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March 14, 2023

March Agrochemical 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	4,177 MT	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	36,501MT	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 +/- 75,000 MT, less than two-thirds of what they were last year.

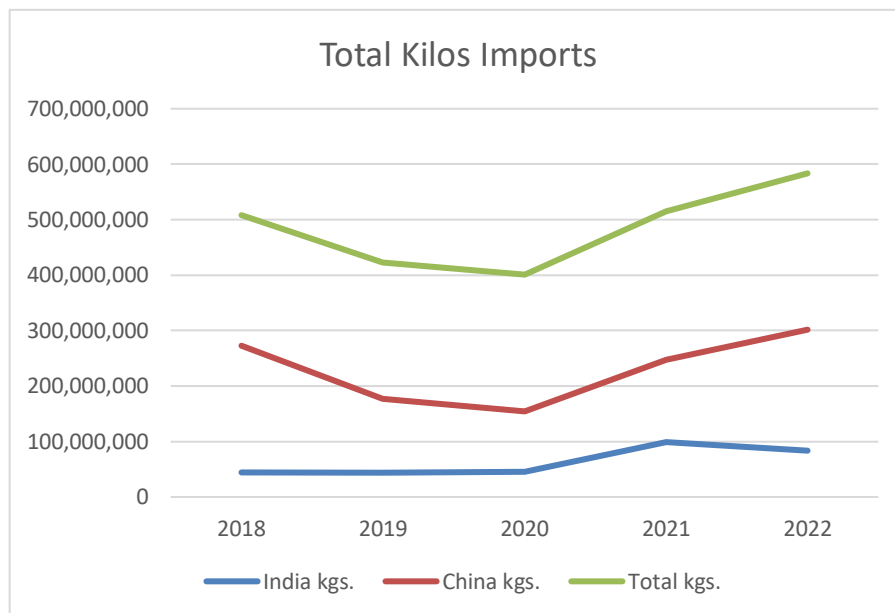
Comparison Chart of Total Agricultural Chemical Imports, AI's and Formulated in Kilos for the period 2018 through 2022 now including a break-out for imports from India and China.

As you may recall, last month we published a chart showing "total" imports into the USA. It was 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! This updated chart records the same totals, but breaks out on separate lines, imports from India and China.

total imports chart

	2018	2019	2020	2021	2022
India kgs.	43,787,437	43,770,736	44,847,008	98,921,443	83,216,516
China kgs.	273,280,915	176,517,881	154,337,799	246,858,786	301,648,099
Total kgs.	508,067,245	422,556,177	400,873,415	515,490,654	583,520,554



% India	8.62%	10.36%	11.19%	19.19%	14.26%
% China	53.79%	41.77%	38.50%	47.89%	51.69%

The above chart would suggest that the 301 China surtaxes have not had a significant impact on the importation of pesticides from China, and surprisingly shows only modest growth from India.

We also prepared a spreadsheet with details concerning formulated pesticide imports into the USA for the years 2018 through 2022. In addition, we broke out the imports from China, India, Colombia, Mexico and Canada as shown below.

Notes:

- All values are CV = customs value – fob ship point value of the goods. Would include materials shipped into a free trade zone, but not include any tariffs or the China 301 surtax.
- All weights are in kilos and are on an “as-as” basis.
- 3808.91 = Insecticides
- 3808.92 = Fungicides
- 3808.93 = Herbicides

