

Main news

According to international news agencies, the government of China has instructed its state-owned companies to suspend imports of USA agricultural products, including soybean. The move has been made in retaliation after US President Donald Trump imposed a 10% tariff on over US\$300bn in imports from China starting September.

China says USA imports of soybean and other agriculture products have declined because of prices deemed as “uncompetitive”, but it was sticking to the recently signed soybean deal between the two countries by buying millions of tons of the commodity.

Secretary-General of the China National Reform and Development Commission, Cong Liang, said “the charges are unfounded,” as reported by the agency Xinhua. “China has made good progress in buying US agricultural products after the two heads of state met in Japan in late June,” he added.

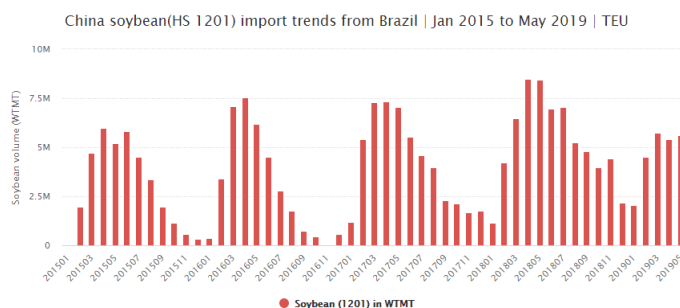
Cong also said that since the meeting to the end of July, about 2.27m tons of American soybeans have been shipped to China and another 2m ton of soybeans should be shipped in August.

Nevertheless, Chinese Customs figures show that the volume of soybeans purchased from the United States in the first six months of the year is the lowest since 2004.

Analysts are saying the 14m tons of soybeans China says it has bought has actually been negotiated between companies in both countries but are still awaiting shipment confirmation from the Chinese regulator. Regardless, American soy is more expensive than Brazilian soy.

Chinese demand for soybeans is lower due to the African swine flu epidemic, which has reduced demand for the grain to be used for feed production.

The following DataLiner graph shows Brazil’s soybean export trends to China from January 2015 to May 2019:



Source: DataLiner

Datamar has just made DataLiner, their flagship product, available to customers, which includes Chile’s second month of market data.

DataLiner provides detailed information of import and export by sea such as ship, port, shipowner, exporter and importer, as well as shipped volumes. In addition to the Chilean market, the program contains information from Brazil, Argentina, Uruguay, and Paraguay.

Since July, DataLiner Chile has been delivered to customers on a monthly basis. The data contains the same quality and on-time

delivery as other Datamar products, with its reputation built over the past 22 years.

May data will be available in August, since Datamar has been using customs data as its main source for DataLiner Chile, delivering the data with a two-month delay. The expectation for the coming months is to provide the data at a shorter interval (Customs data has an inherent 30 day delay due to the release date).

For the other markets (Brazil, Argentina, Paraguay, and Uruguay), where the data source are the manifests sent by the shipowners, Datamar has a delay of about only 15 days.

Ports, terminals and infrastructure

Bolivia made its first grain import through one of its three internationally certified river port terminals. Arriving from Paraguay, it entered through Gravel Port with 1,237 tons of bulk wheat.

The Gravel Bolivia SA industrial and port complex is located in the Puerto Quijarro area in southeastern Bolivia. The facility received the product after seven days of navigating the Paraguay-Paraná waterway, which became an additional alternative for Bolivian foreign trade.

The clearance process at customs, captaincy, and other inspection sectors was less than 24 hours, official sources said.

The operating company of the enclosure was favored by the push that the government of Evo Morales gave to the waterway ports, promoting them to the “international” category, allowing them to receive any kind of product from other countries.

To facilitate and expedite the importation of grain, the unloading of wheat was coordinated with supervisory authorities, such as Customs and Port Authority.

Puerto La Plata implemented an aggressive tariff reduction for cargo: imports fell from US\$4 to US\$1.30 per ton while exports stayed at US\$0.65 per ton.

The port will also provide five days of free primary zone storage for all goods in need of such time. After that, the value of storage fell from US\$1.6 to US\$0.80 per m2 or m3.

“The basis for these modifications is the need to better understand the potential users of this port in relation to the total operating costs in our jurisdiction,” said the note issued by the Puerto La Plata Board of Directors.

The new price list starts in August.

Rate Update

On the other hand, the port consortium also updated the tariffs of other services, such as those related to rail traffic, extraordinary services, use permits, tax filing, and others. According to the area administration, the values were outdated.

