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February AgChem Notes

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 as well as year-to-date 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	10,704 MT	8,908 MT	5,660 MT	8,950 MT	6,100 MT	6,081 MT
December	4,358 MT	7,006 MT	5,200 MT	3,800 MT	8,900 MT	7,477 MT
November	8,521 MT	9,809 MT	4,700 MT	8,000 MT	6,000 MT	5,900 MT
October	4,713 MT	9,417 MT	3,200 MT	8,000 MT	8,100 MT	3,800 MT
September	4,018 MT	10,661 MT	4,000 MT	4,700 MT	8,600 MT	4,298 MT
Total	32,324 MT	125,103 MT	76,547 MT	71,971 MT	57,511 MT	85,270 MT

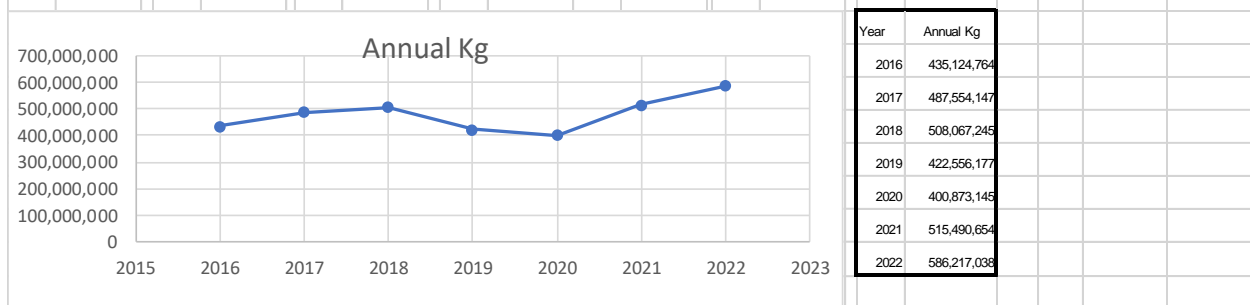
Despite a very strong showing in January, the slowdown in import volumes, year on year, noted in September, will be hard to overcome. At this rate, total imports for the year will be +/- 85,000 MT, about two-thirds of what they were last year.

Comparison Chart of Total Agricultural Chemical Imports, AI's and Formulated in Kilos for the period 2016 through 2022.

As you may recall, about this time last year we introduced the chart shown below. It is produced by totaling up the weight of everything that is reported in our "Monthly Import Survey" by month, in kilos. As you will see, well over 580,000,000 kilos of biologically active agrochemicals were imported into the U.S. during 2022. This would include our best efforts to

pull out of the database all of the AI's as well as formulated products imported into the U.S. It is a staggering quantity!

2016		2017		2018		2019		2020		2021		2022			
Month	Weight Kg	Month	Weight Kg	Month	Weight Kg	Month	Weight Kg	Month	Weight Kg	Month	Weight Kg	Month	Weight Kg	Year	Annual Kg
Jan	40,213,490	Jan	39,074,978	Jan	47,025,882	Jan	50,559,509	Jan	35,056,982	Jan	37,228,934	Jan	47,765,277	2016	435,124,764
Feb	28,800,899	Feb	39,742,566	Feb	46,920,118	Feb	37,226,379	Feb	29,116,986	Feb	33,564,569	Feb	46,569,850	2017	487,554,147
Mar	38,037,672	Mar	48,594,493	Mar	46,296,445	Mar	48,757,167	Mar	35,891,510	Mar	46,823,304	Mar	54,373,531	2018	508,067,245
April	35,956,632	April	43,755,832	April	51,509,163	April	36,189,349	April	38,629,829	April	63,123,004	April	63,625,500	2019	422,556,177
May	39,779,840	May	41,125,690	May	49,466,568	May	35,142,349	May	38,139,985	May	41,438,200	May	47,613,241	2020	400,873,145
June	43,293,272	June	45,363,443	June	42,117,243	June	35,115,497	June	37,947,097	June	47,900,882	June	40,898,908	2021	515,490,654
July	35,422,162	July	34,925,178	July	33,738,962	July	33,741,616	July	30,838,209	July	36,680,478	July	47,170,285	2022	586,217,038
Aug	31,459,517	Aug	35,514,699	Aug	28,324,438	Aug	27,520,075	Aug	25,392,032	Aug	36,482,202	Aug	39,948,799		
Sept	30,417,507	Sept	32,847,644	Sept	41,628,907	Sept	25,232,387	Sept	27,108,350	Sept	42,824,249	Sept	41,617,635		
Oct	38,581,127	Oct	33,075,039	Oct	37,643,767	Oct	28,995,036	Oct	28,888,643	Oct	42,925,701	Oct	57,217,519		
Nov	31,166,481	Nov	45,200,134	Nov	37,832,006	Nov	32,948,320	Nov	29,386,961	Nov	43,019,132	Nov	48,755,836		
Dec	41,996,165	Dec	48,334,451	Dec	45,563,746	Dec	31,128,493	Dec	44,476,562	Dec	43,480,000	Dec	50,660,657		
Total	435,124,764	Total	487,554,147	Total	508,067,245	Total	422,556,177	Total	400,873,145	Total	515,490,654	Total	586,217,038		



