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July AgChem Notes

Jim DeLisi spoke at the Specialty and Agricultural Chemicals America trade show on Wednesday, June 26 and Thursday, June 27, 2024, at 2:00 PM both days, in Savannah, Georgia. The first presentation covered general issues impacting international trade. The second session drilled down to cover issues that directly impact Agrochemicals. Upon request, copies of the slides are now available.

He will be “on stage” at the Agribusiness Global Trade Summit on August 8, 2024, in Orlando, Florida at 1:30 PM.

New Entries:

- Bayer CropScience imported 20 MT of Cycormamide from India.

Imports of Glyphosate, as acid, for the period September through August for the last 6 years as well as YTD appear to be as shown below:

	23-24	22-23	21-22	20-21	19-20	18-19	17-18
August		1,706 MT	6,507 MT	7,847 MT	4,611 MT	5,997 MT	3,364 MT
July		1,179 MT	8,414 MT	9,178 MT	7,985 MT	2,735 MT	6,562 MT
June	6,571 MT	1,736 MT	11,592 MT	8,972 MT	6,749 MT	3,495 MT	6,333 MT
May	7,837 MT	344 MT	12,420 MT	10,110 MT	9,029 MT	4,542 MT	12,307 MT
April	6,108 MT	2,295 MT	16,267 MT	8,067 MT	5,584 MT	3,241 MT	9,836 MT
March	8,193 MT	8,142 MT	12,334 MT	7,302 MT	2,927 MT	6,656 MT	10,711 MT
February	9,831 MT	4,177 MT	11,768 MT	2,311 MT	1,636 MT	3,235 MT	8,601 MT
January	16,155 MT	10,704 MT	8,908 MT	5,660 MT	8,950 MT	6,100 MT	6,081 MT
December	11,945 MT	4,358 MT	7,006 MT	5,200 MT	3,800 MT	8,900 MT	7,477 MT
November	10,965 MT	8,521 MT	9,809 MT	4,700 MT	8,000 MT	6,000 MT	5,900 MT
October	2,944 MT	4,713 MT	9,417 MT	3,200 MT	8,000 MT	8,100 MT	3,800 MT
September	2,920 MT	4,018 MT	10,661 MT	4,000 MT	4,700 MT	8,600 MT	4,298 MT
Total	73,469 MT	51,893 MT	125,103 MT	76,547 MT	71,971 MT	57,511 MT	85,270 MT

As of the end of June, more Glyphosate, as acid, had been imported into the USA than the entire previous “crop year” by more than 41%. It looks like imports for this crop year will top all previous years, except 22-23 by a significant amount and equal +/- 85,000 MT. You are urged to be cautious to protect against another inventory bubble!

The last slide in Jim’s presentation is a “thought starter” concerning the future of Agrochemicals in North America. It is presented here, slightly condensed, for your thoughtful consideration:

Agrochemicals in the U.S. may be at their “zenith” NOW!

Modern drone and tractor technology allows for the spot application of crop protection chemicals only where they are needed. (Recent regulatory updates allow a single operator to control 3 drones at the same time.) AI is clearly here, now!

Pressure from lawsuits and global warming and other “activist” will continue to punish the agricultural community.

In addition, if the U.S. Administration continues its current path to electrify the transportation sector, U.S. Agriculture producers are in for a huge shock, which many now clearly recognize.

These policies will require EVs to dominate the landscape by 2032, with many states banning the sale of gasoline powered automobiles beginning in 2035. They recently proposed regulations to place diesel powered trucks under a similar time frame. California is going after diesel locomotives. The EU has also banned the use of biofuels in aircraft if the raw materials are potentially diverted from the food supply.

Combining technology that seeks to reduce the need for Crop Protection Chemicals, and societal trends that will ultimately reduce the need for crops, suggest that our industry needs to prepare for a “roller-coaster” ride! Clearly, by the end of the next administration in 2028, these policies will be “cast in stone”.

2,4-D Dumping Case:

As previously reported, the USITC voted on May 17 to continue the case. This affirmative vote strongly implies that Corteva will win the case. It also shows that:

- The scope for the dumping determination is 2,4 D Acid.
- Corteva has been injured by imports.

The US Department of Commerce was scheduled to announce preliminary Countervailing duty margins on or about June 27, 2024. At the date of this writing, this has not yet happened. They are also scheduled to post a determination on preliminary dumping margins on or about September 10, 2024. In each instance, it is not uncommon for Commerce to get 75 day extensions of the deadline.

