

Outreach November 6, 2019

Thank you for your membership in and work with NAEGA

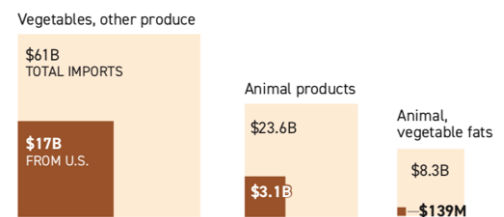
Graphic of the Week: How China would meet \$40 billion purchase of U.S. Agricultural Products

Where China can increase purchases of U.S. ag products

If China agrees to increase U.S. ag purchases, it is most likely to shift existing purchases to U.S. goods, rather than increasing total purchases. Schultz predicted China could be interested in U.S. meat, like pork and poultry, and other products like soybeans, wheat and corn. Schultz also said China could increase U.S. ethanol purchases again, if it were on the table for ag purchases. An outbreak of African Swine Fever in China could also increase demand for U.S. pork.

POLITICO used 2017 trade data to illustrate how China could reach \$40 billion in total U.S. ag purchases. Two ways China could increase purchases would be to buy more of its top agricultural imports, overall, from the U.S., or to ramp up existing purchases of U.S. ag products. China's increased purchases would be limited by two factors: The extent of Chinese demand, and of U.S. supply.

Chinese agricultural imports, 2017



EXAMPLE:

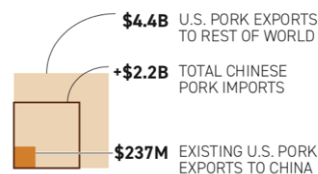
Maxing out U.S. supply: China could buy \$9.3B more of U.S. soybeans



In 2017, China reported importing about \$40 billion worth of soybeans. That year, the U.S. exported about \$21.5 billion in soybeans, \$12.2 billion of which went to China. If China purchased as much U.S. soybeans as supply allowed – an additional \$9.3 billion – total Chinese ag purchases would grow from \$17.3 billion to \$26.6 billion.

EXAMPLE:

Maxing out Chinese demand: China could buy \$2B more of U.S. pork



In 2017, China reported importing about \$2.2 billion worth of pork. That year, the U.S. exported about \$4.6 billion in pork, \$237 million of which went to China. If China purchased as much pork as domestic demand allowed – an additional \$2 billion – total Chinese ag purchases would grow from \$17.3 billion to \$19.3 billion.

Source: Politico Pro

Member Opportunities:

- Save the Date! NAEGA 2020 Annual Meeting Set for March 9, 2020 in Austin, TX
- Tokyo NAEGA Contract Seminar and Reception – Register Now!
- 2019 U.S. OFAC Symposium
- Asia-Pacific Policy Teams

Recent Actions:

- NAEGA & NGFA submit letter addressing U.S. Access to Vietnamese Wheat Market
- Supreme Court Hears Oral Argument on *Citgo vs. Frescati*

Upcoming Actions:

- WTO Appellate Body
- CBP Proposed Changes to the Jones Act
- Request for Comments on U.S. ITC Investigation of MRL Impacts on Trade
- Request for Comments on Bulking and Blending Pesticide Residue

Pending Actions:

- IPPC Draft ISPMs
- IPPC ePhyto Case Studies
- Contracts and Best Practices Seminars – Your advice requested

News:

- Updates on the U.S. – China ‘Phase 1’ Agreement
- OFAC Publishes General Licenses Regarding Venezuela

NAEGA Calendar and Member Notices:

- Upcoming events and notices to members

Member Opportunities:

Save the Date! NAEGA 2020 Annual Meeting Set for March 9, 2020 in Austin, Texas

We are excited to announce that the 2020 NAEGA Annual Meeting has been set for March 9, 2020 at the J.W. Marriott in Austin, Texas. An agenda for the full day has not been finalized, but it will include the Annual Members Meeting, Board of Directors Meeting, and potentially in-person meetings of NAEGA Committees.

