

NEWSLETTER

December 2021

December 01, 2021

BRAZILIAN ECONOMY REAPS GAINS FROM UNIVERSAL EDUCATION, SURVEY SHOWS

Three decades of increased schooling had profound impacts on the Brazilian economy, helping to reduce informality and raise workers' income. Without the universalization of public schools' enrollments from 1990 onwards, Brazil would today have even more people in informal jobs, with salaries virtually stagnant, a study by the Fundação Getulio Vargas's Brazilian Institute of Economics (Ibre-FGV) found.

According to the survey, the informality rate in Brazil was 56.4% in 1992 and, despite the recent deterioration, the long-term trajectory maintained a downward trend, to 47% last year. But if the workforce had today the same number of years of schooling as 30 years ago, the figure would have jumped to 62.8% in the meantime, according to a simulation by FGV Ibre. The calculation considers workers without a formal contract, self-employed ones and those who help relatives without remuneration.

From 1992 to 2020, the average schooling time of the employed population in Brazil went to just over 11 years from 6.5 years. In other words, on average, workers today reach the market with at least incomplete secondary education. Before, they didn't even advance much beyond the early years of elementary school.

"Despite criticisms about the lower-than-expected return on educational investments, the [expansion of] education had a substantial impact on the Brazilian economy," said Fernando de Holanda Barbosa Filho, a researcher at FGV/Ibre and co-author of the study. "Informality dropped in Brazil because the quality of labor improved. The greater the participation of more educated people, structurally speaking, the lower the informality," he said.

Data from national and international assessments show that the learning of Brazilian students still has a long way to go to match the level of cutting-edge teaching nations. At the same time, the transformations in the labor market that have occurred as a result of the increase in the educational

offer help to rebut the thesis of the failure of public policies in education, a narrative that has gained ground during the Bolsonaro administration.

The FGV/Ibre survey points out that people with zero to four years of education reduced, from 1992 to 2000, their participation in the labor market to less than 10% from more than 30%. At the same time, the most educated, with 12 to 15 years – therefore, at least with complete high school or incomplete higher education – went to around 40% from less than 15%. “The fact that there are more and more workers with more education has made the aggregate informality fall structurally,” said Mr. Barbosa.

Despite the beneficial effects on the economy, education is only one of the forces determining the direction of the labor market. Since the 2015 recession, there has been an increase in informality among all groups, with the exception of those who studied for up to four years. “Over time, education has deeply contributed to reduce informality. But the structural effect is incapable of facing the economic situation,” said Fernando Veloso, a researcher at FGV/Ibre.

The increase in schooling also translated into higher salaries. From 1992 to 2020, the average income from work went to just over R\$2,500 from R\$1,500. Without a change in the composition of the workforce, remuneration would have advanced just a little, to just over R\$1,600, according to the FGV/Ibre study.

Among the variables analyzed, the unemployment rate is the only one in which the educational effect is not very significant, since the indicator is more linked to economic cycles. The level of unemployment increased to 13.5% in 2020 from 7.7% in 1992.

The rate would even be slightly lower without the improvement in educational offer, by 13.3%. But this is because the unemployment rate by educational level is usually lower at the ends (zero to four years of study and 16 years or more) and higher in the middle of the sample (5 to 8 years of study, 9 to 11 years and 12 to 15 years). “Over time, [with an increase in education] the employed population has been displaced to groups with a higher rate of unemployment,” said Paulo Peruchetti, with FGV/Ibre.

According to Mr. Barbosa, low unemployment among the less educated occurs because in this category there is a predominance of occupations that require technical skills. “These are people who are in the job market because they have some specific knowledge,” he said.

More broadly, the less educated tend to have a lower participation in the labor market, which helps to statistically reduce the unemployment rate. “The question mark that remains is why these people are

not looking for a job. It is as if they were part of an almost subsistence economy,” said Luiz Guilherme Schymura, director of FGV/Ibre.

For Mr. Veloso, the low unemployment of this group suggests that the unemployment rate is not always a good barometer on the real situation of the labor market. “Vulnerability manifests itself in other ways, such as underemployment [those who would like to work longer hours but can’t],” he said.

From now on, economists estimate, education should help to reduce unemployment. “The increase in people with an average education level contributes to increasing the unemployment rate. In the next few years, this contribution tends to be in the opposite direction, reducing the unemployment rate, as we are now migrating more people to 12 to 15 years of schooling, a range in which the unemployment rate starts to fall,” said Mr. Barbosa.