The Argentine Council of Fishing Enterprises (CEPA) and the Argentinean Chamber of Fishing Industry (CAIPA) have requested the intervention of national and provincial

authorities to prevent the MSC shipping company from suspending the services of its container ship, whose last landing was this Thursday at the Port of Mar del Plata, August 1st. After the company announced that it would no longer provide the weekly service offered at Argentina's main fishing port, the two unions warned several ministers and secretaries of the consequences of this decision.

All for export

The entities pointed out that "fishing activity is strongly linked to foreign trade" since "90% of its sales" are destined to markets "distributed across the five continents".

In this context, they indicated that the weekly entry of the MSC vessel represented "an important advance for the activity" at the time, and stressed that this service was possible after "important public and private investments" were made, such as dredging the canal access and the internal port mirroring, which motivated the fishing companies to "adopt all their operations".

For the entities, the fact that one of the two shipping companies that provide services in Mar del Plata will stop doing so "will mean a setback for which we understand that we would never return, as it will be necessary to rebuild inarticulate logistics."

More costs

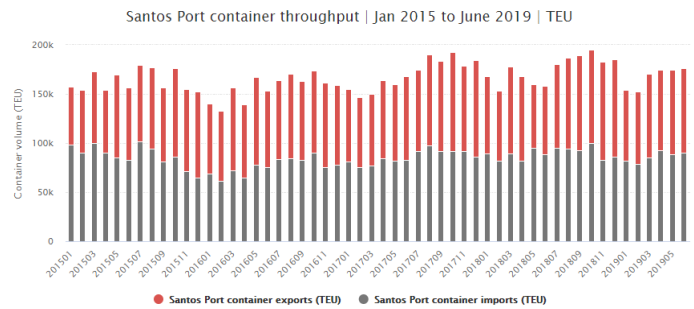
The entities explain that this decision will cause a significant increase in logistics costs, since the operation that includes loading trucks to the nearest terminal, in Buenos Aires, "must be resumed", contradicting efforts to achieve authentic regionalization of port activity in Argentina".

In 2018, the Port of Santos ranking reached the 39th position among the largest ports in the world in container handling, according to a survey released by the British specialized publication "Lloyd's List Maritime Intelligence," one of the most prestigious in the world dedicated to ports and navigation. The 4.12m TEUs moved in 2018 put Santos three positions above their previous ranking. At the top of the list is the Shanghai Port of China, with 42m TEUs. The top ten ports are in Asia – seven in China; one in Singapore; one in South Korea; and one in Dubai.

According to the "One Hundred Ports 2018" ranking, the Port of Santos is the largest in the Southern Hemisphere. The magazine highlights the 7% growth registered, which increased the movement from 3.85m TEU in 2017 to 4.12m TEU in 2018. In 2019, the movement is growing and registered monthly records in May and June, although in the year accumulated, it fell 3.5% to 1.9m TEU.

Between 2012 and 2015, the Port of Santos occupied the 1st position in Latin America. Since 2016 it is in 2nd place, behind the Port of Colón (Panama). A specialized Chinese container shipping company manages the Panamanian port, is the 2nd largest in the world for cargo transshipment (behind Hong Kong only).

The following DataLiner graph shows the Port of Santos container throughput from January 2015 to June 2019:



Source: DataLiner

Santos hits record for June

Cargo handling through the Port of Santos hit a record for June, reaching a total of 11.58m tons and surpassing the highest mark for the period by almost 5%, verified in 2017.

The performance was 6.7% higher compared to June of last year, reflecting the increase in movement in both shipments and discharges. Landfill operations, which increased by 7.0%, grew slightly above shipments, which increased by 6.5% year-on-year.

June's performance also surpassed the initial forecast for the month for the first time this year, estimated at 11.30m tons. The achievement was almost 2.5% higher than the projection. The slight increase was mainly due to the significant expansion of corn shipments, with 1.24m tons, nearly 18 times higher than in June of the previous year. The sharp rise is the result of the significant increase in exports of bulk cargo (loose on the ship).

The shipment of bulk soybean meal, with 586,599 tons, and the discharge of fertilizer, with 466,654 tons, also showed growth of 88.3% and 35.3% respectively.

Another of June's highlights was the increase in containerized cargo handling, with a 13.6% increase in tonnage and 12.5% over the total TEU to 3.92m tons and 356,993 TEU respectively.