However, now that the scope has been published, it confirms that the intent of the petitioner is to be sure that if a producer in a third country were to convert Chinese or Indian 2,4 D Acid to salt, ester, or formulated product it would be covered by the order. This would likely be the case in lands in which the U.S. does not have a Free Trade Agreement, or if an agreement is in place and has relatively weak GSP style rules of origin. However, the U.S./Colombia Free Trade Agreement clearly defines the fact that a chemical reaction that produces a new molecule is origin transforming. Therefore, for Colombia, Mexico, Canada, Australia, and several other countries that have agreements with the U.S. that include the chemical reaction rule, such third country production may “skirt” the order if it is imposed.

We have done a deep dive into China exports of 2,4 D Acid. It would appear that Adama in Colombia is purchasing thousands of tons of 2,4 D Acid from China. Under the U.S. Colombia Free Trade Agreement they are permitted to enter the resultant formulated products into the USA

duty free as long as they can show that a chemical reaction has occurred in the production of the esters and/or salts in Colombia required to produce the end products.

Lastly, since the Paraquat exception from the 301 25% surtax has come to an end, and it is highly likely that 2,4 D derivative prices in the market will increase, herbicide producers need to carefully consider if alternate products will now be more competitive to farmers, ranchers and turf customers.

Related to this issue is the fact that BASF just announced that they will be phasing out Glufosinate production at both plants in Germany over the next couple of years, sighting competition. In addition, UPL has just launched a dumping case in India against China on this same product. You can expect many more such actions to occur over the next year or so.

GSP: No Update The “trade press” continues to report that there is progress in re-instituting this program, and renewing AGOA (African Growth and Opportunity Act) in the near term. We continue to believe that if GSP is re-authorized that India will be allowed back into this program shortly thereafter. It is likely that the rule of origin will be strengthened by moving it up from 35% value content to 50% or more.

MTB: No Update - Duty suspension legislation has not been enacted. We’ve now gone four years without this program and all of the work we did as an industry in 2018 and 2019 in anticipation of receiving these benefits is no longer valid.

- There is proposed legislation in the House that is unlikely to get through the Senate (or perhaps even the full House) that if enacted would in effect implement the 2020 list through 2025 and allow for full retroactivity. It would ban imports from China that are subject to the 301 surtaxes from taking advantage of the reduced rates. We don’t believe that this is a practical proposal, since:
 - It would cost the Treasury an ill-defined amount of money.
 - Can’t imagine how Customs could handle the burden it would place on them to calculate and then process all of the refunds.
- Hopefully, legislation can be enacted this summer to renew the authorization for the USITC to begin collecting new details for duty relief. If they began the process late in 2024, it is unlikely that such relief could be in place before July 1, 2026.

USMCA – Mexico – GMO Corn & Glyphosate: Knowledgeable individuals believe that this issue will be required to wait for the installation of a new President in Mexico. The election occurred on June 2, 2024, with the new administration taking power in October. There was a hearing in Mexico City to determine if Mexico used “sound science”, a requirement under USMCA, when they made these decisions. We now need to wait and see.

The updated version of **the “Index”** which includes import details for all formulated Agrochemical imports in 3808.91, 3808.92 and 3808.93 for April 2024 is attached.

Below, please find value information for the month of May as well as totals for the first quarter of 2021, 2022, 2023 and 2024.

It is important to observe, that the value figures are “customs value” which would include materials entered into Free Trade Zones, but not any freight, forwarding, duty expenses, or China surtaxes.

May 2024 details, as well as the previous 3 years are as follows (000):

	5/2021	5/2022	5/2023	5/2024
3808.91 – insecticides	\$40,212	\$54,776	\$25,905	\$40,968
3808.92 – fungicides	\$83,775	\$89,235	\$88,228	\$42,808
3808.93 – herbicides	\$38,123	\$61,492	\$34,744	\$28,671

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

	2021	2022	2023	2024
3808.91 – insecticides	\$201,370	\$222,206	\$226,781	\$210,006
3808.92 – fungicides	\$332,634	\$369,735	\$403,113	\$300,253
3808.93 – herbicides	\$230,224	\$462,157	\$385,709	\$213,423

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

Very truly yours,

Jim

V.M. (Jim) DeLisi

VMJD: me