Source: *Valor International*

<https://valorinternational.globo.com/>

December 01, 2021

SANITATION AUCTIONS THIS MONTH TO DRAW R\$8BN

December will have a set of basic sanitation auctions, which may draw R\$8.3 billion in investments. The main projects are those in Alagoas and Rio de Janeiro, which ended up with no interested parties in the April auction and are now back on the block with a new version. Besides them, four other smaller bids are scheduled, for the operation of cities such as Teresópolis (Rio de Janeiro) and Goianésia (Goiás).

The market’s main expectation is for the auctions of regional blocks in Alagoas and Rio de Janeiro, which gather the bulk of the investments and should attract the sector’s major operators.

The Alagoas projects, to be auctioned on December 13, are expected to draw strong competition as at least eight groups have studied the assets. Two regional blocks will be bid for in the state. Lot B includes 34 cities in the Agreste and Sertão regions, while Lot C brings together 27 cities on the coast and Zona da Mata.

In all, around R\$2.9 billion in investments are foreseen, over 35 years of contracts. The winner will be the one who offers the highest fixed payment – the minimum amounts are relatively low, only R\$3.3 million for Block B and R\$32.4 million for Block C.

The state of Alagoas already has a regional concession underway. The first lot, in the metropolitan region of the capital city Maceió, was bid for in September 2020 and won by BRK Ambiental. For this reason, the group is seen as a strong contender – although the company has seen a much more inhibited participation in the most recent auctions.

Equatorial Energia is expected to take part, as well as traditional operators like Aegea Saneamento, Iguá Saneamento and Águas do Brasil. Equatorial debuted in the sanitation market in June by winning the Amapá auction with a very aggressive bid.

There are also expectations around some companies that do not yet have contracts in the sector, but that have already entered the disputes. In the Amapá bidding, for example, different companies have already participated, such as Allonda, Encalso Construções and Cymi (a company of the Spanish group ACS, which already operates in Brazil).

For Mariana Saragoça, partner at Stocche Forbes, these are well-modeled contracts, which already bring improvements in relation to the first regional auctions. “There was a learning process. For example, the issue of the division of the fixed payments with the municipalities, which generated questions, this time was equated to mitigate this risk.” She evaluates that the good quality of the project, added to the not so high values, can open the sector’s door for newcomers.

There is an expectation of new interested parties, but they will hardly be international operators, said Elias de Souza, a partner at Deloitte. “There are more investors from other sectors, but already present in Brazil, wanting to go into sanitation. We also see a movement of international groups, but they prefer indirect investment. The foreigners are still analyzing as observers,” he said.

In the Rio de Janeiro contract, the so-called Block 3, the forecast is that the competition will be concentrated on groups that already operate in the state: especially Aegea, Iguá and Águas do Brasil. The first two companies were the winners of the last auction of Cedae (State Company of Water and Sewage of Rio de Janeiro), in April. Águas do Brasil already has a concession, in partnership with BRK, in the western side of the state capital – an area that is part of the block that will be the target of the new bidding.

In the first auction, there were no interested parties for Block 3. Aegea – which has already confirmed its presence in the new contest – even submitted a bid in April but ended up withdrawing it after winning two other contracts. After that, Rio’s government and the Brazilian Development Bank (BNDES) had to redevelop the project.

“The main command was to expand the contract as much as possible,” said Luciene Machado, head of investment partnership structuring at BNDES.

Initially, the contract included the operation of the west side of Rio and six other cities. The new version expanded it to 20 cities in the interior. In total, around R\$4.7 billion in investments are required. The minimum fixed concession payment is R\$1.16 billion.

The expansion of the project is seen as the main factor of greater attractiveness, in relation to the last auction, in which the interest was low. In addition, Ms. Machado says that the fact that there are already private-sector operators in the region (Aegea and Iguá) helps. “This certainly has an impact on the attractiveness of the blocks by these potential bidders, because the possibility of adding them dilutes costs, increases scale,” she says.

Besides the regional auctions, four other biddings are scheduled for this month: in the cities of Dois Irmãos do Tocantins (Tocantins), Xique-Xique (Bahia), Goianésia (Goiás) and Teresópolis (Rio de Janeiro).

Among them, the project in Rio de Janeiro stands out, said Bruno Aurélio, a partner at Demarest Advogados. “It is a process resulting from a PMI [a study donated by a private-sector company, in this case, Águas do Brasil], which went through scrutiny, with interesting transparency. Besides being a city with higher purchasing power, which generates attractiveness.”

In municipal projects, the prospect is that the profile is smaller groups, with local engineering companies. More traditional operators can enter projects of this type, but only if they have a larger operation in the surrounding area – as is the case of Teresópolis.

Aegea confirmed its presence in the auction of Block 3, but said that “regarding the other opportunities, the evaluations continue to respect the company’s business model.” Águas do Brasil and BRK declined to comment.