As in years past, the meeting will take place alongside the 2020 NGFA Convention, held from March 8-10. NGFA will be once again offer NAEGA members a special registration rate for their Convention and access to their hotel room block. The final registration rate has not been set, but NGFA will open registration for the convention and the room block on December 2, 2019. We will have details on cost ahead of the opening of Registration Please contact Patrick Hayden at phayden@naega.org or Sydnie Sousa at ssousa@naega.org if you have any questions. We look forward to seeing you in the Lone Star State!

Tokyo NAEGA Contract Seminar and Reception – November 22, 2019

NAEGA will hold a Contract Training Seminar, which will be [followed by a reception](#), at the **TKP Shinbashi Conference Center in Tokyo, Japan on November 22, 2019**. We would like to thank our colleagues at the Japan Feed Trade Association (JFTA) for their assistance in securing a venue and agreeing to partner with us for the Seminar again this year. NAEGA President & CEO Gary Martin, Director of Operations Patrick Hayden and Senior Advisors Sam Bonilla and Andrew Marting are currently scheduled to attend. Invitations have been sent out and [registration is now](#)

[open](#). The seminar is free to NAEGA members and non-members. NAEGA member representatives are encouraged to invite others.

Please contact Patrick Hayden at phayden@naega.org if you have any questions. Mark your calendars now and we look forward to seeing you in Tokyo!

NAEGA Hosting OFAC Symposium Attendees – November 2019

On Monday, November 11, 2019 ahead of the U.S. Treasury Office of Foreign Asset Control (OFAC) symposium in Washington on November 12th, NAEGA will be holding a meeting with Member personnel who plan on attending the Symposium. Complying with existing sanctions, and quickly reacting to new ones, has become a regular part of international trade. NAEGA is seeking guidance from Member Company personnel about how OFAC and sanctions compliance is impacting the trade and how NAEGA might best engage on this issue to advance member interests.

The meeting will take place at the NAEGA offices at 1400 Crystal Drive, Suite 260, Arlington, VA 22202 from 2:30-3:30pm. All NAEGA members are invited to attend, and we encourage you to circulate this invitation internally to relevant personnel. If you or someone from your organization will be in town for the Symposium, please reach out to Patrick at phayden@naega.org or Sydnie at ssousa@naega.org to set up a time to talk about OFAC and any other issues NAEGA is covering.

Asia-Pacific Policy Teams

With the evolving U.S.-China trade relationship, we expect many more fast-paced and dramatic developments that could greatly change the terms of trade for NAEGA members. Your involvement is needed!

NAEGA ad hoc policy teams of member personnel working largely through conference calls are helping to guide our multifaceted effort to address the evolving trade environment. A policy team focused on the Asia-Pacific Market is already established. Over the next few months the team will be focused on U.S. trade relations with China, Japan, Korea and the Trans Pacific environment more generally.

Full Details on Upcoming Events can be found in the Meetings & Events Section of the [NAEGA Member's Only Page](#).

Recent Actions:

U.S. Access to Vietnamese Wheat Market

NAEGA & NGFA have submitted a letter to U.S. Ambassador to Vietnam Daniel Kritenbrink regarding challenges facing American access to the Vietnamese wheat market.

The letter highlights the following key areas:

- The impact on U.S. wheat trade from the re-export policy related to Canadian thistle (CT) seeds which the Vietnamese government implemented on March 1, 2019;

- A request that prior to the arrival U.S. Business Delegation mission to Vietnam led by U.S. Secretary of Commerce, Wilbur Ross' that the U.S. Government take the opportunity to address this matter of serious concern for U.S. wheat farmers and exporters to Vietnam;
- A request for support to find a more permanent solution to the CT issues and a level playing field for U.S. wheat farmers and exporters to Vietnam.

The complete NAEGA-NGFA letter can [be found here](#).

Supreme Court Hears Oral Argument on Citgo vs. Frescati Case 18-565

NAEGA Director of services Sydnie Sousa and Contracts Committee Co-Chair Maria Reinitz attended oral arguments in the case CITGO Asphalt Refining Co vs. Frescati Shipping Co. at the Supreme Court on Tuesday, November 5. In July, a NAEGA Special Interest Group [submitted an amicus brief](#) in favor of the petitioner. The case looks to the question: Under federal maritime law, is a safe-berth clause in a voyage charter contract a guarantee of a ship's safety or a duty of due diligence?

