



ABC GLOBAL UPDATE

February 2022

Update on Ag Export Delays

The [Global Supply China Pressure Index](#) (GSCPI), a new index compiled by researchers at the New York Federal Reserve, indicates that supply chain pressures may have peaked. While global supply chain struggles continue, the gauge predicts improvements to come.

The White House announced that it would provide \$14 billion for port and waterways projects, including upgrades to the Port of Long Beach (to allow for larger ships and improved commercial navigation) and Norfolk Harbor, VA. Port congestion continued to be bad this month. The time it takes a container to get from China to processing in the US reached a new high (114 days according to Flexport's Ocean Timeliness Indicator), and rates also crept higher. The number of ships stalled outside of Los Angeles and Long Beach ports may be easing slightly.

The U.S. Department of Agriculture (USDA) is partnering with the Port of Oakland to set up the 25-acre "pop-up" site to make it easier for agricultural companies to fill empty shipping containers with commodities. USDA is covering 60% of the Port's start-up costs, which reflects the historical share of agricultural products that are marketed through the Port of Oakland. USDA will also help cover additional movement logistics costs at \$125 per container.

This project aims to enhance marketing of US agricultural products

through: 1) Quicker pickup of empty containers as the main terminal is bypassed; 2) Access to available equipment; and, 3) Fewer unpredictable congestion surcharges for trucks.

ABC sent out a transportation survey last month to handlers. *The confidential, aggregated information is **essential** to demonstrating how the situation is impacting almonds.* Please provide your input – for further information or questions please contact: bdensel@almondboard.com

"Containergeddon" and California Agriculture

In December, Colin Carter from UC Davis published [an article](#) analyzing the effects of the 2021 supply chain gridlock and resulting shipping container shortage on California agriculture. Due to exporters' difficulty obtaining empty shipping containers, the value of California's containerized agricultural exports fell by an estimated \$2.1 billion, about 17%, from May to September 2021.

China implements new law requiring foreign food processing facilities register with GACC

Most ABC handlers interested in shipping raw inshell and shelled almonds (080211 and 080212) to China were able to register with FDA's [Export Listing Module](#) (ELM) before FDA's deadline of December 17, and were then placed on GACC's online list at the end of the year with their respective approval numbers.

However, [FAS recently published a report](#) reminding processors of other

food products such as roasted almonds, almond paste, meal, flour and milk, to **self-register** on China's <https://cifer.singlewindow.cn/> website in order to receive their GACC approval numbers. *These products were not included under Decree 248's Article 7.* Only the processors of Article 7's 18 commodity categories including "raw" nuts and seeds were required to register via FDA's ELM.

FDA has not yet indicated when it will send the next list of processors of Article 7 commodities to GACC who missed FDA's December 17 deadline. FDA is still encouraging firms to register as soon as possible so they will be included on the next list that is sent to China.

As a recap, future almond exports to China will need to be marked with either the GACC and/or FDA Establishment Identifier numbers (FEI). Importers will need the GACC 14-digit approval numbers for the facility to clear customs. There are currently 148 US facilities listed on the [GACC website](#) for "nuts and seeds" and more than 58,000 global food processing firms in total. For more information, please contact kschneller@almondboard.com.

U.S. and Japan Deal on Steel and Aluminum

Four months after reaching a deal with the European Union on U.S. Section 232 tariffs on steel and aluminum, the Biden Administration announced on Feb 7 that it will follow suit with Japan in replacing the 25% tariffs on Japanese steel with tariff rate quotas. The deal will enter into

force on April 1, 2022, and will allow for 1.25 million tons of steel from Japan to enter the U.S. duty free.

It appears the Biden Administration is comfortable in continuing various national-security based trade measures implemented by the previous administration in 2018. It remains to be seen how the Administration will deal with outstanding Section 232 and 301 tariffs on over \$300 billion of Chinese imports as it continues its review of the current US trade policy situation.

USDA/ERS Estimates \$27 billion Ag Export losses due to trade war

A [report from USDA's Economic Research Service](#) last month estimates that US agriculture export losses under the trade war over the US' Section 232 and 301 tariffs exceeded \$27 billion, or \$13.2 billion annualized. The largest declines were from exports to China. While these exports rebounded somewhat after the phase one agreement entered into force, US market share remains below the pre-retaliatory tariff levels.

Republican Senators Advocate for Increased Ag Trade Opportunities in Asia

Senators Chuck Grassley and Joni Ernst, both Republicans from Iowa, [sent a letter](#) to President Biden on January 25 urging him to seek a new trade deal with China to "*capture the volume missed from the Phase One agreement.*" The Senators want the Administration to hold China accountable for its agriculture purchases and provide stability for US farmers. The letter also references the uncertainties related to the role the United States will play in the CPTPP and RCEP that went into effect at the beginning of the year.

China is part of the RCEP and has formally applied to join CPTPP. The senators advocate a more aggressive stance in negotiating new trade

agreements including the possibility of joining the CPTPP.

Malaysia ratifies RCEP

On January 12, [Malaysia ratified](#) the Regional Comprehensive Economic Partnership (RCEP) agreement. The agreement will enter into force for Malaysia on March 18, 2022. The RCEP agreement has already entered into force for Australia, New Zealand, Vietnam, Thailand, Laos, Cambodia, Brunei, Japan, China, Singapore, and South Korea.

Indonesia, Myanmar, and the Philippines are the remaining signatories that have not yet ratified the agreement.

US-China Trade Still Unsettled

USDA's Ag Secretary Tom Vilsack testified before the House Agriculture Committee on January 20, responding to several questions about the US-China agricultural trade situation. He says China is "*about \$13 billion short*" on ag goods that it had promised to purchase by December 2021. Vilsack noted that 2021 was a record year for US agricultural exports, largely due to China. He stressed that the Biden administration is in discussion with China about reaching its purchase and sanitary/phytosanitary commitments

UK-India Launch Free Trade Talks

The UK and India launched free trade agreement talks on January 13. The ambitious deal is expected to increase bilateral trade by billions of dollars. India's External Affairs Ministry says they are focusing on five key areas: people-to-people contacts, trade, defense and security, climate action, and health. The UK has had its eye on deals in the Indo-Pacific region.

France's EU Trade Priorities

France will hold the EU presidency through the end of June 2022 which corresponds with their next domestic

election cycle. In a speech on Jan 19, President Macron launched a "crusade" to make [the EU's trade policy work for European farms and to spread European standards abroad.](#)

One of the central pillars of the French presidency will be a proposal to introduce "mirror clauses" to demand that trade partners reflect European production standards. He says it's fair to require trading partners to raise their own standards on pesticides, deforestation, animal antibiotics, animal welfare and more since European farmers will be subject to tougher, greener standards.

It's likely that France's strategy will be difficult at an international level, particularly at the WTO level if the restrictions are deemed to specifically target sectors that threaten EU farmers. Ultimately, regardless of the push by the French leadership in next months, the reality is that the EU members must ultimately approve these proposals and make sure they are compatible with the EU's commitments at the WTO.

ABC is closely following these developments, working with industry and government partners. France's focus and priorities are in line with the EU Green Deal and its Farm-to-Fork strategy, which lays out aggressive targets related to pesticide use, climate, and environmental standards.

Upcoming Travel and Events

Feb 13-17 ABC exhibiting at Gulfood Dubai (Stand #S3-E39)

Mar 2022 WTO's 12th Ministerial Conference (TBC)

Document #2022GTRA0003

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