Source: *Valor International*

<https://valorinternational.globo.com/>

December 01, 2021

SUPERSHIPS MAY HELP DECARBONIZE AGRICULTURAL EXPORTS

Besides the possibility of reducing greenhouse gases by controlling livestock farming, Brazil can contribute to global decarbonization through the use of larger ships by the agribusiness industry.

The use of Capesize vessels, bulk carriers with a capacity of up to 200,000 tonnes, can reduce CO2 emissions by 31% compared to the current grain logistics to China, according to simulations by the

Group of Research and Extension in Agroindustrial Logistics of the Luiz de Queiroz College of Agriculture (EsalqLog). Besides the environmental gains, the replacement of Panamax – the most used ships, with a capacity between 60,000 and 70,000 tonnes – for Capesize vessels would reduce logistic costs by around 12.5%.

Thiago Péra, coordinator of EsalqLog, said that 80% of the logistical cost of Brazilian soybeans to supply China is concentrated in the transportation through highways and railroads to Brazilian ports, compared with 20% in maritime costs. The opposite happens when the analysis involves greenhouse gas emissions: 75% of emissions are concentrated in maritime transportation.

“It’s a win-win game. The replacement by larger ships in agriculture logistics brings environmental and financial benefits to those involved,” he said. Mr. Péra said that the mining and oil sectors have already done their homework and are using Capesize vessels. Mining giant Vale, for instance, has an amazing ship with a capacity of up to 400,000 tonnes.

But if the replacement brings gains, why hasn’t it happened yet? The big problem is that both the exporting port and the importer must be able to handle these ships, but few are prepared.

In Brazil, only terminals in Barcarena (Pará), Itaqui (Maranhão), Cotegipe (Bahia) and Tubarão (Espírito Santo) are sufficiently deep to handle super vessels.

In Aracruz, Espírito Santo, a cutting-edge terminal complex is under construction by the private sector, the Imetame Port. It is Brazil’s first terminal planned to receive large bulk carriers in line with the recommendations of the International Maritime Organization, which plans to reduce greenhouse gas emissions by 70% by 2030. It will be 17-meter deep.

Overhauling the existing terminals is not an option. The ports of Santos (São Paulo), Brazil’s largest, and Paranaguá (Paraná), for instance, lack the ideal geographical conditions to expand to receive those ships. The same is true for traditional routes in other regions of the world. “The question mark is who is going to build new terminals to fill these ships, and where will they be able to go. Who will pay for this?” said Claudio Loureiro de Souza, executive director of the National Center for Transatlantic Navigation (CentroNave).

“The choice of ship size has to do with other factors. In addition to ports, Capesize vessels cannot pass through the Panama Canal, which forces ships to round the Cape of Good Hope, in Africa, to leave South America for China. This makes the soybean trip more expensive,” Mr. Souza said. In this case, the cost is even higher for exports handled by Brazil’s northern ports.

For the use of larger ships to work, nations must work together, Mr. Souza said. “Vale bought its supership after having signed long-term contracts with the Chinese and knowing where its ore would go. The nations have to join forces and create policies to combat pollution and for the rational use of the maritime transport,” he said.

Mr. Péra added that the COP-26 made it clear the importance of decarbonization in maritime logistics. “For Brazilian agribusiness to stand out even more as a sustainable source, it is key that we rethink logistics in the form of green corridors, more decarbonized and integrated in the economy and the environment, and the strategy of increasing ship capacity is fundamental for the segment.”

Source: *Valor international*

<https://valorinternational.globo.com/>

December 02, 2021

VALE STOCK ONCE AGAIN AMONG TOP RECOMMENDATIONS

In a year marked by uncertainties and volatility on the stock exchange, Carteira Valor, a portfolio of stock picks, enters December with a strong presence of the financial and commodities sectors in the selection process. Amid the fiscal risks and fears about the possible impacts of the new Coronavirus variant on the economy, the shares of large banks can be used as a form of protection for the investor’s portfolio. This is because they tend to oscillate little in times of stress. On the other hand, the increase in commodity prices tends to favor stocks linked to this segment.

The lead of the nominations went back to mining company Vale, appointed by nine participating brokerages. In addition to Vale, Petrobras and fuel distributor Vibra (former BR Distribuidora) reappeared on the Gerdau list, nominated five times each. The novelty in the sector is pulp company Suzano, also with three nominations.

The financial sector also gained new representatives in December. In addition to Itaú Unibanco, which remains in the selection with four nominations, Bradesco and Banco do Brasil are back on the list, nominated five and four times, respectively.

Finally, with three nominations each, are the shares of the Rede D’Or hospital network, repeating last month’s appearance, and of the shopping mall company Multiplan, which appears as a novelty and may benefit from trade movements at the end of the year.

