annual revenues of about R\$76bn.

In the following chart, based on data from Dataliner, shows beef export trends of BRF and Marfrig from January 2015 to May 2019.



Source: DataLiner

According to the Brazilian Beef Exporters Association (ABIEC), the trade agreement between the European Union and Mercosur may facilitate new trade agreements with other economic blocs or countries such as Indonesia and Thailand.

Brazil is the largest exporter of beef in the world, with sales of about US\$7bn last year.

Although Europe is not the biggest buyer in Brazil, they pay the most, since they prefer noble cuts.

For ABIEC, the free trade agreement increases the prospects of selling Brazilian beef to the European Union. The country holds 42.5% of the new annual quota of 99,000 tons of beef. The tax on the new quota will be of 7.5%.

The new terms of trade, once implemented, will also reduce the tax on EU beef imports from 20% to zero under the so-called Hilton quota. This quota allows Brazil and Argentina to export up to 10,000 tons of beef and 29,500 tons of premium beef to the EU each year.

Exports of chicken meat

Meanwhile, Brazilian exports of chicken meat (considering all products, in natura and specialized) grew 64% in June compared

to the same period last year, totaling 386.2 thousand tons according to the Animal Protein Association (ABPA).

In revenue, there was a 76.6% increase, totaling US\$639.6m in June of this year, against US\$362.2m in June 2018.

In the semester, the export sector performance reached a high of 11.4%, with 2,045m tons exported in 2019, against 1,836m tons made last year.

In revenue, the highest reached was of 14.9%. In the first six months of this year, US\$3.406bn were made in sales, against US\$2.64bn in 2018.

“There was a rise in purchases from almost all major importers, which generated a positive current of exports. The international context of high demand for protein is felt in the most diverse markets”, stated Francisco Turra, president of ABPA.

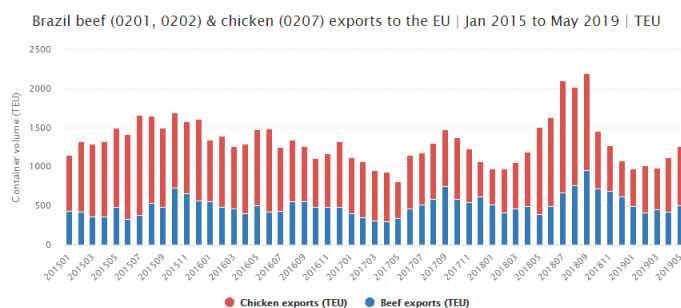
China, the main destination for Brazilian exports, increased its purchases by 22.6% between January and June of this year in comparison with the same period last year, totaling 257.9 thousand tons.

The European Union increased its purchases by 21%, reaching 129,9 thousand tons in the first semester. The United Arab Emirates increased its purchases by 35.7%, reaching 192 thousand tons in the same period.

“Arab markets have been maintaining a good import flow of products, with strong sales growth to the United Arab Emirates,” said ABPA’s executive director Ricardo Santin.

The following chart, based on data from the DataLiner, shows Brazilian meat and poultry exports to the European Union from January 2015 to May 2019.

The following DataLiner graph shows Brazilian meat and poultry exports to the European Union from January 2015 to May 2019:



Source: DataLiner

Grain

The application of rural credit resources, corresponding to the closing of the 2018/2019 harvest, between July 2018 and June 2019, totaled R\$176bn. This disbursement represents an increase of 4% compared to the amount applied in the same period of the previous harvest (R\$169.5bn).

The figures are part of the Agricultural Finance Balance of the 2018/2019 harvest, released last Thursday (07/11) by the Agricultural Policy Secretariat (SPA) of the Ministry of Agriculture, based on data from the Rural Credit Operations

System and of the Program of Guarantee of Agricultural Activity (Proagro), of the Central Bank.

The contracting of rural credit for funding totaled R\$99bn (+7%), of which R\$19.9bn (+24%) were achieved through medium producers (Pronamp).

For investments, disbursements reached R\$43.63bn, a 9% increase compared to the values applied in the previous harvest, with emphasis on the investment programs carried out by the National Development Bank (BNDES) with an increase of 18%, that is, R\$15bn invested.

