

Crops and Pesticide Market in the Sino-US Trade War

The First Edition

June 2018

Researched & Prepared by:

Kcomber Inc.

Copyright by Kcomber Inc.

Any publication, distribution or copying of the content in this report is prohibited.

Contents

Executive summary	1
Methodology	3
1 Trade war between the US and China.....	4
1.1 Overview.....	4
1.2 US tariff list against China	5
1.3 China's tariff list against the US	6
2 Crops in the trade war	7
2.2 Corn.....	7
2.2 Soybean.....	8
2.3 Sorghum	10
3 Agrochemicals in the trade war	12
3.1 Glyphosate.....	12
3.2 Glufosinate ammonium.....	13
3.3 Atrazine.....	15
3.4 Clethodim.....	16
4 Agrochemical enterprises in the trade war	18

LIST OF TABLES

Table 1.2-1 Proposed list of chemicals imported from China that could be subject to additional tariffs, 3 April, 2018

Table 1.3-1 List of agricultural products originating from the US that are set to be subject to additional tariffs, 4 April, 2018

Table 2.2-1 Output and planting area of corn in China, 2013–2017

Table 2.2-1 Output and planting area of soybean in China, 2013–2017

Table 2.3-1 Output and planting area of sorghum in China, 2013–2017

Table 3.1-1 Major export destinations of China's glyphosate products, 2017

Table 3.2-1 Major export destinations of China's glufosinate ammonium products, 2017

Table 3.3-1 Major export destinations of China's atrazine products, 2017

Table 3.4-1 Major export destinations of China's clethodim products, 2017

LIST OF FIGURES

Figure 2.2-1 Distribution of imports of corn to China by origin, 2017

Figure 2.2-1 Distribution of imports of soybean to China by origin, 2017

Figure 2.3-1 Distribution of imports of sorghum to China by origin, 2017

Figure 3.1-1 Destination distribution of China's glyphosate products, 2017

Figure 3.1-2 Share of export volume of China's glyphosate products to the US, 2017

Figure 3.2-1 Destination distribution of China's glufosinate ammonium products, 2017

Figure 3.2-2 Share of export volume of China's glufosinate ammonium products to the US, 2017

Figure 3.3-1 Destination distribution of China's atrazine products, 2017

Figure 3.3-2 Share of export volume of China's atrazine products to the US, 2017

Figure 3.4-1 Destination distribution of China's clethodim products, 2017

Figure 3.4-2 Share of export volume of China's clethodim products to the US, 2017

1. Introduction

The US-China trade tensions appeared to ease, but due to the previous tight relationship between China and the US during the Sino-US Trade War, some crops and pesticide products have been influenced, which deserves attention.

Soybean, sorghum, corn and cotton are included in the list of products originating from the US that are set to be subject to additional tariffs by the Ministry of Commerce of China. Among them, soybean is China's most powerful weapon in the trade war. China produces 14 million tonnes soybeans a year while consumes some 90 million tonnes of the products, 85% of which are imported. China's soybean is highly dependent on overseas market. In 2017, China's import volume of soybean hit a record high of 95.53 million tonnes, up by 13.9% year on year. And Brazil, the US and Argentina were the three largest import origins of soybeans to China, with the import volume being 50.93 million tonnes, 32.85 million tonnes and 6.58 million tonnes respectively.

Pesticide products are not included in the US proposed list of products imported from China that could be subject to additional tariffs, therefore, the Sino-US trade war doesn't have an obvious direct impact on most domestic enterprises of pesticide technical and formulations.

It's worth noting that the tariff list of these crops will indirectly affect the pesticide market in China as pesticides are indispensable parts of crop cultivation. In recent years, many pesticide products the US imported have come from China, including glyphosate, glufosinate ammonium, atrazine, clethodim, dicamba, sulfentrazone, fomesafen, paraquat, bifenthrin, mesotrione, chlorothalonil and methomyl, etc. In 2017, export volume of China's glufosinate ammonium products to the US occupied 47% of China's total, which was far more than that to Australia, the second export destination of China's glufosinate ammonium products. It's estimated that the Sino-US trade war will have relatively great impact on China's export of glufosinate ammonium products.

To find out how crops and pesticides have been influenced, CCM has done some research, including import and export, planting areas, crop output, etc. This report attaches importance to the following parts:

- Corn planting area and output in China, 2013–2017
- Soybean planting area and output in China, 2013–2017
- Sorghum planting area and output in China, 2013–2017
- Export destinations of China's glyphosate, glufosinate ammonium, atrazine, clethodim
- Agrochemical enterprises in the trade war

2. Approach for this report

- Desk research

The sources of desk research are various, including published magazines, journals, government statistics, industrial statistics, association seminars as well as information from the Internet. A lot of work has gone into the compilation and analysis of the obtained information.

- Data processing and presentation

The data collected and compiled were sourced from:

- Published articles from Chinese periodicals, magazines, journals, and the third-party databases
- Government statistics & customs statistics
- Comments from industrial experts
- CCM's innovative database
- Professional databases from other sources
- Information from the internet

- Telephone investigation

The interviewees included the following groups:

- Key producers
- Key end users
- Key traders
- Material suppliers
- Associations involved
- Industry experts

The data from various sources have been combined and cross-checked to make this report as precise and scientific as possible. Throughout the process, a series of internal discussions were held in order to analyse the data and draw the conclusions.