Carteira Valor brings the ten most recommended shares by participating brokerages. Altogether, there are 19 companies that choose five shares they expect to appreciate during the month. Currently, the brokerages Ativa, Ágora, BB Investimentos, Banco Inter, CM Capital, Elite, Genial, Guide, Mirae,

Modalmais, MyCap, Necton, Nova Futura, Órama, Planner, Safra, Santander, Terra and XP Investimentos take part in the portfolio recommendations.

Carteira Valor had a 1.01% drop in November, and benchmark stock index Ibovespa, 1.53%. In the 12 months until November, the portfolio had a loss of 0.87% compared to a drop of 6.41% in the Ibovespa. In the year, the portfolio has dropped 7.84%, while the main index of B3 had a loss of 14.37%.

For Órama's analysts, the resumption of the global economy could result in a new super cycle of commodities, especially in iron ore. They say they believe developed economies will enter a period of stimulus through infrastructure investments, which will increase demand for ore.

"This growth in demand has significantly impacted commodity prices and, consequently, benefitted mining companies in general," they said in a note. Órama highlights that Vale has some plants currently not in operation. Therefore, if there is a sudden increase in demand, it is able to meet it.

In the financial sector, Ricardo Perretti, individual strategist at Santander, says that his choice was based on the fact that Itaú is the largest national bank and is also present in 18 other countries. According to the specialist, one of its main advantages is the strategy that seeks to integrate physical agencies and digital ventures. Santander's analysts' recommendation for the shares has moved from "hold" to "buy" recently, especially given the bank's good quarterly results.

According to Nova Futura's analysts, the choice of Bradesco is justified because "it is a company with excellent fundamentals" and that it has a scenario of rising interest rates on the horizon that could be beneficial to the company, as it increases its earnings. "Another important factor is that among the large private banks, the company has the greatest possibility of growth."

Source: *Valor international*

<https://valorinternational.globo.com/>

December 06, 2021

PUBLIC COMPANIES INVESTMENTS REACH HIGHEST LEVEL IN TWELVE YEARS

In the first quarter of this year, publicly traded industrial companies reached the highest level of investment relative to the GDP since 2009, despite the effects of the pandemic. They maintained until the end of June the level, as high as in 2010, when the recovery from the subprime crisis led to a 7.5% growth in GDP that year.

For the third quarter on, however, the prospect is that the scenario will be reversed, because of the interest rate hikes and the economic slowdown.

The conclusion is based on a survey carried out by Cemec (Center of Capital Market Studies), linked to Fipe (Economic Research Institute Foundation), based on the data available on the Valor Pro platform and exclusively disclosed to Valor.

The ratio between the companies investments and the GDP in the first quarter of this year reached 5.4%, according to Cemec. Without Eletrobras, Petrobras and Vale, the index was 2.57%, also the highest level since 2009. The data consider the twelve-month period ending in June of each year.

The increase in investment was driven, says Carlos Antonio Rocca, coordinator of Cemec and professor at the School of Economics, Business and Accounting of the University of São Paulo (FEA-USP), by a combination of interest rates at historically low levels, strong results and an expectation of resumption of growth after the initial impact of the pandemic.

The decision to invest may also have been impacted by the improvement, starting in 2019, of the rate of return on invested capital, an indicator of the profitability of the money put into the company by shareholders and creditors. For the first time since 2012 this metric outperformed the weighted average cost of capital. Once again, falling interest rates and improving results made the difference.

The weighted average cost of capital is a widely used indicator in the financial market to establish the weight of funding sources in the company's earnings report.

Although this appetite for investment is conditioned by expected future rates of return, demand growth, and other factors, current rates of return also have considerable influence on the businessperson's mood, says a study by Cemec

The consistent downward trajectory of the cost of capital, starting in 2020, following the cuts in the Selic policy interest rate, was another important encouragement. In early 2015, when the Selic reached 12.25%, the cost of capital for companies was 15.3%, an all-time high. The return on invested capital, which had been close to 10%, reached 11.5% in 2018 and continued its strong advance, reaching the current 16.2%.

The leap was sustained by the exchange rate devaluation and the rise in the international price of commodities, which increased the earnings of exporting companies.

This way, the profit margins of the industrial sector reached, in the first quarter of this year, the highest level since 2010. Mr. Rocca points out that, although production costs have also soared in recent quarters, the rise in revenue was much higher.

“Only more recently have companies started to incorporate this higher cost inflation, which still has a much smaller growth rate than price increases. So the margins increased a lot and these companies became more profitable,” he says.

The most prominent segments in the period were iron ore, whose international prices rose sharply 2020, and power. Mr. Rocca points out that the pace of incorporation of the conditions into the financial results varies according to the company.

