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October 12, 2022

October Agrochemical Notes

There are not a lot of new developments in this edition. It's rare that much gets accomplished, either in the Administration or in Congress, this close to an election. This year is no different.

Special Note: As you know the MTB has not yet been enacted. This means that some of the granularity that had been the norm in the census statistics is still missing which makes pulling the necessary data for this report more difficult. Please see below for a further discussion on the potential for this legislation.

Imports of Glyphosate, as acid, for the period September through August for the last 5 years are at least as much as shown below:

	22-23	21-22	20-21	19-20	18-19	17-18
August		6,507 MT	7,847 MT	4,611 MT	5,997 MT	3,364 MT
July		8,414 MT	9,178 MT	7,985 MT	2,735 MT	6,562 MT
June		11,592 MT	8,972 MT	6,749 MT	3,495 MT	6,333 MT
May		12,420 MT	10,110 MT	9,029 MT	4,542 MT	12,307 MT
April		16,267 MT	8,067 MT	5,584 MT	3,241 MT	9,836 MT
March		12,334 MT	7,302 MT	2,927 MT	6,656 MT	10,711 MT
February		11,768 MT	2,311 MT	1,636 MT	3,235 MT	8,601 MT
January		8,908 MT	5,660 MT	8,950 MT	6,100 MT	6,081 MT
December		7,006 MT	5,200 MT	3,800 MT	8,900 MT	7,477 MT
November		9,809 MT	4,700 MT	8,000 MT	6,000 MT	5,900 MT
October		9,417 MT	3,200 MT	8,000 MT	8,100 MT	3,800 MT
September	3,839 MT	10,661 MT	4,000 MT	4,700 MT	8,600 MT	4,298 MT
Total for the year		125,103 MT	76,547 MT	71,971 MT	57,511 MT	85,270 MT

As noted in previous reports, we continue to believe that because of the reported concerns over a shortage of Glyphosate, companies reacted by increase their imports of a variety of other herbicides. There may now be larger than prudent amounts of inventory of herbicide active ingredients in the United States waiting to be formulated into end use products.

However, it now looks like many of the importers stepped on the brakes for September 2022.

There may also continue to be issues with obtaining boxes, totes, bottles, and caps.

Top 20 Agrochemical Companies

We rarely reprint information from others, but we were really struck by the following table from “Agropages”:

Sales of top 20 global agrochemical firms in FY2021 (\$ million)



FY 2021 (FY2020) Ranking	Company	FY 2021¹ (Reported Currency)	FY 2020¹ (Reported Currency)	%Change²
1 (1)	Syngenta Crop Protection ⁹	13,301 (\$ 13,301)	11,208 (\$ 11,208)	18.67%
2 (2)	Bayer Crop Science ³	11,436 (€ 9,669)	9,986 (€ 8,749)	14.52%
3 (3)	BASF ⁴	7,713 (€ 6,521)	7,036 (€ 6,165)	9.62%
4 (4)	Corteva ⁴	7,253 (\$ 7,253)	6,451 (\$ 6,451)	12.43%
5 (5)	UPL ⁵	5,556 (INR 413,900)	4,662 (INR 346,280)	19.02%
6 (6)	FMC	5,045 (\$ 5,045)	4,642 (\$ 4,642)	8.22%
7 (7)	ADAMA ⁹	4,389 (\$ 4,389)	3,738 (\$ 3,738)	17.42%
8 (8)	Sumitomo Chemical ⁶	3,495 (\$ 3,495)	3,235 (\$ 3,235)	8.04%
9 (9)	Nufarm ⁷	2,087 (AUD 2,777)	1,763 (AUD 2,605)	18.38%
10 (10)	Jiangsu Yangnong ⁹	1,815 (Yuan 11,710)	1,413 (Yuan 9,754)	28.45%
11 (11)	Rainbow Chemical	1,518 (Yuan 9,797)	1,056 (Yuan 7,290)	43.75%
12 (14)	Wynca Chemical	1,184 (Yuan 7,640)	881 (Yuan 6,081)	34.39%
13 (16)	Lianyungang Liben Crop Science	1,178 (Yuan 7,599)	681 (Yuan 4,698)	72.98%
14 (18)	Hubei Xingfa Chemicals	1,170 (Yuan 7,548)	636 (Yuan 4,387)	83.96%
15 (13)	Nutrichem	1,135 (Yuan 7,326)	896 (Yuan 6,186)	26.67%
16 (-)	Fuhua	1,003 (Yuan 6,470)	443 (Yuan 3,061)	126.41%
17 (17)	Lier Chemical	930 (Yuan 5,999)	668 (Yuan 4,613)	39.22%
18 (15)	Kumiai Chemical ⁸	824 (¥ 89,150)	738 (¥ 79,395)	11.65%
19 (-)	Hebang	813 (Yuan 5,249)	435 (Yuan 3,006)	86.90%
20 (20)	Nanjing Red Sun	724 (Yuan 4,672)	577 (Yuan 3,986)	25.48%

