



## 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

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### November Notes

#### New Entries:

- Sharda imported 50 MT from India of a combination of Thiobencarb 31% and Propanil 35%
- Agriprec imported 6 MT of a combination of Mancozeb and Azoxystrobin from India.

**Imports of Glyphosate**, as acid, for the period September through August for the last 7 years as well as YTD appear to be as shown below:

	24-25	23-24	22-23	21-22	20-21	19-20	18-19	17-18
August		12,515 MT	1,706 MT	6,507 MT	7,847 MT	4,611 MT	5,997 MT	3,364 MT
July		6,716 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	12,019 MT	11,945 MT	4,358 MT	7,006 MT	5,200 MT	3,800 MT	8,900 MT	7,477 MT
November	10,001 MT	10,965 MT	8,521 MT	9,809 MT	4,700 MT	8,000 MT	6,000 MT	5,900 MT
October	9,693 MT	2,944 MT	4,713 MT	9,417 MT	3,200 MT	8,000 MT	8,100 MT	3,800 MT
September	8,023 MT	2,920 MT	4,018 MT	10,661 MT	4,000 MT	4,700 MT	8,600 MT	4,298 MT
Total	39,736 MT	102,571 MT	51,893 MT	125,103 MT	76,547 MT	71,971 MT	57,511 MT	85,270 MT

23/24 “crop year” imports were very high, especially compared to the average of the previous 6 years. The new year is starting off at an even stronger pace, and even stronger than the “bubble year of 21-22. It’s hard to believe that all of this material is being sold to customers.

In general, AI imports for many products were very high in the 4<sup>th</sup> Q, as companies anticipated higher tariffs in 2025. This implies that there may be a significant amount of inventory in the channel. In addition, the price for many of these imports was very depressed. The reason for falling prices appears to be excess capacity for many molecules and also excess inventory levels, especially in China, that needed to be turned into cash. Therefore, there could be a major re-alignment in demand for many AIs as consumers reevaluate their purchasing decisions based on new “cost/acre” calculations and the cost associated with holding such inventories escalate.

“The Index”, which is also attached, also shows big increases over previous months in all three categories of formulated products likely for the same reasons.

Therefore, 2025 looks like it might be a very difficult year for trade with China (and everywhere else) for Agrochemicals. Farmers had a difficult 2024, and likely will be looking to cut costs in any way possible in 2025.

If you were not able to participate, you are urged to listen to the recording of the recent presentation by David Li and Derek Oliphant for Agribusiness Global for more details.

### **President Elect Donald Trump – Impact on Agrochemicals and China Trade**

Premises: The U.S. has no choice but to trade with China for many of the necessary Agrochemical active ingredients and many intermediates for active ingredients produced in the U.S. and elsewhere that put food on our table and fuel in our vehicles.

As promised for this month, we updated the chart detailing imports of key herbicides, insecticides, and fungicides into the U.S. for the period 2018 through 2024. It is attached to this letter.

**Discussion points for the attached table:** 2018 pre-dates the imposition of section 301 duties on our industry. Included in column 1 is the current status of the “China surtax”, column 3 notes if there is U.S. AI production. Columns L and N detail the key country sourcing patterns. As you will quickly see, there has been very little movement in the sourcing patterns over this time period outside of the normal “ebb and flow” of business. In some instances, the percentage sourced from China has actually gone up significantly, (2,4 D, Glufosinate, Paraquat, and Azoxystrobin), while in others it has gone down significantly (Clomazone, Dicamba, Metribuzin, Sulfentrazone, Bifenthrin, Imidacloprid, and Captan). Each of these instances would need to be studied very carefully to understand the dynamics involved since some of the “movers” are subject to the surtax, while others are not. In some instances, the changes in the supply chain may be that sophisticated, upgraded intermediates have been shipped from China to the expanding source country to ease the manufacturing process. In some of the other cases, explosions and/or plant upsets caused some of the shifts.

It remains the case that if China takes aggressive action to re-unite with Taiwan, it will surely result in a total embargo on any imports from China into the U.S. It is likely that at a minimum the EU and Japan would follow suit, ending world trade as we know it, and significantly negatively impacting the world’s future well-being for several generations.

We continue to believe that short of an invasion of Taiwan, President Trump will seek a negotiated settlement with China along the lines that were in process at the end of his last administration.

1. First approach China to try to negotiate a “phase two” agreement. As many will remember, the U.S. and China signed a “phase one” agreement in 2018 that held off the imposition of even higher 301 tariffs in exchange for a commitment to purchase significant amounts of U.S. exports and make changes in China’s domestic policies. China did not follow through as it became clear that Trump would lose the election, COVID was at its height, and it was thought that President Biden would be more accommodating to China.
  - a. If there is hope for such an agreement, the tariffs that are currently in place will remain until there is proof of a change in China’s practices.