“For some, profitability increased immediately, as in the case of Petrobras oil skyrocketed to \$80 a barrel from \$20. Iron ore doubled in price and animal protein also went way up.”

With strong revenue gains in recent quarters, most companies have also posted jumps in their profits. The improved results also allowed for record-breaking profit retention, indicating the prospect of making new investments.

The retention of profits at the end of the second quarter of this year, which represented 1.55% of the companies' GDP, also reached a record level. The indicator began the past decade at 0.8%, reached negative levels in 2015 and 2016, and started a strong upward trajectory as of 2020.

From the third quarter on, the situation worsened, with the change of scenery in the international market and also in the macroeconomic context of the country. “In the case of Brazil, the expectations for the coming years are very weak. Commodities have decelerated”, he says.

Source: *Valor international*

<https://valorinternational.globo.com/>

December 08, 2021

SOYBEAN EXPORTS REACH ALL-TIME HIGH

Brazilian soybean exports reached a new all-time high from January to November, data released Tuesday by the National Association of Grain Exporters (Anec) show. In the period, shipments totaled 84.2 million tonnes, up 2.5% year over year. The result also exceeded the 82.3 million tonnes exported in the full year 2020.

With shipments within expectations in the first half of the year, exports gained momentum in August, a month in which shipments typically lose steam as the U.S. crop hits the market. But U.S. logistics ground to a halt in that period after Hurricane Ida caused damages to trading companies that operate in the Gulf of Mexico, its main export route.

Given this problem, the very weakened real during the year and good availability of soy in Brazil thanks to a record harvest in 2020/21, Brazilian soybeans became cheaper for China, the world's largest importer.

Although the Chinese are buying less grain this year, the demand for Brazilian soy increased since August, data from the Foreign Trade Secretariat (Secex) show. Spain, Bangladesh and Netherlands are among the countries importing more from Brazil. China purchased 87.6 million tonnes from January to November, down 5.5% from 2020, Reuters reported.

In November alone, Brazilian soybean shipments totaled 2.22 million tonnes, up 188% from the same month last year. For December, Anec expects exports to reach 2.58 million tonnes, 16 times more than in the same comparison. If the volume is confirmed, Brazil will export 86.7 million tonnes in the full year 2021.

While soybean is doing well, corn shipments confirm the market's expectation after harvest losses. According to Anec, shipments from January to November totaled 17.3 million tonnes, down 41.6% year over year.

Corn exports are expected to reach 3.47 million tonnes in December, down 9.2% year over year. If this volume is confirmed, Brazil will have shipped 20.7 million tonnes in the full year 2021, down 37.9% year over year.

Since the clearest signs of a harvest loss in the second yearly crop, the market was already projecting a 40% reduction in exports due to the domestic market's need for corn. Local buyers paid a premium to keep the corn in Brazil.

Source: *Valor international*

<https://valorinternational.globo.com/>

December 13, 2021

NUTRIEN INVESTS TO EXPAND BRAZILIAN OPERATIONS

Nutrien, one of the largest fertilizer and agricultural input trading companies, intends to invest almost R\$600 million in 2022 to expand in Brazil, one of the markets in which it has grown the most in recent

years. The Canadian firm grossed R\$1.8 billion in the country last year and is expected to increase revenues by 70% this year, to a level nine times higher than in 2019.

André Dias, CEO for Latin America, said part of the funds will be used to start building four new fertilizer mixing units (where the final products used in crops are made). The plants will be located in the Southeast region and in the Cerrado (the Brazilian savanna), but the company declined to reveal the cities.

Nutrien already has four mixing plants in Brazil — one in Minas Gerais, one in São Paulo and two in Goiás. The plants have a total production capacity of 700,000 tonnes a year. Mr. Dias told Valor that for the next few years the plan is to have 12 units in the country, with a combined capacity to supply 10% of the local demand.

Another part of the investments will be used to expand and strengthen the company's supply chain, which already includes 50 stores in Goiás, Minas Gerais, São Paulo and Mato Grosso do Sul, compared with only six units two years ago. According to Mr. Dias, the effort may be accelerated with new acquisitions of networks, which are not included in the planned investments. That is, the investments may be even higher.

In 2021, Nutrien bought two networks in Minas Gerais (Terra Nova) and Mato Grosso do Sul (Bio Rural), but the deals still depend on the approval of CADE. The antitrust watchdog is likely to greenlight the deals, as it did with dozens of acquisitions closed in this segment since the middle of the last decade, which mark an accelerated consolidation push led by companies like AgroGalaxy, Lavoro and Syngenta.

“Even after so many deals, the segment is still very fragmented. We are always studying new opportunities,” Mr. Dias said. The executive stressed that the investments in the consolidation are not random. In total, agricultural inputs (fertilizers, pesticides, seeds and specialties) are a market of \$40 billion a year in Brazil.