Notes:

1. Based on the average dollar exchange rate in the initial report of the fiscal year
2. Year-over-year rate of change in sales in US dollars
3. Excluding seed & trait and Environment Science sales
4. Excluding seed & trait business sales
5. This list uses UPL's data for FY2022 and FY2021, which are dated respectively as of March 31, 2022 and March 31, 2020
6. Sales of 2021 and 2020 fiscal years closed on the 31st March of 2022 and 2021 respectively
7. Sales of 2021 and 2020 fiscal years closed on the 20th September of 2021 and 2020 respectively
8. Sales of 2021 and 2020 fiscal years closed on the 31st October of 2021 and 2020 respectively
9. According to the requirements of Syngenta Group: Syngenta Plant Protection, ADAMA and Jiangsu Yangnong are calculated separately

Taken together with the fact that many of the agrochemical active ingredients marketed/sold by all of the other companies on this list are sourced in China, and many of their sophisticated intermediates consumed to produce Agrochemicals in the U.S., EU, Japan, India and others are sourced in China, it is now likely that China controls well in excess of 50% of the Agrochemical supply chain!

MTB (duty suspensions), GSP (Generalized System of Preferences) & 301 Exceptions

Unfortunately, these issues are orphans at this point in time. Congress has left Washington until after the election. The best we can hope for is that the MTB and GSP renewal will be handled by voice vote when they return. If these items are important to your business, you are urged to let your Congressional representatives know of your concerns.

While there is general agreement on language for the MTB as well as renewal of GSP, in both Houses of Congress, and they are generally considered to not be controversial, there is no agreement on pressing to re-open the China exclusions portal. The Administration remains opposed to this action.

If the MTB is passed after the elections in the “lame duck” session, it will have a serious impact on renewals and/or new requests for the next round. Under normal circumstances, USITC would be soliciting nominations in October/November of this year so that the reviews could be completed prior to the expiration of this round of the MTB on December 31, 2023.

It is highly unlikely that if the MTB is enacted in the “lame duck” session that they will be able to extend the termination date from 12/31/2023 to 12/31/2024 to provide time for renewals to be processed. The USITC report that was produced to create the list would not cover this additional time-period. Our best hope is that the retroactive provisions will be increased from 120 days to something larger, hopefully at least 180 days, perhaps a full year. NAM (The National Association of Manufactures), the lead lobbying group on this issue, is pushing for full retroactivity back to 1/1/2021. It remains to be seen how the renewal process for 2024 is handled.

It remains highly likely that once GSP is re-enacted that it will be retroactive to its expiration on 12/31/2020. Refunds should be “almost” automatic for properly recorded entries. Even if India is allowed back into this program, it is highly unlikely that there will be any retroactivity for India.

Uyghur region – Forced Labor Initiative: No update – and there has been very little news in the trade press suggesting that Customs has been aggressively enforcing these provisions, except in the case of certain silicones and perhaps solar panels that contain these chemicals.

However, if you are importing from China, please visit www.dhs.gov/UFLPA-EntityList for complete details on this program

Importers of products from China need to have complete documentation on file so that they can respond rapidly to defend themselves against an allegation that forced labor played a role in their shipment.

Syngenta IPO: No update – though we are continuing to carefully monitor this situation.

However, there is an update on ChemChina that could be significant. The U.S. Department of Defense added China National Chemical Corporation (ChemChina) to the National Defense Authorization Act of Chinese Military Companies operating in the U.S. This means that U.S. individuals are not permitted to make investments in this company's publicly traded securities 60 days after the announcement and may have sell existing positions within a year. This announcement could have a significant impact on the Syngenta IPO.

In addition, it is fascinating to note that Sinochem is not on this list. This implies that the U.S. Government does not recognize the consolidation of these two entities.

Ukraine/Russia: No update – though we are continuing to carefully monitor this situation. Recent threats by Russia to use nuclear weapons, as well as President Biden's "off the record" response to these threats, have added an additional level of anxiety to this entire situation.

General Update

Taiwan: No update – but Congress did push the Administration to formally include Taiwan in the IPEF and also again pressed the Administration to enter into Free Trade Negotiations with Taiwan.