3. Executive summary

Due to low proportion of corn imported from the US, the Sino-US trade war has limited impact on China's corn prices. Future corn prices are still determined by domestic supply and demand conditions. The Sino-US trade war will further widen price gap of corn of different grades in China. It is worth noting that China may reduce corn planting area to increase soybean planting area.

Sino-US trade war has the greatest impact on soybean, since China's dependence on the US is high at present. As China raised the tariffs on US soybeans, there has been increasing call for raising domestic soybean planting area. Although it is not feasible to actually realize self-sufficiency in soybean under the situation of insufficient cultivated land, since the Sino-US trade war started, the relevant national authorities held special meetings to study adjusting the planting structure and expanding the soybean planting area, clearly proposing to expand soybean planting area. Heilongjiang and Jilin provinces are among the provinces that have been assigned to the task by the government, which will help to reduce the excessive dependence of soybeans on the international market to some extent.

Currently, China imports most of the sorghum from the US. In the Sino-US trade war, the Ministry of Commerce of China decided to carry out the anti-dumping and anti-subsidy investigation on sorghum originating from the US. An additional tariff of XXX will raise import cost of sorghum, leading to the decline in import volume of sorghum. As a result, demand for corn as a substitute will increase from the domestic feed industry. However, China may not adopt the additional tariff of XXX on sorghum in the end, considering the result of the investigation and public benefits.

It's estimated that the trade war between the US and China will have certain impact on China's exports of glyphosate though the impact will be limited. The US was the largest export destination of China's glyphosate, but the export volume of China's glyphosate products to the US accounted for only XXX of the total export volume in 2017.

In 2017, export volume of China's glufosinate ammonium products to the US occupied XXX of China's total, which was far more than that to Australia, the second export destination of China's glufosinate ammonium products. It's estimated that the Sino-US trade war will have relatively great impact on China's export of glufosinate ammonium products.

It's estimated that the Sino-US trade war's impact on China's export of atrazine products won't be large. Being the biggest export destination of China's atrazine products in 2017, the US only accounted for XXX of China's total export volume of atrazine products, closely followed by Brazil.

It's estimated that the Sino-US trade war will have certain impact on China's export of clethodim products. China sold XXX of its clethodim products to overseas market. The US

was the biggest export destination of China's clethodim products in 2017, taking up XXX of China's total export volume of clethodim products.

4. What's in this report?

Note: Key data/information in this sample page is hidden, while in the report it is not.

...

2.3 Sorghum

At present, China is highly dependent on imported sorghum and imports most of the sorghum from the US—sorghum ranks second by trade value among agricultural products in the Sino-US trade. Additional tariff on sorghum will push up domestic sorghum price, which could raise the cost of raw materials for the downstream industries of sorghum such as feed and brewing.

...

On 4 Feb., 2018, the Ministry of Commerce of China issued the *Announcement No. 12 of 2018* and the *Announcement No. 13 of 2018*, deciding to carry out the anti-dumping and anti-subsidy investigation on sorghum originating from the US. On 18 May, 2018, the Ministry of Commerce of China issued the *Announcement No. 44 of 2018* about terminating the anti-dumping and anti-subsidy investigation on sorghum originating from the US. The Ministry of Commerce of China expressed during the investigation, responses from the downstream users indicated that the investigation would increase the cost of breeding industry and anti-dumping & anti-subsidy measures on the US sorghum will impact consumers' living cost and go against public benefits. Besides, investigation department found that many pig farmers faced difficulties, as domestic pork price has been declining continuously.

China may not adopt the additional tariff of 25% on sorghum in the end, considering the result of the investigation and public benefits. This means that China still need to import large amounts of sorghum from the US.

Table 2.3-1 Output and planting area of sorghum in China, 2013–2017

Item	2013	2014	2015	2016	2017
Output, tonne	XXX	XXX	XXX	XXX	XXX
Planting area, ha	XXX	XXX	XXX	XXX	XXX

Source: CCM

...

3.1 Glyphosate

It's estimated that the trade war between the US and China will have certain impact on China's exports of glyphosate though the impact will be limited. The US was the largest export destination of China's glyphosate, but the export volume of China's glyphosate products to the US accounted for only XXX of the total export volume in 2017.

Table 3.1-1 Major export destinations of China's glyphosate products, 2017

No.	Region	Export volume, tonne
1	XXX	XXX
2	XXX	XXX
3	XXX	XXX
4	XXX	XXX
5	XXX	XXX
6	XXX	XXX
7	XXX	XXX
8	XXX	XXX
9	XXX	XXX
10	XXX	XXX

Source: China Customs

Figure 3.1-1 Destination distribution of China's glyphosate products, 2017



Source: China Customs and CCM

If you want more information, please feel free to contact us

Tel: +86-20-37616606 Fax: +86-20-37616968

Email: econtact@cnchemicals.com