While he is upbeat about 2022, Mr. Dias acknowledges that it will be a more difficult year for deals on this front. The reason is the expected drop in margins in agriculture, as higher commodities prices such as soybeans and corn lose steam, and the strong increase in production costs – especially because of a surge in agricultural inputs prices.

“Farmers’ margins are expected to drop, but in historical terms, they will remain attractive. There will be two crops with lower profitability [2021/22 and 2022/23] and challenges will certainly grow, but we believe that demand will remain steady. Brazilian farmers have invested much more in technology and will continue to do so to gain productivity and reap good results,” he said.

In parallel to the expansion in Brazil, Mr. Dias leads Nutrien in Latin America. The company has relevant operations in Argentina, Uruguay and Chile — in Argentina, where it has been operating for longer, the company also has a network of resellers of inputs with about 50 stores. The prospects for these countries are good, but are not comparable to Brazil's.

Brazilian operations account for 5% of Nutrien's total retail revenues and Mr. Dias believes that this share may reach 10% in the coming years. For this, he also trusts in the advancement of digitalization of business and the expansion and sophistication of services to farmers, which will also receive part of the investments scheduled for next year.

This strategy includes the opening of "experience centers," with a more technical service profile. There are five stores with this profile initially, but the idea is to have 50 next year.

Source: *Valor international*

<https://valorinternational.globo.com/>

December 15, 2021

PIX SYSTEM GROWS FAST, WIDELY, SURVEY SHOWS

Pix — Brazil's Central Bank's instant-payment system — has been widely appreciated in the country's retail, especially among small and medium-sized companies. And it tends to grow as a means of payment in the sector. This is what a survey conducted by business school Fundação Dom Cabral, with the support of the payment solutions company Brink's, shows.

The survey, exclusively disclosed to Valor, was conducted with 500 retailers of large, medium and small companies between July and August this year, in all regions of the country. It shows that cash is still the favorite payment method for retailers (50% of the total), followed by debit cards (18.4%).

However, Pix, whose full operation began in Brazil in November 2020, already appeared in the middle of the year in third position as the favorite means of payment among respondents (15.6%) — with higher preference than other more consolidated modalities, such as trade receivables (4.6%).

Excluding large retailers from the survey results, the preference was even higher. Among small and medium retailers, cash was still the preferred mode (53%), but Pix tied with debit cards, both cited by 16% of respondents.

Small and large retailers interviewed by Valor were unanimous in pointing out that the modality is here to stay in retail payments.

In the case of large chains, Realize, the financial solutions branch of Renner stores, informed that the modality already exceeds 1 million transactions in the online channels of the brand, where it represents 11.6% of payments. Grupo Pão de Açúcar says that approximately 10% of the transactions made through the chain's sites are paid with Pix.

In practice, the retailer realizes the advantages on Pix of receiving immediate payment for the sale — and without having to pay fees for using a debit and credit card machine, said Fabian Salum, a professor in Competitive Strategies and Business Models at Dom Cabral Foundation, and Gil Hipólito, head of New Business Development at Brink's, when talking about the research.

This is noticeable in another topic of the survey: the one that asks which payment method is most accepted by retailers, within the total sales. "The favorite payment method is how he prefers to be paid," said Mr. Hipólito. In this question about acceptance, Pix ranks fourth, with cash being the most accepted payment method (96% of respondents), followed by credit card and debit card, with slices of 91.5% and 89.7%.

However, Pix was cited by 83.9% of respondents as the most accepted modality, leaving behind other more consolidated methods, such as trade receivables (45.1%) and check (31.9%).

"Pix surprised us by the retailers' predisposition [to accept it]," Mr. Salum said. The Fundação Dom Cabral researcher said that the simplicity of the new payment method also helped in the expansion in commerce, especially among small retailers.

Frederico Alonso, head of treasury at Grupo Pão de Açúcar, also informed that there is great potential for growth of the Pix in retail purchases in physical stores. "We understand that there is a consumer learning curve to join a completely new technology and with a format as dynamic as Pix, especially in the physical world," he said. "On the other hand, on websites, the experience with the modality is much simpler, which explains the consumer's acceptance of this channel," he added.

Source: *Valor international*

<https://valorinternational.globo.com/>

December 16, 2021

CHINA LIFTS EMBARGO ON BRAZILIAN BEEF

China authorized the resumption of Brazilian beef exports to its market on Wednesday. The embargo was in place since September 4, when two atypical cases of "mad cow disease" were identified in Minas Gerais and Mato Grosso.

The information was disclosed on the website of the General Administration of Customs of China (GACC, its acronym in English). The decision, officially communicated to Brasília, authorizes the resumption of exports of boneless beef products from Brazil under 30 months.