World kilos	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	
3808.91	44,779,009	33,979,866	38,659,524	55,428,491	59,430,268	
3808.92	53,031,572	43,727,664	58,221,530	73,147,572	74,626,366	
3808.93	96,263,828	69,994,969	76,248,098	85,215,982	120,641,468	
total	194,074,409	147,702,499	173,129,152	213,792,045	254,698,102	
World USD	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	
3808.91	\$439,508,439	\$278,158,325	\$281,908,745	\$427,350,652	\$498,398,958	
3808.92	\$405,348,174	\$299,921,477	\$421,611,210	\$680,483,609	\$833,875,510	
3808.93	\$652,402,437	\$429,792,517	\$443,470,598	\$543,624,324	\$944,601,557	
total	\$1,497,259,050	\$1,007,872,319	\$1,146,990,553	\$1,651,458,585	\$2,276,876,025	
China kilos	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	
3808.91	19,523,147	12,549,588	12,588,639	13,197,113	14,449,693	
3808.92	1,373,007	854,933	924,558	1,639,741	1,262,973	
3808.93	34,790,756	19,450,548	23,431,201	17,177,522	26,391,450	
total	55,686,910	32,855,069	36,944,398	32,014,376	42,104,116	
China USD	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	
3808.91	\$129,196,405	\$63,077,836	\$59,397,287	\$60,155,879	\$67,227,446	
3808.92	\$10,116,276	\$5,318,869	\$5,875,423	\$11,682,042	\$10,679,961	
3808.93	\$232,999,940	\$120,834,893	\$85,900,342	\$74,155,716	\$182,660,126	
total	\$372,312,621	\$189,231,598	\$151,173,052	\$145,993,637	\$260,567,533	
China kgs %	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	
3808.91	43.60%	36.93%	32.56%	23.81%	24.31%	
3808.92	2.59%	1.96%	1.59%	2.24%	1.69%	
3808.93	36.14%	27.79%	30.73%	20.16%	21.88%	
total	28.69%	22.24%	21.34%	14.97%	16.53%	
China USD %	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	
3808.91	29.40%	22.68%	21.07%	14.08%	13.49%	
3808.92	2.50%	1.77%	1.39%	1.72%	1.28%	
3808.93	35.71%	28.11%	19.37%	13.64%	19.34%	
total	24.87%	18.78%	13.18%	8.84%	11.44%	
India USD	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	
3808.91	\$42,574,273	\$39,562,558	\$31,998,399	\$51,539,081	\$88,888,832	
3808.92	\$38,214,073	\$19,655,951	\$24,678,003	\$30,480,206	\$57,163,366	
3808.93	\$103,173,703	\$48,995,158	\$62,334,750	\$88,267,477	\$251,905,865	
total	\$183,962,049	\$108,213,667	\$119,011,152	\$170,286,764	\$397,958,063	
India kgs.	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	
3808.91	3,215,117	2,620,246	3,615,765	4,645,395	5,733,423	
3808.92	11,662,034	7,617,434	9,284,760	11,269,889	11,646,755	
3808.93	15,518,408	7,417,079	9,038,806	14,241,000	25,973,871	
total	30,395,559	17,654,759	21,939,331	30,156,284	43,354,049	
Colombia kgs	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Import Program
3808.91	11,105	23,844	11,554	8,405	5,880	Colombia-U.S.
3808.91	31,065	15,862	15,859	21,393	19,303	No program claimed
3808.92	5,693	22,788	8,664	30,013	44,569	Colombia-U.S.
3808.92	965,630	1,114,764	1,305,755	385,618	776,490	No program claimed
3808.93	4,697,837	7,903,163	6,024,613	9,450,978	12,703,862	Colombia-U.S.
3808.93	504,256	759,290	463,222	438,886	837,093	No program claimed
total	6,215,586	9,839,711	7,829,667	10,335,293	14,387,197	
Colombia USD	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Import Program
3808.91	\$262,167	\$546,994	\$230,164	\$193,506	\$114,772	Colombia-U.S.
3808.91	\$130,350	\$68,320	\$94,171	\$60,113	\$147,638	No program claimed
3808.92	\$120,431	\$467,675	\$184,655	\$424,164	\$602,962	Colombia-U.S.