IPEF – Indo-Pacific Economic Framework: no update

China 301 Surtaxes Review: no update

China Surtax Lawsuit: no update

U.S./China Trade relationship: It is important to repeat the following, especially because USTR is in process of reviewing this entire subject and there is public pressure from some parts of the Administration to significantly alter these levies.

The U.S./China phase one deal that was signed in January 2020 has now expired. Clearly, China did not meet, and in fact was significantly below, its purchase commitments under this deal. Ambassador Tai has publicly stated her dismay over the significant shortfalls and pledged to push China to keep its commitments. So far, no plan has been announced to try to make this happen. Technically, since this part of the agreement has expired, China no-longer has any remaining purchase commitments to the U.S.

As part of the phase one deal, and in anticipation that a phase two deal could be successfully negotiated, the U.S. held off on increasing the 301 tariffs against China as described below. Clearly USTR would have the authority to immediately increase all of the tariffs in these tranches if they believed that it would help "encourage" China to agree to U.S. requests.

- Tranche 3: 25%. This rate was scheduled to be increased from 25% to 30% on October 15, 2019. That increase was put on hold pending the signing of the phase one deal. There are at least a hundred agricultural chemical active ingredients, as well as all formulated agrochemicals included in this tranche, with the exception of Paraquat that is under an exemption through the end of 2022.
- Tranche 4a: On September 1, 2019, tariffs of 15% were imposed for products on this list. The 15% tariff in this tranche was cut to 7.5% on February 14, 2020, as part of the phase one deal. There are at least 18 active ingredients on this list, including

some big volume products where China has a sizable presence, including but not limited to 2,4-D, Atrazine, Bromoxynil, Dicamba, and Metribuzin.

- Tranche 4b: On December 15, 2019, tariffs of 15% were scheduled to kick-in. These tariffs were held in abeyance because of the agreement on a phase one deal. There are at least 11 active ingredients on this list, including some of the biggest herbicides imported from China, including Chlorothalonil, Glufosinate, Glyphosate (acid and 62%), Oxyfluorfen, and PMIDA.

Once again, if you are in process of importing materials for inventory, unless they are due to be processed or sold onward shortly after they arrive, you should consider placing such imports of China surtax-able items into a bonded warehouse. Since President Trump imposed these levies by Executive Order, they can be reversed by another Executive Order on very short notice. If this were to occur, you could end out with a warehouse full of very expensive inventory, with little or no chance of receiving any refunds of surtaxes previously paid. This has happened in several instances where similar tariffs were removed against the EU, including over the Boeing/Airbus dispute.

Other issues that need to be considered, include:

- **U.S. – EU:** No update.
- **U.S. – UK Free Trade Agreement:** Clearly, the UK wants to complete the Free Trade Agreement negotiations that were started under the previous administration. The Biden Administration has now again made it abundantly clear that they are not interested in proceeding on this initiative.
- **India:** Recent bi-lateral discussions suggested that the U.S./India relationship may be “on the mend”. However, it remains unlikely that the U.S./India relationship will improve in the short term to the point where renewing India’s participation in the GSP program could be entertained. This could change quickly if India appears to be cooperating with the “IPEF” agenda and more importantly supporting the “western” position vis-a-via Russia.
- **US – Kenya Free Trade Agreement:** no update

General observation: Imports continue to arrive at a blistering pace. Please see additional details below in the notes section under “the Index”.

Notes:

- The update version of the “Index” which includes import details for all formulated Agrochemical imports in 3808.91, 3808.92 and 3808.93 for August is attached.

Below, please find value information for the month of August as well as totals for the first eight of each year.

It is important to observe, that the value figures are “customs value” which would include materials entered into Free Trade Zones, but not China surtaxes

August 2022 details are as follows (000):

8/2019	8/2020	8/2021	8/2022
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3808.91 – insecticides	\$15,266	\$17,431	\$33,914	\$34,267
3808.92 – fungicides	\$15,262	\$25,497	\$35,049	\$59,478
3808.93 – herbicides	\$13,461	\$26,042	\$50,877	\$45,999

Eight-month totals for the period (000) are shown below:

	2019	2020	2021	2022
3808.91 – insecticides	\$233,098	\$218,999	\$301,218	\$338,818
3808.92 – fungicides	\$208,225	\$299,939	\$494,678	\$597,926
3808.93 – herbicides	\$318,454	\$323,711	\$342,887	\$600,985

Please let us know how we can best be of service.

Very truly yours,

Jim

V.M. (Jim) DeLisi

VMJD: me