In a statement, the Agriculture and Foreign Affairs ministries stated that the decision is the result “of the close coordination” between them and “the fluid dialogue” with the Chinese authorities since the beginning. This “close coordination,” however, was heavily criticized by the productive sector, which expected the embargo to last at most 15 days.

The secretary of Commerce and International Relations of the Ministry of Agriculture, Orlando Ribeiro, stated that the resumption is “total” and “without additional conditions.” According to him, the “cutoff point” is the International Health Certificate. The Brazilian government was officially informed of the decision by the Chinese authorities. “Everything that is certified after December 15 will be accepted,” he told Valor.

Thus, the Ministry of Agriculture has already informed agricultural tax auditors and the Brazilian private sector about the procedures for resuming beef exports to China. Beef produced during the embargo period may also be certified and shipped to China. Companies that did not stop production and stocked the products are expected to resume shipments soon.

An official letter from the Department of Inspection of Animal Products (Dipoa) of the Ministry of Agriculture on Wednesday determined the return of production and sanitary certification of beef.

The suspension of exports was a reason for apprehension for Brazilian cattle raisers. China is the sector’s main customer and had been absorbing around 60% of Brazilian sales abroad, which amounted to \$4.5 billion between January and September. Earlier this month, China authorized the entry of cargoes shipped before the embargo was determined, estimated at more than 100,000 tonnes.

Brazil voluntarily suspended exports to China after identifying two cases of mad cow disease in the country. The World Organization for Animal Health (OIE) recognized that these were atypical episodes and that the risk to the national herd was negligible. Several technical meetings between Brasília and Beijing have been held since then.

The president of the Association of Mato Grosso Breeders (Acrimat), Oswaldo Pereira Ribeiro Júnior, said that the resumption of beef purchases by China is a “Christmas gift” for Brazil.

He noted that the Chinese government could no longer maintain the embargo, which lasted more than three months, as its domestic demand is heated, stocks retreated and Brazilian exporters had been increasing sales to other markets.

“China lifted an embargo that should never have happened, proving that the issue was not sanitary, but political and economic,” he said.

With sales suspended for the main customer for three months, Brazil increased beef sales to countries in Southeast Asia and the United States. Russia also removed the suspensions of several meatpackers and may resume imports.

After starting the day sought after on B3, given the suspension of the Beijing embargo on beef and the increase in the Chinese tariff on pork imports, the stocks of the main Brazilian exporters of animal proteins (JBS, Marfrig, Minerva and BRF) started to rise.

Minerva rose 11.2% on the Ibovespa, while JBS was up 3.51% and BRF advanced 1.09%. Marfrig was also on the rise during the day before closing down 1.3%.

(José Florentino and Fernanda Pressinott contributed to this story.)

Source: *Valor international*

<https://valorinternational.globo.com/>

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STARTUP AIRVANTIS PUTS BRAZIL ON ROUTE OF “NEW SPACE” ECONOMY

Airvants, a space logistics startup founded in 2013 by mechatronics and space engineer Lucas Fonseca, 37, is making history. This Tuesday it will transport the first four Covid-19 protein molecules into space in a rocket from Elon Musk’s SpaceX leaving Cape Canaveral, in the U.S.

Mr. Fonseca wants to put Brazil on the route of the “new space” economy. “There is a large market to be explored in space and Brazilian companies are still incipient in this process,” he said.

A mechatronics engineer who graduated from the University of São Paulo (USP), Mr. Fonseca specialized in space engineering in France, where he lived between 2009 and 2010. Then he was hired by the German space agency to work on the Rosetta mission, which sent a probe into space in 2014, considered one of the most ambitious projects of the European Space Agency (ESA).

Mr. Fonseca was the only Brazilian to participate in the Rosetta mission team, whose spacecraft of the same name was built to make the most detailed study of a comet – in this case, the 67P/Churyumov-Gerasimenko.

When he decided to return to Brazil, Mr. Fonseca created Airvants with own capital, around \$100,000, but later received an investment of R\$5 million from Brazilian businessman Martim Matos, a partner in GreenCare, which sells cannabis-based medicines.

Airvants has already done several satellite delivery jobs for the Brazilian government, but now it has a contract with the pharmaceutical company Cimed, which specializes in generic drugs. Cimed owns three of the four molecules being sent into space today, with the fourth molecule being financed by Mr. Fonseca himself.

Brazilian businessman João Adibe, the owner of Cimed, says the company is investing heavily in Research and Development (R&D). The group will invest R\$300 million in the next few years, an amount that also includes spending on space projects. International pharmaceutical companies have used this technique for more than 20 years and allows them to explore microgravity conditions, seeking to obtain better quality protein crystals. “We want to establish ourselves as a health-tech company and we will fund this research in space,” he said.

