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November 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.

General Update

As discussed in our letter last month Ambassador Tai made a speech on Monday, October 4, where she noted that the Administration has completed its review of the trading relationship with China. The real “short term news” was her promise to re-open the exclusion request process. She provided no further details. As it turned out, the only exceptions that were to be reviewed are those that were extended to December 31, 2020. We provided the Federal Register Notice that included the details last month. The only Agrochemical impacted by this decision is Paraquat. If you are importing Paraquat from China, you are strongly urged to reply to this notice within the specified time limit. We can help draft such a response.

We can also provide a complete list of the materials that are subject to this action upon request.

It is now clear that the Administration has no intention of any further openings to the exclusion process. Our only hope for this to occur in the short term is for the House or Representatives to take up the Senate’s version of the “chips act” in its entirety as it does include provisions to force USTR to re-open the exclusions process.

She also announced that she will shortly be engaging with her Chinese counterpart to re-enforce the need for China to adhere to the commitments in the phase one agreement. This is the starting point thought there was no indication that she would be aggressively pursuing a “phase 2” agreement. It is believed that a meeting was held, but there has been little discussion in public as to the results.

Clearly, the tariffs are here to stay for the foreseeable future.

Further, she emphasized that the path forward for the US is in President Biden’s “build back better” plan to put the U.S. in a stronger position to compete with China.

She also emphasized several sectors where the U.S. feels that China’s government support for industrial sectors has caused problems all over the world since they joined the WTO.

The clear intent is to work with a multilateral coalition to try to “discipline” China’s trading practices on a “labor focused” trade agenda.

Since there has been very little movement in Washington impacting the trade agenda, this edition of our monthly letter will be truncated.

Movement on the MTB (duty suspensions/reductions) and GSP has also stalled.

Therefore, if you need these details repeated, please reference our May report, or we’d be pleased to discuss in detail at your convenience.

Once again, and especially if you are in process of importing inventories for next season, unless they are due to be processed or sold onward shortly after they arrive, you should consider placing incoming 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:

- **China Surtax Lawsuit:** This action has now been assigned to a three-judge panel in DC. An order has been issued to require Customs not to liquidate entries that are subject to this suit. The Administration continues to defend the Trump Administrations actions in this area. There has been very limited movement on this case in the last month,
- **Syngenta IPO:** There has not been any further public announcements on the timing of this initiative. As previously noted, the Biden Administration revamped the Trump Administration’s actions concerning Syngenta’s parent organizations, therefore neither Sinochem nor ChemChina, or their parent organization SASAC – State-Owned Asset Supervision and Administration Commission - are subject to trading or investment restrictions in the U.S.

Therefore, at this point in time, it would appear that if they wanted to float all or part of the upcoming Syngenta IPO in the USA or if a USA based company or person wished to invest in the IPO, they would be free to do so under this Executive Order.

It needs to be noted that since they are planning to float significantly less than a controlling interest in Syngenta, it would still be subject to the rules and regulations that many of the world’s leading economies apply to a State-Owned Company.

General observation: We noted a significant up-tick in activity in March. November continues this trend. Perhaps March of 2021 marked the turning point for the agrochemical industry.

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

Below, please find value information for the month of September as well as the first nine month totals for four years. Except for herbicides, things are definitely improving for the industry. (In the case of herbicides, reclassifying 62% Glyphosate from 3808.93 to 2931.39 may actually explain part of the reduction.)

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.

September 2021 details are as follows (000):

	9/2018	9/2019	9/2020	9/2021
3808.91 – insecticides	\$18,601	\$11,638	\$18,583	\$28,393
3808.92 – fungicides	\$16,532	\$14,234	\$18,044	\$25,408
3808.93 – herbicides	\$31,313	\$28,728	\$14,726	\$34,588

Totals for the first 9 months (000) are shown below:

	2018	2019	2020	2021
3808.91 – insecticides	\$333,302	\$244,737	\$237,582	\$329,611
3808.92 – fungicides	\$313,316	\$222,459	\$317,983	\$520,086
3808.93 – herbicides	\$512,394	\$347,182	\$338,437	\$377,476

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

Very truly yours,

Jim

V.M. (Jim) DeLisi

VMJD: me