Among the highlights in the investment programs are the Moderfrota, for acquisition of machinery and agricultural implements (R\$8.8bn – 17%); Moderagro, for projects of modernization and expansion of productivity in the agricultural sectors (R\$857m – 26%); PCA, for the construction and expansion of warehouses (R\$1.1bn – 25%); and Prodecoop, for the cooperatives to invest in the modernization of production and marketing systems (R\$1.36bn – 159%).

Among the resources in evidence in non-controlled sources are the Agribusiness Credit Letters (LCA’s), whose investments increased from R\$24bn to R\$29bn.

Oil & gas

Argentina has launched a tender for a new US\$2bn gas pipeline in the region of the huge Vaca Muerta shale play, which, according to the country’s energy department, is due to be completed by mid-2021.

The pipeline runs from the province of Neuquen, in southern Argentina, to Salliquelo, a city in the province of Buenos Aires.

“It is expected to be completed during the winter of 2021 (in the Southern Hemisphere), so we are in a hurry to get out of the auction,” said Carlos Casares, undersecretary of hydrocarbons and fuel, to Reuters in Buenos Aires.

“Any investor who wins the bid will receive an escape route if the economic context does not allow it to be built,” he said, explaining that they need to take into account the upcoming elections that are fueling political uncertainty.

President Mauricio Macri, who will seek re-election in October, is betting on the development of Vaca Muerta to reduce energy imports and make the country a net exporter of hydrocarbons, creating a new source of income in foreign currency.

Vaca Muerta is an unconventional hydrocarbon formation the size of Belgium that could house one of the largest unconventional hydrocarbon reserves in the world.

YPFB, a Bolivian state oil company, plans to acquire a larger stake in the natural gas pipeline linking Bolivia to Brazil. The goal is to ensure better conditions for fuel sales.

According to Reuters, YPFB intends to tender an unidentified portion of the interest that Petrobras holds in the Brazilian Gas Pipeline Transport Bolivia-Brazil (TBG) that transports Bolivian natural gas to São Paulo.

YPFB believes that by raising its 12% stake in the pipeline they could negotiate directly with natural gas distribution companies and the private industry.

Petrobras has stated that the sale of its stake in TBG is part of an agreement with CADE (Monopolies and Mergers Commission), in which it has to sell a series of assets. Still, according to Petrobras, the sale would protect the competitive conditions of the sector and encourage new entrants in the natural gas market. It is not yet clear how or when assets will be sold.

Other cargo

Argentina is failing to meet domestic demand for tomatoes for the industry and is having to import cans from China.

The country has a deficit of 3,000 hectares of the plantation of this fruit to be able to supply the industries of the sector. Therefore, 30% of the industrialized product (extracts, sauces, or puree) consumed in Argentina comes from other countries.

The last report of this sector prepared by the National Board of Food of the country dates from May 2018 and contains data until 2017.

“Argentina’s production in 2017 has covered 68% of its demand, of about 700,000 tons,” the official report confirmed. That is why more than 30% of the industrialized tomato consumed in the country (whether as an extract, sauces, or puree) comes from abroad, especially from China, but also from Italy.

In 2017, according to customs data, Argentina imported 44,000 tons of tomato preparations, for more than US\$37m: 62% came from China and the other 20% from Italy.

The official report also points out that “tomato production for the industry has room for growth in Argentina due to the fact that there are no restrictions on land and water, in addition to an internal market that is supplied with local raw material.”

The Mato Grosso Cotton Producers Association is going to sue Monsanto (acquired by Bayer in 2018) seeking the annulment of the patent for the genetically modified seed Bollgard II RR Flex, one of the most used in the country.

According to Valor, the entity will also request the return of royalties paid by cotton growers in the state since the seed’s launch in 2013. The bill would reach US\$150m.

For the association, the seed, known in the market as B2RF, does not have enough innovations that justify the payment of the royalties charged. This seed is a combination of Bollgard’s second generation, caterpillar tolerant, and Roundup Ready, resistant to the herbicide of the same name, developed by Monsanto, whose patents expired. The agency says there is “insufficient description” in the patent application made by Monsanto.

Bayer (head of Monsanto) said that “patents (four) of this technology followed the strictest examination rules and all patentability requirements were properly met.”

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