Cimed has signed a partnership with the National Center for Research in Energy and Materials (CNPEM), an organization overseen by the Ministry of Science, Technology, and Innovations (MCTI), to make possible the experiment that consists in crystallizing proteins in space.

In this first project, the idea is to take the Covid-19 proteins to try and develop drugs to combat the disease. “We don’t want to make vaccines,” Mr. Adibe said. The first experiment takes off Tuesday and there are plans to send yeast vitamins into space between May and June.

Airvantis is in talks with other companies related to technology. Valor found out that it is in talks with the Asian technology company Asus to take the company’s materials into space. The goal is to evaluate the deterioration of equipment and carry out marketing campaigns. Asus did not return an interview request.

Marketing campaigns in space are another niche that Airvants is exploring, so much so that a sign with Cimed’s logo will be taken into space together with other global companies.

“The new space market can be explored by various sectors, from agriculture to mining,” Mr. Fonseca said. Brazilian artist Romero Britto consulted Airvants about taking canvases into space. It is a form

of positive marketing that can be exploited in the “new space” economy. “Before, the space economy was tied to geopolitics between countries.”

Airvants has a holding company in the United States, which acts as a “venture builder,” which means that it seeks business opportunities for other startups and companies.

Source: *Valor International*

<https://valorinternational.globo.com/>

December 21, 2021

MERGERS AND ACQUISITIONS TO DRIVE PACKAGING SECTOR IN 2022

The packaging industry is expected to maintain in 2022 the pace of capacity expansion and mergers and acquisitions (M&A) seen in the last two years. After the recent arrival of Chile’s CMPC to this market in Brazil through the purchase of Iguaçú Celulose Papel’s industrial and forest assets, foreign groups’ appetite for local operations remains high and new investments are expected to be unveiled.

Besides foreign companies, private equity funds have been studying Brazilian assets linked to the packaging industry, said Alexandre Pierantoni, head of Brazil corporate finance at Duff & Phelps, A Kroll Business. At the moment, the consultancy has two to three mandates to sell in the country, and uncertainties about the growth of the domestic economy have not taken the interest of potential buyers away.

“They are looking at flexible, rigid, corrugated [packaging]. There is an opportunity for acquisition in all segments because many companies are still family-owned and need to invest to grow,” Mr. Pierantoni said.

A few months ago, Duff & Phelps advised Italian flexible packaging company Gualapack on the purchase of the Brazilian company Teruel Embalagens – Papéis Amália, a family-owned company founded more than 50 years ago, specialized in flexographic printing on flexible films.

Last week, CMPC agreed to buy three plants and forests of Paraná-based Iguaçú Celulose Papel for R\$946 million, including debts. With such a move, the Chilean company has stepped into the local packaging market as the second largest supplier of paper bags, only behind Klabin.

Large local companies are also monitoring opportunities in this market, which is expected to continue on a consolidation path, and investing in capacity. In paper packaging, besides the recent announcement by CMPC, Klabin bought last year the assets of International Paper in this field, consolidating its leadership in Brazil’s corrugated cardboard box market, with a 24% share.

The Brazilian company, which is investing R\$12.9 billion in Paraná to expand its production of packaging paper, is seen in the market as a strong candidate for new investments or acquisitions.

According to Mr. Pierantoni, potential buyers of Brazilian assets have shown interest in particular for niche markets and products with higher added value, such as packaging used in the pharmaceutical industry. “Commodity continues to be important, but niche markets grow more,” he said.

Gabriella Michelucci, head of the Brazilian Paper Packaging Association (Empapel), said the industry’s customers are increasingly seeking intelligent, lighter and more rationalized packaging. “This is expected to be a major breakthrough by 2022,” she said.

At the same time, packaging is no longer seen simply as a means of transporting the product. It is also taking a more active role in the consumer’s experience. More colors and designs and better brand identification are strong trends, Ms. Michelucci added. The initial forecast for 2022 is for an expansion of 1.3% to 1.4% in shipments of cardboard sheets, boxes and accessories in the country, considering a projection of 1.2% GDP growth.

Mergers and acquisitions are heated in general in the country, Mr. Pierantoni said. A survey by Duff & Phelps shows that 1,455 deals were signed between January and November, up 52% year over year, and also a higher figure than that seen in full year 2020, of 1,100 deals. November was the third busiest month this year, with 150 deals.

“Those who know Brazil will keep investing. The risks, even as the political situation, are already priced,” Mr. Pierantoni said. According to a survey by the consultancy, in November, financial investors, such as venture-capital and private-equity funds, were present in 42% of the deals announced in Brazil.

Source: *Valor International*

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