

CORN ETHANOL ALREADY REINFORCES SUPPLY IN OFF SEASON

While the Center-South goes through its sugarcane off-season, the supply of ethanol from the region's mills is being reinforced by imports and the production of ethanol from corn. From January 1st to mid-February, corn ethanol production amounted to 107.5 million liters - equivalent to 60% of the total production of the Center-South, which was 179.7 million liters, according to data from the Union of Sugarcane Industry (Unica). Much of this production comes from the FS Bioenergia plant, which started operating in July last year in Lucas do Rio Verde (Mato Grosso). According to Rafael Abud, financial director of the company, FS Bioenergia has produced around 20 million liters of ethanol per month and in January it sold a volume by taking advantage of its inventories, since prices were advantageous. This occupation of space by corn ethanol, however, has a short term, given that in March some sugarcane mills in the Center-South will be operational again. Corn ethanol supply in the first quarter is expected to be between 180 million liters and 200 million liters, according to Martinho Ono, director of SCA Trading. Ethanol imports are also strengthening supply, although they are within the market's expectations. In January, about 165 million liters were imported, and Ono estimates that the volume of ethanol purchased from abroad from January to March is around 600 million liters. This amount exceeds the quota free of import duty of 20%. However, even with the tariff, import has been advantageous. In addition to supplying the Northeast, imports are also reaching the Center-South, where demand is very heated. The input of corn ethanol from the Midwest and imported corn, however, has not impacted prices, according to Ono. Since the beginning of the year, the Cepea / Esalq index for hydrated ethanol paid to the plants in São Paulo is around R \$ 1.85 a liter. For the director of SCA Trading, the pressure comes from the high volume of ethanol that the plants have kept in inventory since the milling of this

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SUGAR PRICES ARE EXPECTED TO RISE IN THE NEXT HARVEST, SAYS DIRECTOR OF COSAN

Cosan, which owns 50% of Raízen Energia, estimates that sugar prices will begin to react in the next harvest (2018/19) in light of the prospects for the South-Central production. However, the company indicated that at first it should produce more alcohol since ethanol continues to pay more. "The beginning of the harvest should have a slightly more ethanol before past harvests," said Guilherme Machado, director of investor relations at Cosan, in a teleconference. At this moment, the fundamentals and the position of the funds continue to press the sugar. As a result, Raízen Energia started the fourth quarter of this harvest with a volume of sugar priced low, of 614.4 K tons, about 20% to be exported in the new harvest. However, Machado estimated that the reduction of the supply of sugar from the Center-South should begin to change the scenario. "We believe that a crop with less sugarcane in the Center-South and a more ethanol mix could bring some positive reflection on global sugar prices and exports," he said. In the third quarter of the 2017/18 harvest, ended December 31st, the company has already raised its alcohol mix because of the greater profitability of biofuel. Of the 13 million tons of cane ground in the period, 52% went to ethanol production, compared to 44% in the same

quarter of the previous harvest. In the accumulated of the season, 45% of the cane production was directed to the sugar, before 43% a year before. As ethanol prices were still lower than in the previous crop, in addition to sugar, Raízen Energia had lower results. Raízen Energia's net income for Cosan fell 71% to R \$ 126.4 million, while Cosan's profit before interest, taxes, depreciation and amortization (Ebitda) fell 11%. annual comparison, to R \$ 891 million.

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SOYABEANS: HARVEST IN THE PARANÁ REACHES 9% OF THE AREA

The harvest of the 2017/18 soyabean harvest in Paraná reached 9% of the estimated area for cultivation, says the weekly newsletter of the Department of Rural Economy (Deral), an agency linked to the State Secretariat of Agriculture and Supply (Seab). According to the department, 86% of the area is in good condition. According to the agency, the commercialization of production has so far reached 15% of the forecast harvest. The estimate is that the harvest reaches 19.2 million tons, a decrease of 3% against the result of the previous crop.

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IGC REDUCES ESTIMATE FOR WORLD GRAIN HARVEST

In its most recent crop monitoring report for February, the International Grains Council (IGC) predicts that world production of grain (soyabeans, corn, wheat and rice) in the 2017/18 crop will reach 2,094 billion tons, down six million tons from January's estimate of 2,100 bi tons. The board also raised the projection for the global grain trade in the 2017/18 crop to 361 million tons, 1 million tons above the previous forecast (360 million tons). World consumption, for its part, remained estimated at 2,104 bi tons. Overall stocks at the end of the 2017/18 period are expected to be around 610 million tons, down 7 million tons from the previous projection [617 million tons].

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GRAIN HARVEST IN PARANÁ IS ESTIMATED AT 22.7 MILLION TONS

With a delay of ten days, impacted by the climate, Paraná started harvesting the 2017/18 summer harvest. For the current season, a harvest of 22.7 million tons is expected. As climate improves, farmers are accelerating the harvest of soyabeans and corn from the first crop to avoid further delays in planting the second corn crop that is already underway. According to information from the Department of Rural Economy (Deral), both soyabeans and corn from the first crop were started late last year because of the drought. The climate normalized in October, but again it hurt the agriculture of Paraná in November with excessive rains. This situation has been increasing since this period and contributed to delay both the harvest of these grains and the planting of the second corn crop. Deral is estimating a soyabean crop of 19.3 million tons, only 300K tons less than the previous crop, which was considered exceptional. For corn, the harvest should reach 2.97 million tons, down 40% on previous production. This reduction is related to the decrease in the area of planting, which was 35%. Last year, 513,627 hectares were planted with corn from the first harvest and, this year, 332,833 hectares.