In 2004, CITGO Asphalt Refining Co. and related companies contracted with Frescati Shipping Co. and others for a shipment of crude oil. To reach its intended berth, the tanker needed to pass through Federal Anchorage Number 9, a federally designated section of the river in which ships may anchor. As it passed through this section of the river, the tanker hit an abandoned anchor, causing approximately 264,000 gallons of crude oil to spill into the river.

The district court initially found that CITGO was not liable under contract or tort law. The US Court of Appeals for the Third Circuit vacated the decision in part after determining that Frescati was a third-party beneficiary of CITGO's safe berth warranty and that CITGO had a duty of care to Frescati. The Supreme Court is expected to release their decision early next year. If you have an additional question regarding the case or oral arguments, please reach out to Sydnie at ssousa@naega.org.

Upcoming Actions:

NAEGA is considering acting on two key issues facing industry:

WTO Appellate Body

The current impasse over the World Trade Organization (WTO) dispute resolution Appellate Body is creating a threat to the continued existence of the dispute settlement process. For the past few years, the United States has blocked appointments of Appellate Body members in an attempt to force WTO members to negotiate new rules that address U.S. concerns and limit the scope of judicial overreach by the body. Unless an agreement is reached, as of December 2019, there will not be enough members of the Appellate Body to review cases and the WTO dispute settlement system will grind to a halt.

The U.S. concerns over the Appellate Body are longstanding. The U.S. claims that the Appellate Body has reversed factual findings of panel reports and created new obligations or reinterpreted existing obligations in a matter not previously agreed upon by WTO members. The U.S. also claims that those practices have made U.S. trade remedies less effective at addressing unfair

dumping and subsidies and that the body frequently fails to produce reports within the 90-day period provided under the WTO Dispute Settlement Understanding (DSU).

CBP Proposed Changes to the Jones Act

On October 23, 2019, U.S. Customs and Border Protection (CBP) [proposed substantial changes to its interpretations of the Jones Act](#). The Jones Act, which is section 27 of the Merchant Marine Act, requires that transportation of merchandise between all U.S. points be reserved for vessels that are built, owned, crewed, and documented in the United States. Supporters of the act feel it is essential for preserving the security of the domestic maritime industry. Critics say the act increases the cost of shipping to U.S. lands that depend on imports like Alaska, Hawaii, Puerto Rico, and others, and that it limits the number of vessels that can legally deliver goods, driving higher costs and reducing competition.

CBP's proposed changes would revise the definition of offshore "lifting operations" to clarify that certain "lateral movements" of service vessels are not considered transportation moves under the Jones Act, which requires that such moves be carried out by U.S.-owned, U.S.-flagged and U.S.-built vessels. This may allow for more competition for foreign flag-vessels.

Member input into how NAEGA approaches possible engagement on these issues is welcome.

The Production Technology Committee is considering responses to:

U.S. ITC Investigation of MRL Impact on Trade

The U.S. International Trade Commission (ITC) has begun an investigation into the global economic impact of maximum residue level (MRL) policies for pesticides. In response to a request by the Office of the U.S. Trade Representative (USTR), ITC indicated that MRLs, particularly those that are missing or low, can serve as barriers to U.S. agricultural exports. The ITC states it will issue two reports, one on April 30, 2020, and one on November 2, 2020, which will contain information on:

- The role of plant protection products and their MRLs in relation to global production, international trade, and food safety for consumers.
- The approaches taken in setting national and international MRLs for crops - risk-based approach vs. hazard-based approach.
- How MRLs are developed and administered in major markets for U.S. agricultural exports.
- Challenges and concerns faced by exporting countries in meeting importing country MRLs.

The costs and effects of MRL compliance and non-compliance for producers.

How missing and low MRLs affect production, exports, farmer income, and prices, both on the national level and, to the extent possible, for small and medium-sized farms

The ITC will hold a hearing in connection with this investigation October 29. Written submissions are due December 13 for the first report and June 5 for the second report. The full [notice from ITC can be found here](#).

Codex Request for Comments on Bulking and Blending Pesticide Residue

Codex [has requested comments](#) regarding information on the impact of bulking and/or blending on chemical crop protection compound residues (pesticide residues) in plant products including

grains and oilseeds. Comments should be sent to the European Union Codex Contact Point at sante-codex@ec.europa.eu by November 10, 2019.

