



## FANWOOD CHEMICAL, INC.

219 MARTINE AVENUE, NORTH • P.O. BOX 159 • FANWOOD, NEW JERSEY 07023-0159  
(908) 322-8440 • FAX (908) 322-8494 • e-mail: info@fanwoodchemical.com

August 10, 2022

### August 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 July for the last 4 years are at least as much as shown below:

	21-22	20-21	19-20	18-19
July 22	8,414 MT	9,178 MY	7,985 MT	2,735 MT
June 22	11,592 MT	8,972 MT	6,749 MT	3,495 MT
May 22	12,420 MT	10,110 MT	9,029 MT	4,542 MT
April 22	16,267 MT	8,067 MT	5,584 MT	3,241 MT
March 22	12,334 MT	7,302 MT	2,927 MT	6,656 MT
February 22	11,768 MT	2,311 MT	1,636 MT	3,235 MT
January 22	8,908 MT	5,660 MT	8,950 MT	6,100 MT
December 21	7,006 MT	5,200 MT	3,800 MT	8,900 MT
November 21	9,809 MT	4,700 MT	8,000 MT	6,000 MT
October 21	9,417 MT	3,200 MT	8,000 MT	8,100 MT
September 21	10,661 MT	4,000 MT	4,700 MT	8,600 MT
Totals	118,596 MT	68,700 MT	67,360 MT	51,514 MT

Clearly, if the BCS plant in Lulling is not totally crippled, there has to be a significant inventory bubble in Glyphosate!

As noted last month, we continue to believe that because of the reported concerns over a shortage in 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.

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

As noted below where we recount key figures from “the Index”, imports of formulated herbicides are also up significantly over prior years.

If you are involved in the sale of herbicides, you are urged to carefully monitor your inventories. This is especially important since the replacement value for many products, especially from China, is now below the levels that were reached late last year and into early 2022.

## Taiwan

The Chinese response to the Speaker Pelosi’s visit to Taiwan will likely have a very long-lasting impact on U.S./China relationships. The fact that as a result of this visit that China cut off several ongoing dialogs with the U.S., including on global warming which is extremely important to this Administration, is very troubling. One of the results of this response is that it would now be much more difficult for the Administration to consider any changes in the current tariff situation, and in fact may force the Administration to toughen these penalties.

In addition, while there are no market access provisions included in the “IPEF” agenda, Speaker Pelosi stated that she was strongly in favor of negotiating a Free Trade Agreement with Taiwan, which in her words could be accomplished “very quickly”. It is doubtful that such a deal could be done quickly, since “trade promotion authority” was allowed to expire. However, in this climate, legislation could be passed to allow for such authority to be renewed but limited to Taiwan, and perhaps the UK, with a caveat that the final outcome would need to be similar to USMCA.

Imports from Taiwan for 2019, 2020, 2021 and the first 6 months of 2022, for formulated agrochemicals are as follows:

	2019		2020		2021		6/2022	
	MT	\$(000)	MT	\$(000)	MT	\$(000)	MT	\$(000)
Insecticides (3808.91)	504	\$8,193	1,111	\$11,884	1,633	\$16,463	1,086	\$12,123
Herbicides (3808.93)	8	\$637	205	\$3,884	341	\$6,379	12	\$763

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

These initiatives were bundled into “the China Chips Acts” which passed last week. Unfortunately, none of these issues were included in the final package.

While there is general agreement on language for the MTB as well as renewal of GSP, there is no agreement on pressing to re-open the China exclusions portal. The Administration remains opposed to re-opening of the China surtax exceptions procedures. See above discussion concerning Taiwan.

Since this process did not produce a result, our next best hope to enact GSP and MTB would be in the “lame duck” congressional session that is customarily held after the election in November and/or December. If this occurs, it will have a serious impact on renewals and/or new requests for the next round of the MTB, since 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.

However, if you are importing from China, please visit [www.dhs.gov/UFLPA-EntityList](http://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.

**Ukraine/Russia:** No update – though we are continuing to carefully monitor this situation.

## **General Update**

**IPEF – Indo-Pacific Economic Framework:** no news – please see previous month’s letter for details. Trade officials are working behind the scenes to make something happen here. No market access provisions are included in this agenda.

**China 301 Surtaxes:** no news to report on the Administration review of this entire agenda. It remains the case that China has not yet incentivized the U.S. to remove the surtaxes. See Taiwan discussion above.

**China Surtax Lawsuit:** USTR filed its response to the court on August 1, as required. It does not appear that this response contains anything new or unknown. The ball is back in the hands of the court. It remains highly unlikely that this effort will result in the revocation of these duties. You can be assured that this dispute will eventually land at the U.S. Supreme Court, so we are likely at least two years away from any final determination.

**U.S./China Trade relationship:** It is important to repeat the following, especially because USTR is in process of reviewing this entire subject, and in-light of the issues surrounding Taiwan discussed above.

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 up date.
- **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 departure of Boris Johnson will have an impact, though a recent visit by some high-level officials from the U.S. to the UK suggested that they may be considering restarting these talks. It is unlikely that the U.S. would offer the U.K. any market access considerations if they do re-engage. Such discussions would likely be limited to an agenda similar to the “IPEF”.
- **India:** The behavior of India at the recent WTO Ministerial suggests that it is 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.

- **US – Kenya Free Trade Agreement:** Kenya has been offered a deal similar to the IPEF agenda – again – no market access. It will be interesting to see how these talks progress. If successful, these discussions would likely lead to an attempt to promote this agenda throughout the rest of Africa.

**General observation:** Imports continue to arrive at a blistering pace.

Below, please find value information for the month of June as well as totals for the first half 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

June 2022 details are as follows (000):

	6/2019	6/2020	6/2021	6/2022
3808.91 – insecticides	\$24,685	\$24,090	\$35,420	\$49,339
3808.92 – fungicides	\$21,853	\$38,832	\$85,298	\$124,357
3808.93 – herbicides	\$22,264	\$36,876	\$27,489	\$53,258

First half totals for the period (000) are shown below:

	2019	2020	2021	2022
3808.91 – insecticides	\$196,016	\$179,234	\$236,790	\$271,545
3808.92 – fungicides	\$173,344	\$250,278	\$417,932	\$494,092
3808.93 – herbicides	\$290,956	\$284,224	\$257,713	\$515,415

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

Very truly yours,

*Jim*

V.M. (Jim) DeLisi

VMJD: me