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CORUMBÁ DISCUSSES INSTALLATION OF TRANSHIPMENT TERMINAL TO IMPORT UREA

Mayor Marcelo Lunes discussed the installation of a transshipment terminal in Corumbá - by a special fertilizer company - for the import of Bolivian urea. It will be approximately 335K tons per year of the Bolivian product entering Brazil by the border of Corumbá with Bolivia. Of the total imported, 60% should go to Mato Grosso and the rest to the mining triangle and the south of the country. "We have the possibility, in a short space of time, to register the arrival of approximately 30 trucks per day in Corumbá, with imports of urea produced in Bolivia," said Renato dos Santos Lima, secretary of Sustainable and Economic Development, who accompanied the entrepreneur. According to the secretary, the company works with the opening of a transshipment terminal in Corumbá. "It's a space to store 5K to 10K tons of urea here," he explained. "Corumbá is a municipality bordering Bolivia and the customs clearance to flow to the rest of the country takes place here". In negotiations with Bolivians, we studied the possibility of setting up a distribution center here or a storage post to receive the cargo of urea and sell it", said company director Renato Benatti. According to the Ministry of Hydrocarbons of Bolivia, the urea plant installed in Bulo Bulu required an investment of US \$ 950 million and has a production capacity of 2,100 tons per day (700K tons per year). Between 85% and 90% of total production is expected to be exported to the region's markets

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IMPORTS OF FERTILIZERS INCREASE IN VITÓRIA

The volume of fertilizer imports at the Port of Vitória is expected to grow more than 35% in 2018. The increase will be possible thanks to investments being made in the backyard of the Capuaba dock in Vila Velha. New warehouses and equipment are being installed to meet demand growth and are expected to start operating in the coming months. Currently, about 800K tons of fertilizers are imported per year. However with the effective improvements that will be implemented in the backwater in Capuaba, the volume of fertilizer imports will reach 1.1 million tons, a significant increase of 300K tons per year. According to the company's superintendent of Projects, Walter Arruda, the installation of the new structure of warehouses and equipment, has been done in partnership with port operators. This increase will be possible through the adequacy of the existing railway structure for mechanized loading of fertilizers in wagons, which can be used anywhere in the country, mainly for the State of Minas Gerais and the Midwest region of Brazil.

Src.: *Global Fert*

GAVILON TAKES OFF IN THE GRAIN MARKET

With operations concentrated in Arco Norte ports and low fixed costs, Gavilon, a US-controlled trading company controlled by the Japanese company Marubeni since 2013, has gained a leading role in Brazilian grain exports difficult to replicate in such a short time. In 2015, it embarked by the ports of Barcarena, in Pará, and Itaqui, in Maranhão, 773K tons of soya and corn. Last year, the volume reached 4.1 million tons, and the company was in seventh place in the ranking of the largest exporters of oilseed. In the soyabean market,

Gavilon, whose total sales in the country already reaches US \$ 1.6 billion per year, lost only in 2017 to the multinationals that make up the traditional group of "ABCD" - the American companies ADM, Bunge and Cargill and French company Louis Dreyfus Company - to China's Cofco, which is also booming in Brazil, and to Amaggi, the largest Brazilian company in the segment. The revenue for this rapid expansion lies in the business model, defined by Gavilon as "asset light", as it is "light" in assets. With this strategy, said Fabrício Peres Mazaia, president of the company in Brazil, there is not the heavy fixed cost necessary for the acquisition and maintenance of silos and warehouses, nor of processing and distribution centers, which are not part of the focus of its business in the country. The company outsources its services of transport and storage of cooperatives and even of producers. In Brazil, the decision-making center for the purchase and sale of grains and the contracting of road or sea freight is in the central office located in São Paulo. There is autonomy in relation to the head office, which is in Omaha, in the American state of Nebraska. Gavilon also has operations in Europe (Spain, Italy and Switzerland) and Asia (China and Hong Kong). But Gavilon herself acknowledges that she has a growth ceiling based on this "light assets" business model. In its calculations, it can move a maximum of 8 million tons of soya, corn and wheat - today there are 6 million in total. "If we want to move beyond this, we will have to acquire strategic assets, but today the market is telling me not to invest in assets", said Mazaia.

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BRAZIL GROWS AGAIN IN WORLD AGRIBUSINESS TRADE, SAYS WTO

Brazil continues to gain space in world trade in agribusiness products. According to data presented in the Committee of Agriculture of the World Trade Organization (WTO), between 2007 and 2016 the country's weight in global exports increased both in markets where participation was already high, such as soyabeans, and those in which foreign sales are less relevant, such as rice. In the global oilseed tray - a group that includes soyabeans, the country's flagship - the country's share of total exports rose from 27% in 2007 to 35.3% in 2016. The main competitors of Brazil on this front, the United States and Argentina, lost ground. Even with all the problems it faced as a result of a policy that discouraged exports for years, Argentina maintained its primacy in exports of soyabean meal and soyabean oil, according to statistics presented by the WTO. In the sugar trade, Brazil remains unbeatable, although the country's share in world exports decreased from 52.2% in 2007 to 49.3% in 2016. In tobacco, the leadership is also Brazilian, with a stable share in the house of 14.5%. Among the products that still can not be considered relevant in the export agenda of Brazil, the positive highlight is rice. In this market, the country's share of global shipments increased from 0.3% in 2007 to 1.8% in 2016.

Src.: *Valor Econômico*

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