3808.92	\$3,444,699	\$4,466,833	\$4,678,556	\$1,344,581	\$3,946,090	No program claimed
3808.93	\$8,932,870	\$16,232,457	\$12,570,380	\$20,466,509	\$43,066,993	Colombia-U.S.
3808.93	\$3,209,716	\$4,993,575	\$2,921,195	\$2,218,280	\$6,245,366	No program claimed
total	\$16,100,233	\$26,775,854	\$20,679,121	\$24,707,153	\$54,123,821	
Canada USD	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Import Program
3808.91	\$17,132,574	\$20,255,880	\$19,276,154	\$25,059,502	\$26,479,643	NAFTA/USMCA
3808.91	\$1,119,222	\$207,951	\$4,563,094	\$7,796,054	\$5,952,579	No program claimed
3808.92	\$4,660,168	\$1,108,945	\$5,858,937	\$5,197,484	\$7,747,482	NAFTA/USMCA
3808.92	\$67,706	\$5,232,945	\$3,122,894	\$2,340,481	\$5,952,487	No program claimed
3808.93	\$6,961,196	\$9,340,393	\$1,630,919	\$5,036,907	\$17,483,399	NAFTA/USMCA
3808.93	\$16,591,940	\$13,184,622	\$28,904,830	\$16,528,905	\$18,210,029	No program claimed
total	\$46,532,806	\$49,330,736	\$63,356,828	\$61,959,333	\$81,825,619	
Canada kgs.	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Import Program
3808.91	3,413,694	3,484,816	3,495,674	4,175,427	3,337,151	NAFTA/USMCA
3808.91	99,471	39,614	1,425,035	2,212,418	1,619,953	No program claimed
3808.92	793,980	57,857	826,451	1,030,932	989,805	NAFTA/USMCA
3808.92	17,694	385,659	55,819	992	96,644	No program claimed
3808.93	3,084,400	1,776,628	256,785	542,910	2,268,852	NAFTA/USMCA
3808.93	1,732,481	1,526,331	2,552,905	1,747,995	1,652,199	No program claimed
total	9,141,720	7,270,905	8,612,669	9,710,674	9,964,604	
Mexico USD	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Import Program
3808.91	\$7,096,761	\$10,290,027	\$12,694,694	\$34,589,076	\$31,809,641	NAFTA/USMCA
3808.91	\$8,673,249	\$4,670,149	\$8,101,702	\$18,578,461	\$45,013,070	No program claimed
3808.92	\$19,262,820	\$12,812,747	\$21,713,490	\$21,182,749	\$19,857,890	NAFTA/USMCA
3808.92	\$1,220,523	\$6,945,144	\$2,780,924	\$11,262,446	\$18,197,962	No program claimed
3808.93	\$7,310,296	\$7,202,804	\$6,092,443	\$5,561,646	\$6,112,418	NAFTA/USMCA
3808.93	\$16,200,450	\$4,631,142	\$2,527,139	\$1,439,993	\$543,648	No program claimed
total	\$59,764,099	\$46,552,013	\$53,910,392	\$92,614,371	\$121,534,629	
Mexico kgs.	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Import Program
3808.91	1,198,209	1,627,438	1,549,225	4,772,830	3,466,026	NAFTA/USMCA
3808.91	462,815	275,754	507,591	5,485,559	16,020,107	No program claimed
3808.92	4,114,009	2,587,828	4,460,777	3,312,836	3,717,719	NAFTA/USMCA
3808.92	203,424	1,700,859	868,119	1,675,509	1,304,956	No program claimed
3808.93	1,254,075	1,133,363	1,025,722	857,226	770,034	NAFTA/USMCA
3808.93	1,069,505	301,305	57,083	57,605	74,575	No program claimed
total	8,302,037	7,626,547	8,468,517	16,161,565	25,353,417	

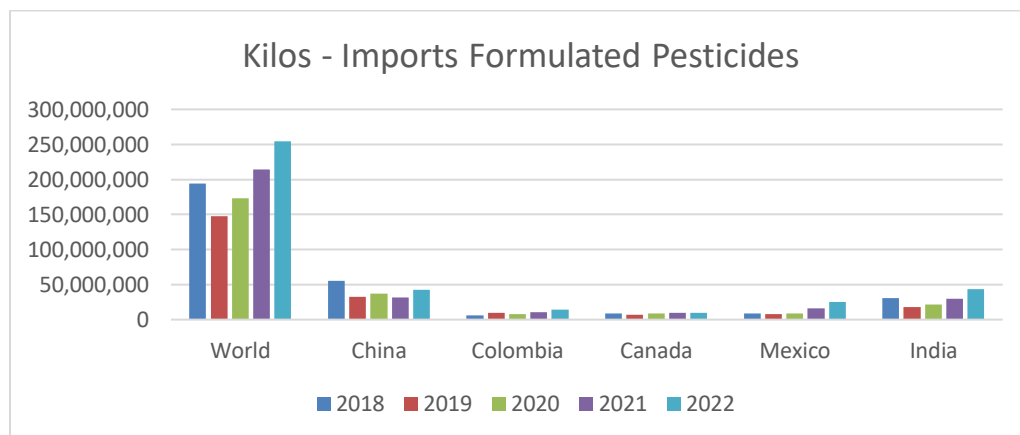
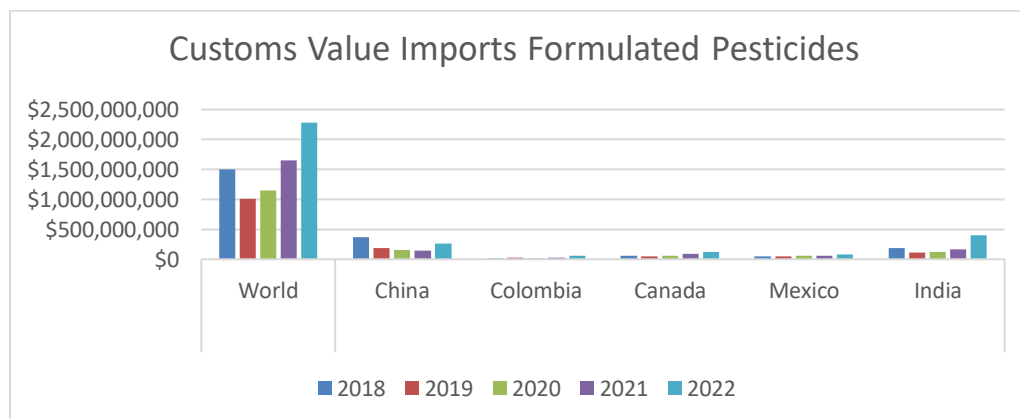
Comments:

- This chart would appear to support the China 301 surtaxes as it is clear that imports from China have been reduced. The implication is that the active ingredients are being imported and formulated in the U.S.
- China is not a significant factor in fungicides, but, even at reduced rates remains a significant factor for imported herbicides and insecticides.
- Most of the imports from Colombia are from Adama's facilities. Adama has done a remarkable job expanding this facility in a very short period of time, especially for herbicides.

According to the US/Colombia free trade agreement, for a product to be considered "territorial" and eligible for the designation "Colombia -U.S.", and therefore gain duty-free access into the U.S., a formulated pesticide must contain a minimum of 50% by weight of the active ingredient or ingredients that is the product of a chemical reaction in either Colombia or the U.S.

- It is likely that most of the imports from Mexico and Canada are from formulation facilities owned by the “major” companies in these countries.

NAFTA had a much more difficult rule of origin than USMCA, which has the same rule as Colombia, 50% by weight minimum of the active ingredient or ingredients must be territorial. USMCA, unlike NAFTA, allows for the Chemical Reaction rule to determine origin. This is very important, especially in instances where there is no change in tariff classification for the underlying intermediates, or there is no substantial change in value.



Notes to the Chart below:

- Pendimethalin: It would appear that BASF has begun importing large quantities from China. It is not known whether they have actually shutdown U.S. Production.
- Syngenta:
 - Most imports from Colombia, with the exception of Mancozeb are from Adama’s production site in this country.
 - Most imports from the EU member states for the listed AIs are from Syngenta owned facilities.
- Paraquat: Technical (2933.39.23) paraquat is not on the 25% surtax list. Formulated Paraquat, meaning that at a minimum the imported product contains the emetic, (3808.93.15) is currently exempt from the China surtax.
- China surtax: all formulated pesticides, except Paraquat are subject to this tax.

This chart, with a few exceptions, would support the notion that the China surtaxes have had a very limited impact on sourcing patterns for Active Agricultural Chemicals.