The monthly total increase would be higher if there were no falls in shipments of the most significant cargo in participation: soy complex and sugar. With 2.54m tons sold in the month, soybeans declined 16.6% with June 2018, while sugar, reaching 1.31m tons, fell 15.8% year-on-year.

The Santos Port recorded net income of R\$63.5m during the first semester, a performance is 15.6 times higher than that obtained in January-June 2018, when the positive result had been R\$4m. The positive balance in Port of Santos profit attests to the fact of Codesp's efficient management, with greater control over expenses.

According to the company, the current management practice of reviewing and renegotiating service contracts and signing new lease transition contracts at market value was fundamental to the significant brand.

Net revenue grew 12% over the first semester of 2018 to R\$468.4m, and service costs decreased 23.3% to R\$175.9m, thus contributing to the rise of Port of Santos profit.

"The result reflects the company's daily efforts to meet the challenges ahead, such as the Portus pension fund and the Voluntary Dismissal Incentive Plan [PIDV]," says Fernando Biral, Director of Administration and Finance.

In addition, the company is preparing to bear the costs of dredging, a service that will be hired later this year.

Over the next 45 days, the expansion project of the Santos Port Container Terminal – Tecon Santos, managed by Santos Brasil, should begin. The forecast is that the Tecon Santos project will generate about 850 jobs, direct and indirect, and the last 18 months. About R\$150m will be invested in the expansion of the quay.

Another 220 meters of the pier will be added to the current 980 meters of Tecon, totaling 1,200 meters; and another 310 meters from the Vehicle Terminal (TEV), located next to Tecon and also operated by Santos Brasil.

With the new dimensions, the Tecon will be able to receive at the same time three 366-meter New Panamax vessels that can carry up to 12,500 TEU.

Investments began in 2018 and are part of a project to completely modernize Tecon Santos, which foresees an investment of R\$1.3bn.

Santos Brasil intends to increase operating and energy efficiencies, speed and operating flow, which should increase by at least 20% of the terminal's handling capacity – from 2m to 2.4m TEU per year.

Tecon is located on the Left Bank of the Santos port complex in Guarujá. The works will be carried out by the Bahian construction company Axco, which won the competition to execute them.

Shipping

Datamar released the data of container movement from all of the east coast of South America – which is made up of Brazil, Argentina, Uruguay, and Paraguay. The data, organized by the DataLiner portal, is almost entirely based on ship information received directly from operators and allows for the deepening of all imports and exports by sea off the east coast of South America.

According to data released by Datamar, it is possible to verify an increase in container import and export operations in Brazil in the last four months.

In March, 404,132 containers were handled in Brazil (imports and exports). In June, 425,039 containers were handled in the country, an increase of 5.17%.

Argentina also recorded an increase in its import and export operations. In March, 83,246 containers passed through the country's ports. In May, there were 93,129 containers, including imports and exports.

Uruguay registered to handle of 18,677 containers in March and 22,100 in June.

Paraguay had a slight decline in container import and export operations: 11,705 in March and 11,576 in May. DataLiner enables data to be made available to the customer through intuitive dashboards. The solution provides detailed information about ships, ports, shipowners, exporters, and importers, as well as easily viewable shipped volumes.

According to Cleaves Securities, **the number of Capesize vessel currently in Brazil or that are expected to reach Brazilian waters in the next 30 days is about 125**, a growth of almost 100% in one month.

When Vale's Brazilian iron ore exports began to normalize a month ago, the number of ships of this tonnage was very small in the Atlantic basin, increasing the freight rate in July.

According to the report, Cleaves expects that freight rates will now ease in the short term.

The large Brazilian corn crop and the resumption of Vale's operations in Brucutu (MG) in June – which had been operating at only a third of its capacity due to an injunction that prevented the use of the Laranjeiras dam after the Brumadinho disaster (MG) – contributed to the high demand for this type of ship.

Concomitantly with the rapid increases in Capesize vessel bound for Brazil, the number of these Capesize vessels bound for Australia has declined, which may help sustain spot rates in the Pacific region.

Trade

According to Reuters, **Minister of Economy Paulo Guedes said that Brazil had officially begun negotiating a Brazil-USA trade agreement. According to him**, the negotiations are compatible with the recently concluded trade agreement with the European Union.