USTR CHINA “Special 301” Surtax Review Process

This issue has been discussed in detail for the last three months. If you missed it, please ask for another copy. The new docket opened on November 15, 2022 and closed on January 17, 2023. It is a public docket that can be easily accessed on the USTR’s website. There were not nearly as many responses as we thought there might be.

It was clear from many of the responses that there is a fair amount of pressure being exerted to remove all of these tariffs. Interestingly, there was also a large response from companies that “did the math” and concluded that while their costs for some products manufactured in the U.S. that contain China sourced inputs might be higher, the overall impact on their business was positive so they strongly urged that the tariffs be maintained.

I filed comments on a very high level concerning the lack of manufacturing drawback under USMCA which places US manufactures at a significant disadvantage over suppliers from the rest of the world when they manufacture a material with Chinese components for export to Mexico or Canada.

Few Agrochemical Companies took the opportunity to participate. However, the main trade association, Crop Life America, wrote strongly in opposition to the levies. The American Chemistry Council also opposed the continuation of the tariffs. SOCMA took a more nuanced

approach, stating support for the tariffs, but also strongly supported a robust, transparent system for claiming exemptions wherever China is a critical source.

It will likely take at least 4 or 5 months, maybe longer, for USTR to review these comments and prepare a report. There are no deadlines in the law.

Balloon

It remains to be seen whether the “Balloon” seriously cripples the trading relationship between China and the U.S. It is highly likely that it makes it much less likely that the Biden Administration can make any accommodations to China unless China radically changes course and offers the U.S. significant concessions on a range of issues. Since it is unlikely that this will occur, you can expect the status quo, including a very high likelihood that all of the 301 tariffs will remain in place for the foreseeable future. It would have been helpful if the President had addressed this issue in his State of the Union address so that we could have had some measure of the Administrations thoughts on how they will proceed.

MTB (duty suspensions), GSP (Generalized System of Preferences) & 301 Exceptions – no update

Unfortunately, Congress did not include any of these issues in the Omnibus bill that passed late in December. These issues are orphans at this point in time. If these issues are important to your business, you are urged to let your Congressional representatives know of your concerns.

While there continues to be 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. Now that the Republicans control the House of Representatives, it is likely that they will press USTR to re-open this process.

Even if the MTB had passed in the “lame duck” session, it would have had a serious impact on renewals and/or new requests for the next round. Under normal circumstances, USITC would have been soliciting nominations in October/November of 2022 so that the reviews could be completed prior to the expiration of this round of the MTB on December 31, 2023.

It still remains highly unlikely that if the MTB is enacted during 2023 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 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.

Syngenta IPO: Surprisingly, no update since this was expected to occur before the end of 2023. We are continuing to carefully monitor this situation. It will be interesting to see if the soon to be published Presidential Proclamation concerning the ability of U.S. Citizens to invest in Chinese SOE's will impact potential investors in this IPO.