Key Herbicide imports in MT Al basis									
China	product	annual 2018 MT	annual 2019 MT	annual 2020 MT	annual 2021 MT	annual 2022 MT	U.S. 2022	2022 key source countries approximate percentages	2018 key source countries approximate percentages
7.50%	2,4 D	19,437	20,351	18,352	18,904	43,721	yes	58% China/22% India/10% Col/7% Poland	38% China/18% Australia/11% Col/15% India/10% Poland
7.50%	Atrazine	11,488	11,767	11,454	13,490	14,896	no	100% China	100% China
25%	Clethodim	3,440	3,112	3,414	4,221	6,726	no	70% China/25% India	87% China/12% India
None	Clomazone	3,261	3,330	2,451	2,500	5,879	no	98% China	98% China
7.50%	Dicamba	26,898	11,433	11,483	17,727	23,482	yes	55% China/40% India	68% China/31% India
None	Ethephon	9,392	9,811	9,564	7,894	9,359	no	100% China	94% China
None	Glufosinate, Imp	9,960	9,558	5,969	12,632	28,743			
	Est. US GA	2,472	5,101	2,448	0	0		BCS had produced in AL and MI in the US utilizing imported intermediates.	
None	Total est GA	12,432	14,659	8,417	12,632	28,743	no	80% China/20% India	42% China/26% India/11% Germany/19% USA
None	Glyphosate	95,325	63,472	61,965	95,911	111,790	yes	98% China	99% China
25%	Mesotrione	3,895	3,735	4,717	6,378	6,418	no	93% China/5% India	90% China
7.50%	Metribuzin	4,000	5,134	4,054	5,163	3,651	no	92% India/4% China	44% China/50% India
None	Paraquat	21,356	12,718	15,910	14,373	29,254	no	55% China/45% UK	59% China/39% UK
25%	Pendimethalin	2,000	1,475	1,835	3,721	5,701	no	53% China/47% India	73% India/25% China
25%	S-Moc	26,599	33,786	19,647	42,972	57,429	no	82% Switzerland/16% India	93% Switzerland/4% China
None	Sulfentrazone	2,875	2,061	1,823	3,101	3,612	no	50% China/50% India	90% China/10% India
25%	Trifluralin	3,865	1,746	306	864	3,816	no	98% Italy	80% Italy/20% China
Key Insecticide imports in MT Al basis									
None	Abamectin	218	286	379	466	328	no	100% China	100% China
25%	Acephate	5,950	1,678	3,803	4,935	4,875	no	67% China/33% India	38% China/62% India
25%	Bifenthrin	1,560	2,246	1,994	2,686	4,938	no	15% China/55% India/Israel/19% Mexico	87% China/6% India
None	Imidacloprid	3,324	2,448	2,298	2,082	2,570	no	85% China/7% India	61% China/29% Germany
25%	Lambda Cyhalothrin	1,721	2,020	1,893	2,562	3,240	no	48% China/38% India	77% China/11% UK
25%	Oxamyl	1,255	330	410	645	953	no	80% Taiwan/20% Indonesia	82% Taiwan/13% Indonesia
25%	Permethrin	1,348	1,336	935	1,680	1,677	no	92% India/7% Korea	82% India/18% Korea
Key Fungicide imports in MT Al basis									
None	Azoxystrobin	2,097	2,092	2,179	3,434	4,725	no	48% China/30% UK/14% Switzerland	20% UK/39% Switzerland/26% China
25%	Captan	1,787	1,333	1,002	1,374	1,602	no	62% China/33% Israel	35% China/1% India/43% Israel
None	Chlorothalonil	8,805	11,401	6,326	7,786	7,563	no	98% China	98% China
None	Copper Sulfate	52,722	61,080	57,625	56,158	40,119	no	13% Canada/60% Mexico	60% Mexico/9% Canada
25%	Mancozeb	8,766	5,316	8,698	10,225	8,740	no	81% India/11% Colombia	86% India
25%	Micronized Sulfur	9,539	10,306	9,172	7,818	5,942	no	57% Chile/29% France	28% France/26% Israel/22% India
None	Propiconazole	2,741	2,058	2,742	3,276	4,547	no	48% India/20% China/18% EU	30% India/52% EU/10% China
None	Tebuconazole	1,525	1,084	1,178	2,326	2,137	yes	89% China/7% India	92% China

Editorial Comment:

While it would appear that in the case of active ingredients that the 301 tariffs have had limited impact, this is likely caused by a couple of key factors:

- The production of active agricultural chemical products is highly regulated making it difficult to establish new sources.
- Many of the basic chemical facilities necessary to produce agrochemicals in the Western World were dismantled many years ago. It is very difficult to financially justify a commitment to build a new chemical plant, even within an existing facility, without a firm understanding of the duration of the surtax.
- It is likely that in the limited number of cases where production of active ingredients was moved out of China, in actual fact what was transferred was the final step or two of the process. Key intermediates are likely still sourced from China.
- Lastly, any new production would need to have worldwide competitive economics to be financially successful.

US Exports of Formulated Products:

The below chart shows U.S. Exports for the same period of time as the U.S. Import chart above. Interestingly, the U.S. has a significant positive trade balance in all three categories.

The figures in this chart are based on “U.S. Domestic Exports”. They would not include formulated pesticides that were imported then subsequently exported. We also included a list of the top 20 destinations in USD as well as kgs.