Speaking in Brasília after meeting with US Secretary of Commerce Wilbur Ross, Guedes said the United States wants closer ties with Brazil, including the chance to sell more ethanol from Latin America.

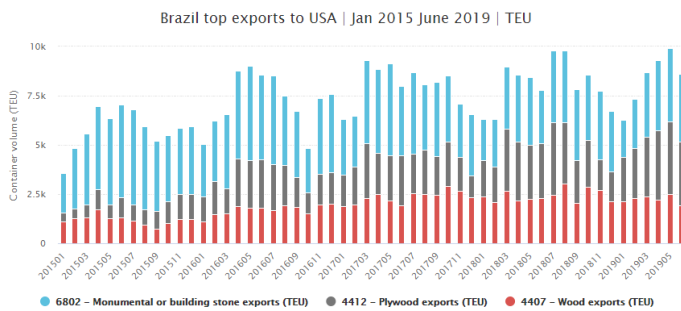
Special Secretary for Foreign Trade and International Affairs at the Ministry of Economy, Marcos Troyjo, said a US Congressional endorsement of the White House is in place so that the US President can negotiate trade deals involving non-bilateral tariffs. The so-called Trade Promotion Authority (TPA) runs until June 2021.

"The nice thing about having an ambitious goal is that your goal is so big that you can solve supposedly more specific issues [on the way]," said Troyjo.

"Visas for businessmen, double taxation agreements, e-commerce, digital goods trading – all of these can be advanced if you have that bigger goal ahead," he said in respect to the topics that are on the government's radar.

In February, before Bolsonaro's visit to the US, the Trump administration asked Brazil to suspend a 20% tariff on ethanol imports exceeding 150m liters per quarter.

The following DataLiner graph shows the top three export commodities from Brazil to the United States from January 2015 to June 2019:



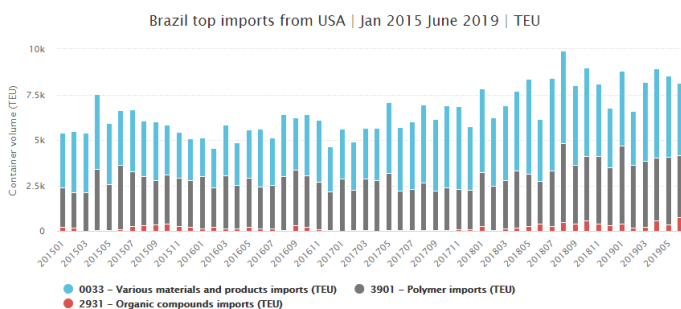
Source: DataLiner

In contrast, the Brazilian sugar industry has called for the release of import tariffs set by Washington. Brazil only has a small quota of sugar for export to the US at a lower rate.

Amid irregularities in the Brazilian refrigerator sector identified by the Americans, the US suspended imports of fresh meat from the country in 2017.

On President Bolsonaro's trip to Washington in March, it was hoped that exports of fresh meat from Brazil to the US could resume, which did not happen.

The following DataLiner graph shows the top three import commodities from the United States to Brazil between January 2015 and June 2019:



Source: DataLiner

Brazil is a major non-NATO US ally

President Donald Trump also strengthened Brazil's status as a US military ally on Wednesday (08/01), making it easier for the Latin American giant to buy more sophisticated weapons. In a statement sent to the State Department, Trump said: "I designate the Federative Republic of Brazil as the main non-NATO ally of the United States," referring to the powerful North Atlantic Treaty Organization (NATO).

Countries with non-NATO Alliance member status enjoy a higher level of trust with Washington, allowing them priority access to the US arms market and strengthening ties between the military.

Egypt, Israel, New Zealand, and Taiwan are among other US allies already in the group.

Trump had already stated in May that he intended to give Brazil the status.

Ores

China's iron ore futures contracts fell nearly 5% and are preparing for their second weekly loss after Brazil announced a

recovery in steel exports in July when Vale resumed the operation of its largest mine, the Brucutu mine.

The most-traded iron ore on the Dalian Commodity Exchange, due January 2020, fell 4.8% to 720.50 yuan (US\$103.85) a ton. It fell 2.5% at 0242 GMT.

Brazilian iron ore exports rose 16.6% in July from the previous month to 34.3m tons, the highest level in nine months, according to official data.

Concerns about the global iron ore shortage as a result of bans at Vale's Brucutu mine for safety checks following the Brumadinho disaster in January have led Dalian iron ore to hit records this year, thus affecting global iron ore futures.