In addition, there are discussions in DC regarding "food security". Syngenta has been specifically referenced in several press reports covering this issue.

Ukraine/Russia: No update – though we are continuing to carefully monitor this situation especially in regard to any chance that it could lead to restrictions on the ability of U.S. companies to source chemicals from India and/or China.

General Update

China Surtax Lawsuit: no significant update, except for the fact that the Appeals Court overturned a Court on International Trade decision that had overturned some of the tariffs related to steel and aluminum. This may be a precedent in this case as well.

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 September 2023.
- 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:** it appears as if a compromise was found to satisfy the EU’s concerns regarding the Inflation Reduction Act which could have blocked their participation in the Electric Car incentives. This allows the U.S. and EU to address some significant joint concerns, especially Russia/Ukraine and China trade tensions.

It now appears that a couple of Senators have pushed back on the rules issued by the Treasury Department to satisfy the EU. In addition, President Biden pledged that all of the inputs required for his massive infrastructure projects must be “Made in the USA”. In my opinion, these actions violate our WTO Government Procurement commitments.

Only time will tell how all of this will be resolved.

However, it must be resolved if the U.S. and EU wish to collaborate on a variety of outward pressures impacting their economies, including the “green agenda”, China trade issues, SOEs, and other technology issues.

- **Mexico:** The U.S. is working to resolve issues with Mexico concerning its desire to ban the use of Glyphosate as well as ban the importation of GMO corn. At this point, it looks like the U.S. has determined that the commitments made by Mexico to try to resolve this issue are inadequate and the U.S. may move forward with a USMCA panel to try to force Mexico to comply with its USMCA commitments. Mexico is one of the largest export markets for U.S. corn.
- Now that the new Congress is set into motion, it is likely that there will be pressure exerted to re-open long stalled Free Trade Agreement negotiations, including but not limited to:
 - U.S./UK
 - U.S./KenyaAnd then then U.S./Taiwan.

- In addition, the House of Representatives has now formed a few committees to particularly focus on several issues impacting trade. Most importantly, a special committee has been commissioned whose sole focus will be on issues related to China, including but not limited to the origins of COVID, China’s trade practices, and the impacts of China’s State-Owned Enterprises on the U.S. economy, including impeding U.S. exports to our trading partners.

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

Notes:

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

Below, please find value information for the month of December as well as totals for the full year 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.

December 2022 details are as follows (000):

	12/2019	12/2020	12/2021	12/2022
3808.91 – insecticides	\$24,541	\$24,356	\$33,443	\$48,706
3808.92 – fungicides	\$31,248	\$31,729	\$62,366	\$80,902
3808.93 – herbicides	\$30,211	\$43,877	\$35,745	\$128,009

Full year totals for the period (000) are shown below:

	2019	2020	2021	2022
3808.91 – insecticides	\$302,276	\$296,780	\$428,308	\$443,761
3808.92 – fungicides	\$299,509	\$412,968	\$677,835	\$833,876
3808.93 – herbicides	\$417,473	\$443,761	\$543,863	\$944,602

- Detailed reports, including our best efforts to determine values are available for most if not all of the materials included in this report. (If we don’t already have them, they surely can be created!)

General notes to the attached tables and disclaimer:

- This data is sourced from a distributor of bill of lading details that they source from the Automated Manifest System. We also carefully review U.S. Census data to back-up and where possible expand on the bill of lading details. In the past, we were able to carefully review EPA notices of arrival under FOIA requests. This process has been frozen so that we are unable to obtain this information.
- All quantities are in pounds of AI. In each instance, we use our best efforts to convert all of the import entries back to the AI quantity, except in the instances of combination products, where no effort is made to reduce the volume to report only on the AI content.
- In many instances, the totals will be slightly overstated as often bill of lading records report the gross weight of a shipment, not the net weight. We use our best efforts to report net weights wherever possible.
- We use our best efforts to pull out all of the relevant data we can find in the bill of lading database and Census to produce this report. It is not guaranteed to be complete or accurate.

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

Very truly yours,

Jim

V.M. (Jim) DeLisi

VMJD: me