- b. If there is no such agreement, then the “tranche 3” tariffs will likely be increased from 25% to 30%, the “tranche 4a” tariffs will increase from 7.5% to 15% and the “tranche 4b” tariffs that were never implemented, will be set at 15%.
    - i. Hopefully, as was done in his first administration, in recognition that some products are only available from China there will be a fair and open process for requesting exceptions.
  - c. It has been widely reported that China’s economy is struggling. The banking sector has serious issues. Further, China has made a serious effort to export it’s goods all over the world as it became more difficult to export to the U.S. In many instances, those markets have also reacted to this push, making it much more difficult to again make up for lost sales in the U.S. by increasing sales in other markets. Therefore, it is hoped that once the U.S. and China “sit down”, there will be room for compromise.
    - i. Please request a list of agrochemicals that we prepared at the time showing where individual products fit into these tranches.
  - d. It also needs to be remembered that China retaliated to these actions, also in several tranches. Hopefully, any settlement will include China’s lifting of their tariffs on U.S. goods.
2. Across the board tariffs – professed to be 10% or more.
- a. It is unlikely that this will happen in this manner. In his first term, President Trump scrupulously avoided adding tariffs to any line item that would increase the cost of health care. A 10% across the board tariff on all U.S. imports would “sink” Medicare and Medicaid as the prices for pharmaceuticals, both OTC (over the counter) and prescriptions reacted to these increases.

**Corteva, 2,4 D Dumping effect:**

Individual company reactions to the very low prices on AIs out of China, both here and around the world will likely continue if Corteva realizes a “reasonable outcome” to the current case on 2,4 D. In this instance, since there is viable production in third countries, it is especially likely that imports from China to the U.S. will be hampered by this action. Similarly, Australia has already imposed dumping margins on 2,4 D imports, and India has such margins on Glufosinate imports. Interestingly, BASF has announced that they will shutter their German production of Glufosinate rather than take a similar stand.

A similar action could be undertaken wherever there is domestic U.S. production of an AI, even if it starts with an upgraded imported intermediate. While the Trump Administration could encourage such actions, individual companies must make the ultimate decision to proceed. If a company takes this step, they can expect to spend a minimum of \$1,000,000 in legal fees in addition to a significant amount of upper management time and resources. There is also an elapse time of about a year, from start to finish. Lastly, there can be a significant “hit” to the company’s perception in the marketplace.

It needs to be noted that defending such an action is also very expensive and time-consuming. Defenders can expect to spend a minimum of \$750,000 on legal fees and expenses. In addition, there will be numerous hours spent by upper management preparing for the case. Overseas defenders have the right to completely ignore an action, but taking such a position makes it highly unlikely that they will be able to maintain their U.S. business if the case is successful as their rates will be in the country’s “all other” category.

It is important to note that China, as is the case with most countries, also has provisions for prosecuting “dumping” and has many margins in place against U.S. and other western economies.

### **2,4-D Dumping Case:**

As previously reported, the US Department of Commerce posted the following Preliminary Determinations in the Countervailing Duty Investigation for China and India:

Jiangxi Tianyu Chemical (CAC)	27.68%
Shandong Rainbow Agrosiences	3.10%
All others in China	27.34%
Atul Limited	5.29%
Meghmani Organics	3.28%
All others in India	4.13%

They further posted the following schedule for the countervailing duty review:

Commerce Final Determination                      January 21, 2025

We also noted that it would be very interesting to see if the final review of the CVD rates for Rainbow sustains their very low preliminary margin. This rate was a surprise to many “watchers”. As you will note below, there was no separate dumping margin published for this company. A careful review of the Commerce record shows that in their opinion Rainbow was less than transparent in their responses to Commerce, and therefore, they refused to agree to a separate rate. Therefore, imports from Rainbow would be subject to the “all other” rate for dumping purposes. Perhaps this will be remedied when the final ruling is issued.

The Commerce department posted dumping margins as follows on November 7 for both India and China. There are two columns, weighted average dumping margins and cash deposit rate adjusted for subsidy offset.

	Weighted	Adjusted
Jiangxi Tianyu Chemical (CAC)	17.07%	16.44%
China – all other companies	127.21%	126.58%
Atul Limited	13.23%	7.99%
Meghmani Organics	3.91%	0.87%
All others in India	8.57%	4.43%

A final determination from Commerce should occur within 75 days of this date, on or about January 20, 2025. It is highly likely that this date will not be met.

While there is a chance that this timeline will slip, the USITC has posted a Federal Register Notice that lays out the following schedule to issue final ruling on these cases. A hearing will be held on April 1, 2025, starting at 9:30 in the morning in their hearing room. This hearing can be accessed in person, or online. Details will be available on their website as we get closer to the date. Final comments will be due on or before April 23. The Commission will have a vote and issue its final ruling shortly thereafter.