Spot prices have reached their highest level in more than five years, with recent supply cuts in Australia raising concerns.

Vale SA, the world's largest iron ore exporter, has been trying to boost production and company executives said it now has an annual iron ore capacity of 340m to 345m tons.

Vale SA presented its results for the second quarter of 2019 last Wednesday (07/31). According to the company, 2Q19 was a transition quarter for the business, with the Brumadinho Dam's disruption still impacting volumes, costs, and expenses.

CEO Eduardo Bartolomeo commented: "As we moved toward full and effective remediation, the second quarter of 2019 was a transition quarter for the business." And added: "Our response (to the dam breach) began to bear fruit to ensure the safety of the company's people and operations, as well as reduce uncertainties and deliver sustainable results with a portfolio of high-quality products that will be reflected in the next quarter."

Redress

Vale SA has signed 15 agreements with local, state, and federal entities to establish a stable legal framework to mitigate the results. The company became part of the program "Alliance for Brumadinho", launched by the Federal Government, which will leave a legacy for the area, and has advanced with the Preliminary Agreements for compensation with the authorities.

Regarding the financial results for the period, Vale recorded an EBITDA of US\$4.2bn in ferrous minerals, US\$621m above 1Q19.

In basic metals, the company posted EBITDA of US\$465m, down US\$40m from 1Q19, mainly due to lower copper prices, as well as lower production in VNC (Vale in Nova Caledonia), resulting in lower fixed cost dilution.

Cash generation of US\$2.2bn in 2Q19 allowed the debt reduction to resume and further strengthened the balance sheet. As a result, Vale's net debt fell from US\$12.0bn in 1Q19 to US\$9.7bn in 2Q19.

The reports can be checked at the mining site www.vale.com/prestacaodecontas

Logistics

President Jair Bolsonaro, Minister of Infrastructure Tarcísio Gomes de Freitas, and Director General of ANTT (National Land Transportation Agency) Mario Rodrigues Junior, signed

with Rumo SA the North-South Railroad concession contract for the central and southern sections of the Railway.

Also attending the event, in Anápolis/GO, was the governor of Goiás, Ronaldo Caiado, the mayor of Anápolis, Roberto Naves e Siqueira, as well as parliamentarians and executives of the concessionaire and the infrastructure sector. The signing is due to the auction held in March by ANTT (National Land Transportation Agency).

The stretch granted is located between Porto Nacional/TO and Estrela D'Oeste/SP (1,537 km) and is divided into two sections: central, between Porto Nacional/TO and Anápolis/GO, with a length of 855 km; and south, covering the Ouro Verde stretch of Goiás/GO and Estrela D'Oeste/SP, with a length of 682 km.

The central branch is completed and operational and available for commercial rail freight. The authorization to open traffic was obtained through ANTT resolutions No. 4,363/2014 and 4,596/2015, and operating license No. 1,240/2014, issued by Ibama. The start of the operation is expected to occur before the end of 2019. The southern section, which connects the states of Goiás, Minas Gerais, and São Paulo, has the Installation License No. 1,152/2014, also issued by Ibama. The stretch has 95% of the works completed. According to the contractual rules, the concessionaire has two years to complete the interventions and start operations in 2021.

"We will create competition and the participation of rail mode will go from the current 15% to almost 30% in eight years. We will start to see the train pass with a stacked container leaving Goiás and going to São Paulo, and in the opposite direction. In the future, we will leave Manaus Free Zone and deliver the cargo to Porto Alegre. We will connect Brazil through rails. The country will grow because it has a vocation to be big," said the minister during the event. The railway is considered the backbone of the Brazilian rail system and one of the main projects for the flow of agricultural production in the country.

Auction

Rumo S.A won the auction for R\$2.7bn, representing a 100% premium over the minimum bid of R\$1.3bn. The concessionaire will operate the stretch in question for 30 years. Compensation will be received upon receipt of the transportation fare, right of way fare, mutual traffic fare, revenues from ancillary operations, and the exploration of associated projects. The contract consists of the exploration of the infrastructure and the provision of the public railway service, and ensures the maintenance and conservation of the infrastructure throughout the concession period.

Demand

The estimated total demand for the North-South Railway, both in its own network and in third parties, is 1.7m tons for 2020, reaching 22.7m tons in 2055. Among the main products to be sold on the railroad are general and industrialized cargo from large Paulista poles to consumer centers such as Goiânia/GO, Brasília/DF, Palmas/TO, and Imperatriz/MA. In the opposite direction, a significant volume of grains from Tocantins, Goiás, and Mato Grosso will be moved for export from the port of Santos.