US Exports of formulated agrochemicals					
USD FAS	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022
3808.91	\$1,371,872,220	\$1,556,589,451	\$1,430,488,493	\$1,481,157,976	\$1,762,333,201
3808.92	\$510,777,963	\$513,588,132	\$610,666,142	\$722,297,274	\$755,910,284
3808.93	\$1,535,719,935	\$1,416,459,105	\$1,389,899,049	\$1,484,766,795	\$1,853,130,872
Total	\$3,418,370,118	\$3,486,636,688	\$3,431,053,684	\$3,688,222,045	\$4,371,374,357
kgs					
3808.91	48,934,682	57,673,333	54,191,554	49,730,806	58,224,169
3808.92	43,521,897	41,713,894	44,748,185	51,697,261	51,853,533
3808.93	197,080,374	180,954,613	186,856,295	180,571,438	201,285,840
Total	289,536,953	280,341,840	285,796,034	281,999,505	311,363,542
Total Exports	\$3,418,370,118	\$3,486,636,688	\$3,431,053,684	\$3,688,222,045	\$4,371,374,357
Total Imports	\$1,497,259,050	\$1,007,872,319	\$1,146,990,553	\$1,651,458,585	\$2,276,876,025
Balance	\$1,921,111,068	\$2,478,764,369	\$2,284,063,131	\$2,036,763,460	\$2,094,498,332
Total Exports	289,536,953	280,341,840	285,796,034	281,999,505	311,363,542
Total Imports	194,074,409	147,702,499	173,129,152	213,792,045	254,698,102
	95,462,544	132,639,341	112,666,882	68,207,460	56,665,440
Top 20 Destinations - 2022					
	by USD			in kgs.	
	Canada	\$1,413,315,242		Canada	173,816,002
	Brazil	\$1,035,363,107		Brazil	44,833,630
	Mexico	\$413,797,345		Mexico	18,287,428
	France	\$165,710,503		Australia	9,960,275
	Australia	\$162,213,365		Argentina	7,742,998
	Argentina	\$125,090,414		South Africa	4,895,265
	India	\$122,006,237		Belgium	3,698,630
	Colombia	\$98,611,849		India	3,499,029
	Netherlands	\$81,143,710		Colombia	3,377,462
	China	\$72,122,313		Chile	2,926,668
	Chile	\$71,433,501		France	2,924,880
	South Africa	\$69,016,210		China	2,660,169
	Indonesia	\$51,586,224		Costa Rica	2,288,927
	Japan	\$47,496,187		Uruguay	2,260,949
	Belgium	\$32,665,003		Peru	2,004,488
	South Korea	\$31,874,057		Spain	1,830,680
	Spain	\$29,406,561		Thailand	1,787,590
	Italy	\$27,462,204		Netherlands	1,654,502
	Pakistan	\$24,819,777		South Korea	1,584,760
	Costa Rica	\$24,717,487		Ghana	1,359,678
	New Zealand	\$22,556,289		Guatemala	1,287,802

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 will likely take at least a few more months, maybe longer, for USTR to review these comments and prepare a report. There are no deadlines in the law. It remains unlikely in our opinion that these surtaxes will be lifted as a result of this process. China has not offered the Administration any concessions to try to encourage the lifting of these levies.

The charts detailed above highlight how important this issue is to the Agrochemicals’ Industry.

Unfortunately, if anything, the tensions between the U.S. and China have increased in the last month.

MTB (duty suspensions), GSP (Generalized System of Preferences)

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. However, the new Republican Chair of the House’s Ways & Means Subcommittee on Trade has publicly stated that he would like to find a suitable vehicle to move both of these priorities. If these issues are important to your business, you are urged to let your Congressional representatives know of your concerns. 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 2022. 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

U.S./China Trade relationship: It is important to keep repeating the following as we continue to field questions on this issue.

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 up 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 (please see last month’s edition for a more complete list):

- **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. Mexico appears to be determined to maintain their position in opposition to GMO corn imports.

It now appears that Canada will support the U.S. position if there is a USMCA tribunal on this subject.

- The House of Representatives' new special committee whose sole focus will be on issues related to China has begun holding hearings, starting with the origin of the Covid virus. Clearly, this subcommittee has the potential to further negatively impact the relationship between the U.S. and China. There is clear bipartisan support to determine where Covid began in hopes that the next pandemic can be brought under control with a minimum of disruption.

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 January is attached.

Below, please find value information for the month of January as well as totals for the full year of 2019, 2020, 2021, 2022.

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):

	1/2020	1/2021	1/2022	1/2023
3808.91 – insecticides	\$31,941	\$28,524	\$38,546	\$61,638
3808.92 – fungicides	\$38,713	\$35,386	\$76,432	\$72,691
3808.93 – herbicides	\$45,071	\$43,266	\$79,241	\$113,412

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

Please let me know whenever there is a chance we might be of service.

Very truly yours,

Jim

V.M. (Jim) DeLisi

VMJD: me