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August Agrochemical Notes

Jim spoke at the Agribusiness Global Trade Summit on August 8, 2024, in Orlando, Florida at 1:30 PM. Please request a copy of the slides.

Key predictions for future U.S. Trade Policy

- A Harris Administration will double down on the Biden Administrations trade policy agenda, with a likely larger focus on climate change, labor and environment. It is unlikely that she would seek traditional market opening free trade agreements.
- A Trump Administration would likely work to complete the traditional format free trade agreements that were just about done as he left office for the UK, Japan and Kenya. He might also look for other FTA opportunities, and likely work to negotiate a "phase two" deal with China. Any such deals will likely include revised rules of origin, especially as they relate to the auto industry. He will likely downplay global warming concerns, which will be problematic for many western countries.
- In either event, "tough on China" will likely continue, as will the "301 China tariffs"

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	6,639 MT	1,179 MT	8,414 MT	9,178 MT	7,985 MT	2,735 MT	6,562 MT
June	6,442 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	89,979 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 at least 94,000 MT. You are urged to be cautious to protect against another inventory bubble!

This is especially true since Bayer CropScience is also reporting that their Glyphosate sales are up!

<u>2,4-D Dumping Case</u>:

We continue to believe that this case is a “game changer”, regardless of the final result. If Corteva loses, it is hard to believe that any AI producer can survive the onslaught of current pricing trends from China and a much lesser extent India. Within 10 years, most if not all AI capacity will have been shut down in the West. If, as we expect, Corteva perseveres and wins this case, they will have proven that a Western producer has a chance of survival, all be it at a significant cost for legal defense and more importantly to their reputation with their customer base. However, many strongly believe that it is important for as many AI’s as possible, have multiple source countries of supply in the name of “Food Security”.

As previously reported, the USITC voted on May 17 to continue the case. This affirmative vote strongly implies that Corteva will win the case. However, at this point in time the level of preliminary and then final dumping and countervailing duty margins are unknown.

The US Department of Commerce has re-scheduled the date to announce preliminary Countervailing duty margins to on or about September 3, 2024. They are supposed 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, which is what happened with the countervailing margins. We are now potentially within the 90-day lookback period for collection of preliminary dumping/CVD duties.

Once the preliminary margins are determined, respondents can expect a visit from the U.S. Government to audit their responses.

We have done a deep dive into China exports of 2,4 D Acid. It appears that Adama in Colombia is purchasing thousands of tons of 2,4 D Acid from China, at very favorable prices. 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.

There are a variety of other countries that have this same provision. Please ask for a list.

Receivers of our detailed 2,4 D report are urged to study it carefully this month. We were able to add imports into Colombia from the FTZ where ADAMA operates to shed some light on their transfer cost structure for two different grades of formulated material. We also have added more details on ADAMA’s cost structure for 2,4 D Acid from China.

<u>GSP:</u> 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. Recent Senate action suggests that additional protections for Labor and Woman may also be included in the renewal.

MTB: Jim is scheduled to attend the NAM and CropLife America event to lobby this issue on Capitol Hill on September 10, 2024, with CPDA. More news as soon as we have it!

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.

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 June 2024 is attached.

Below, please find value information for the month of June 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.

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

	6/2021	6/2022	6/2023	6/2024
3808.91 – insecticides	$35,420	$49,339	$27,379	$29,682
3808.92 – fungicides	$38,831	$124,356	$96,215	$56,976
3808.93 – herbicides	$36,876	$53,258	$19,055	$35,486

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

	2021	2022	2023	2024
3808.91 – insecticides	$236,790	$271,545	$254,060	$239,687
3808.92 – fungicides	$250,278	$494,092	$499,328	$357,229
3808.93 – herbicides	$284,224	$515,415	$404,764	$248,909

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

Very truly yours,

Jim

V.M. (Jim) DeLisi

VMJD: me