One other issue that has been of concern is imports into the U.S. from Free Trade Country partners that meet the rule of origin as “originating” in that particular country. Please be advised that each such U.S. FTA has an exceptions clause that states: “No provisions of this Agreement, shall be construed as imposing any rights or obligations on the Parties with respect to antidumping or countervailing duty measures.” In the case of Colombia, this provision is found in Chapter 8, Section B, page 5.

### **MTB & GSP:**

As expected, these topics, or any others of interest to our industry were not heard in the lame-duck session of Congress last year. Congress has yet to finalize the budget which along with the discussions over the Administration’s picks for senior level slots in the new government, will likely consume “all of the Oxygen in DC” until well into Q3 2025, if not beyond. We will be working to try to have these issues addressed in the “big, beautiful bill” that President Elect Trump is hoping to produce in the first half of 2025. Since they are “revenue bills”, they should be considered germane.

We had noted in the past, that it was believed that Ambassador Tai had the ability to re-instate India into the GSP program. While we expected this to occur within a short amount of time of GSP’s reauthorization, it is unknown how the Trump Administration will handle this issue.

### **USMCA – Mexico:**

Relationships with Mexico are currently under pressure as President Trump prepares to take office. The biggest issue is immigration, but it is likely that economic issues will not be far behind, with EVs (electric vehicles) being the flash point. Changes made to the Mexican constitution especially concerning judicial “reform” and energy regulations are a cause of great concern in the U.S. These changes could have a significant impact on the USMCA agreement since this treaty needs to be “renewed” by July 1, 2026; 18 months from now. You can be assured that President Trump will pull every lever he can to get this agreement, which was a signature moment for his first administration, revised in a way that makes sense to him in 2026.

There are several areas of concern for U.S. Agrochemical Companies, including, but not limited to:

- Sound science in regulatory actions.
- The standards for prosecuting Labor and Environmental disputes.
- Rules of Origin will surely be opened for change. Both political parties are concerned about China’s growing presence in the Mexican Auto Industry, especially as it relates to EVs. Once the rules of origin are opened, there may be a push to go back to NAFTA rules which were much more restrictive.
  - Chemical specific issues
    - NAFTA rules heavily relied on Regional Value Content and/or restricted tariff shift requirements. Such rules were found to be difficult to administer and did not really reflect the concept of “substantial transformation”. Value content is variable, and many “substantial transformations” can occur within a single HTS classification. The Chemicals Reaction Rule in USMCA has been a cornerstone of the relationship between the three partners for the entire chemicals sector.

- In the case of HTS 3808, where all formulated agrochemicals are classified, USMCA has the 50% by weight content rule as a minimum for the AI content of any such formulation to be considered territorial. Without this rule, the agrochemical formulation industry would have moved to Mexico to avoid the China surtaxes and the impetus to manufacture AIs in Mexico would disappear.

You can be assured that we will be carefully working to be sure that any such changes are reasonable for the health and wellbeing of our industry.

**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 November 2024 is attached.

Below, please find value information for the month of November as well as totals for the first 10 months 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.

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

	11/2021	11/2022	11/2023	11/2024
3808.91 – insecticides	\$33,443	\$46,626	\$41,374	\$51,955
3808.92 – fungicides	\$57,945	\$55,857	\$23,737	\$73,971
3808.93 – herbicides	\$56,827	\$88,347	\$38,145	\$67,744

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

	2021	2022	2023	2024
3808.91 – insecticides	\$392,293	\$449,693	\$394,237	\$433,894
3808.92 – fungicides	\$615,469	\$752,973	\$669,433	\$596,553
3808.93 – herbicides	\$484,362	\$816,593	\$605,735	\$471,086

- Detailed reports, including our best efforts to determine values are available for most if not all of the materials included in this report. (If we don’t already have them, they surely can be created!)

General notes to the attached tables and disclaimer:

- This data is sourced from a distributor of bill of lading details that they source from the Automated Manifest System. We also carefully review U.S. Census data to back-up and where possible expand on the bill of lading details. In the past, we were able to carefully review EPA notices of arrival under FOIA requests. This process has been frozen so that we are unable to obtain this information.
- All quantities are in pounds of AI. In each instance, we use our best efforts to convert all of the import entries back to the AI quantity, except in the instances of combination products, where no effort is made to reduce the volume to report only on the AI content.

- In many instances, the totals will be slightly overstated as often bill of lading records report the gross weight of a shipment, not the net weight. We use our best efforts to report net weights wherever possible.
- We use our best efforts to pull out all of the relevant data we can find in the bill of lading database and Census to produce this report. It is not guaranteed to be complete or accurate.

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

Very truly yours,

*Jim*

V.M. (Jim) DeLisi

VMJD: me