Oil & gas

Brazilian state-owned oil company, Petrobras announced an expected increase in oil production in July after a disappointing month of June as it accelerated production in the pre-salt region in Brazil.

In a presentation to present record quarterly profits, Petrobras said oil production reached 2.76m barrels of oil equivalent per day (bopd) in July, compared to 2.633m barrels in the second quarter in Brazil. Production reached a record 3m bopd on July 28.

Petrobras released mediocre production figures in the second quarter and cut its 2019 estimate from 2.8m to 2.7m bopd, for the disappointment of hungry investors wanting a long-promised increase in production.

July's figures came a day after Petrobras posted record quarterly earnings, thanks to large asset sales.

Argentina launched an international tender for the construction of a multi-billion-dollar pipeline to transport natural gas from the Vaca Muerta shale formation in the western part of the country to the capital Buenos Aires. Bids will open on September 12th.

The government intends for the gas pipeline to be completed by the winter of 2021 and says that by supplying the areas of Greater Buenos Aires and Rosario with domestic natural gas from Vaca Muerta, the pipeline will replace US\$240m per year in liquefied natural gas (LNG) imports.

"The pipeline will help us improve the country's trade balance and increase the production of Vaca Muerta, which means more work for Argentines, both in the area and throughout the industrial value chain," said Secretary of Energy Gustavo Lopetegui. "It's one of the most important infrastructure projects ahead."

The new pipeline will extend 570km from the Tratayén processing plant in Neuquén province to the Saturn compression station in Salliqueló, Buenos Aires province, where it will extend another 470km to San Nicolás, also in the province of Buenos Aires. Estimated costs are of US\$2bn.

The pipeline's capacity will be 15 MMm3/d, or 530 MMcf/d, with the option to expand to 40 MMm3/d in future stages, depending on growth in Vaca Muerta production and future gas demand in the country.

Shale gas production increased in Argentina due to its Vaca Muerta deposit, more than tripling between January and December 2018 from 0.3 Bcf/d to 1.0 Bcf/d.

Total natural gas production grew by 5.8% in June, with Argentina producing gas at the highest rate in 11 years. The country, which suspended natural gas exports to Chile in 2007, has resumed exports and now sends seasonal shipments with an average of 4.33m cubic meters (MMm3) per day, or 153 MMcf/d, to its neighbor in the Andes. Exports throughout the year are expected to start next year.

The country also began exporting small-scale LNG exports in June, the first of its kind. LNG was produced on Exmar NV's floating LNG production barge called Tango FLNG in the port of Bahía

Blanca using piped natural gas from Vaca Muerta. The vessel has a production capacity of 500,000 metric tons, or about 0.07Bcf/d, and can produce up to eight LNG export loads per year, according to the US Energy Information Agency.

Coffee

Brazil is producing less high quality coffee this year because of the unusual weather, despite a good Brazilian overall crop.

According to market traders, Brazil's fine beverages for August's shipment are being traded 4 cents above New York futures. In general, they have a discount of 5 to 9 cents compared to the reference contract.

According to Reuters, the various flowering in Brazil's crops has raised concerns about the quality of the current crop. The weather was bad near the time of harvest and off-season rains caused cherries to fall, reducing the overall quality of the coffee.

One of the side effects of the problem will be a higher production of lower quality coffees, weaker drinks, and Rio or Riado types, which many roasters use to blend. For farmers already facing historically low prices, the added impact of selling lower quality coffee will only add to the problem.

Soluble coffee exports rise 9.6%

On one hand, high-quality Brazilian coffee has been facing challenges, on the other hand, exports of instant coffee grew 9.6% in the first half of 2019 compared to the same period of 2018. The information is from the Brazilian Association of Soluble Coffee (Abics).

According to the entity, 1.86m bags of 60 kg of coffee were exported in the first six months of 2019, compared to 1.70m in the first six months of 2018.

In foreign exchange revenue, however, the performance was 3.8% lower than in the first half of 2018, yielding US\$274.7m in the first half of 2019.

The main destinations of Brazilian instant coffee were Asia, North America, and the European Union, in that order.

Meat

Mercosur member countries recorded a 21% increase in beef export volume in the first semester of the year, equivalent to a total of 1.19m tons, thus surpassing increases that also hit Australian and American markets.

Mercosur countries, Australia, and the United States recorded the largest shipments in history, totaling 2.26m tons of fresh meat, 11% more than in the same period of 2018.

According to reports, major beef exporters had never shipped as much as in the first half of this year.

Argentina led the growth with 45% increase in meat exports in the region, reaching 222,000 tons, followed by Brazil with 27% to 679,000 tons, and Uruguay with 8% corresponding to 175,000 tons shipped.

The only country in the regional bloc that recorded a 10% drop in beef shipments during this period was Paraguay.

Grain

Federal Official Gazette published the regulatory framework for pesticides. Detailed by three resolutions and a normative instruction, the pesticide regulation framework updates and clarifies the criteria adopted for the toxicological assessment and classification of this type of product used in Brazil.

The new framework foresees changes to the labels and package inserts of pesticides, defining rules for the provision of information, words, and warning images in order to facilitate the identification of risks to human health.

Companies will have a year to adapt to the new rules, with the deadline with their publication in the Gazette. For products that are already in circulation, the reclassification will be made by the National Health Surveillance Agency (Anvisa) which published a notice requesting information about the products. According to Anvisa, data has already been sent for reclassification of approximately 1,950 pesticides registered in Brazil, almost 85% of the total volume (2,300) in circulation.

The regulatory framework for pesticides was created in harmony with the international rules followed by the countries of the European Union and Asia, which, according to the agency, strengthens the conditions for marketing domestic products abroad, as well as ensuring more clarity of information.

The product toxicity classification provided for in the pesticide regulation framework may be determined from the components present in the products, impurities, or in comparison with similar products in Brazil. For each category, possible damage will be indicated in case of contact with the mouth (oral), skin (dermal), and nose (inhalation).

"Extremely Toxic" and "Highly Toxic" products (categories 1 and 2 respectively) will have a red warning band. "Moderately Toxic" products (category 3) will have a yellow warning band. The products "Mildly Toxic" and "Unlikely to Cause Acute Damage" (categories 4 and 5) will have a blue band.

Other cargo

Brazil should start dairy products export to China this August according to Viva Lácteos (Brazilian Dairy Association).

The association claims China is the world's largest importer of dairy products, with about 800,000 tons of milk powder. Brazil's current production reaches 600,000 tons. The expectation is to be able to export US\$4.5m in dairy products.

The Ministry of Agriculture announced that China has authorized 24 Brazilian plants to export dairy products to the country, including cheese, butter, condensed milk, and milk powder.

Last year, the Brazilian dairy sector exported to more than 50 destinations and has mainly advanced in cheese exports. In 2018, the Chinese imported 108,000 tons of this product and have grown at an average annual rate of 13% in the last five years. Last year, US\$18m of worth were shipped, up 65.2% over the last three years.

“Brazilian companies will make cheese sales a priority. There is no way to sell milk powder, a commodity,” said Marcelo Martins, president of Viva Lácteos.

According to Martins, dairy companies from Brazil are eager to return their focus to export after more than a decade of China’s absence to serve the domestic market, which grew 4% per year between 2008 and 2014.

“The authorizations were a decisive step in creating demand for Brazilian dairy products and there’s nothing better than the opening of the Chinese market,” he said. “But we have work to do.”

Martins said freight costs and Brazil’s unreliable electricity grid, which is vital for maintaining and managing any profitable dairy operation, also pose challenges for future exporters.

Ian Lin, chief executive of Group Serpa, a market specialist in Shanghai, said in an interview that Chinese consumers are not used to buying “many” dairy products, but the culture can change. A large percentage of China’s population is lactose intolerant, according to scientific studies, although marketing campaigns that boost it as part of a healthy diet have helped develop a sizable dairy market in the country.

Lin said imports dominate China’s dairy market, with New Zealand accounting for 51% of the country’s milk powder exported, which totaled around 800,000 tons in 2018.

According to Lin, Brazil will face competition from suppliers closer to China, as the cost of sea freight to ship 20 tons of dairy products from New Zealand to China is US\$870. If the cargo comes from Brazil, the value becomes US\$1,500.

On the other hand, China imports 110,000 tons of cheese per year, with annual growth of 13%.

Last year, total Brazilian dairy exports were US\$58.2m, with Argentina, Chile, and Russia among the largest buyers according to data from Viva Lácteos.

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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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