Member input into the Production Technology Committee's consideration is welcome on the above.

Pending Actions:

IPPC ePhyto Case Studies

The International Grain Trade Coalition (IGTC) and the International Plant Protection Convention (IPPC) are seeking industry contributions to “case studies” on the roll out of the IPPC’s ePhyto Solution. In particular, the IPPC is seeking participation from destination countries participating in the hub. Moving forward, the IPPC is seeking, through these case studies, to answer questions such as:

- How did the importing plant protection and quarantine (PPQ) get in contact with the exporter?
- How was the customer made aware of the existence of the ePhyto?
- How did the customer clear customs and who was part of the chain?

If you are interested in participating in a case study, please contact NAEGA staff.

Contracts and Best Practices Seminars – Your advice requested

The NAEGA Contracts Committee is seeking your advice on the location, timing and curriculum of for late 2019 and early 2020 Contracts and Best Practices Seminars. NAEGA hosted a seminar in Portland, Oregon on October 24 and the next will be held in Tokyo on November 22.

Please let us know if you are interested in attending or hosting a seminar, and what topics we should focus on. The Committee is now considering contract seminars in the following locations:

- Vancouver, British Columbia
- St. Louis, MO
- Winnipeg, Manitoba

NAEGA seminars are an intensive and informative review of commercial and official practices taught in an interactive environment. The goal of each seminar is to improve predictability, reduce risks, resolve trade barriers and facilitate profitable trade.

NAEGA conducts both public and private seminars, and curriculum can be tailored to your needs. Please contact Patrick if you are interested in hosting a private, tailored seminar at your office. [Click here](#) for more information on the in-depth, interactive programs NAEGA conducts!

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News:

Updates on the U.S. – China ‘Phase 1’ Agreement

- **Cancelation of the Asia-Pacific Economic Cooperation (APEC) Summit:**

Chile's abrupt [cancellation of the APEC](#) summit has left President Donald Trump and Chinese President Xi Jinping without a venue or hard deadline to sign their "phase one" trade deal as planned in mid-November. The White House says the goal is still to wrap up a preliminary deal "within the same time frame."

- **Potential Signing Locations:**

On November 3rd President Trump said that a deal between China and the U.S. will be signed in the United States. He previously has suggested inviting Xi to Iowa for the [signing](#). U.S. Commerce Secretary Wilbur Ross said Hawaii and Alaska were also presented as possible locations for signing a deal. China has not indicated a preference and may decide to sign a deal in a neutral location outside of either the U.S. or China.

- **Chinese Press for Tariff Removal:**

China is adamantly advocating for the [removal of tariffs](#) in exchange for agreeing to buy up to \$50 billion worth of U.S. farm goods within two years. Chinese Officials have asked President Trump to not only eliminate a round of tariffs scheduled to go into effect in mid-December but to also lift another substantial round of penalties imposed in September as Chinese President Xi Jinping considers a visit to the United States to sign a "phase one" trade deal.

The phase one deal has been said to eliminate a 15 percent tariff that is scheduled to hit \$160 billion worth of Chinese goods. China is also pushing the U.S. to remove a 15 percent tariff that was imposed on \$112 billion worth of Chinese goods on September 1, 2019.

President Trump has said the preliminary agreement will cover 60 percent of the outstanding issues between the two countries. Phase two of the negotiations would address more of the so-called structural issues, such as China's state subsidies for its industries and other issues related to technology transfer that aren't resolved in the first round of talks.

- **What “Phase 1” means for U.S. Agricultural Exports:**

The “Phase 1” deal will likely include a provision for China to purchase a set amount of U.S. agricultural goods among other provisions. Mark Schultz, a chief commodity broker, asserts that it is unclear whether current U.S. agricultural export levels would support increased Chinese purchases. He explains that at the beginning of the trade dispute, China “[just sent to South America and elsewhere around the world... to fill their needs.](#)” If China agreed to purchase additional U.S. agricultural goods, it would shift back to purchasing from the U.S. rather than increasing total agricultural purchases.

OFAC Publishes General Licenses Regarding Venezuela

On November 5, 2019, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) [issued two general licenses](#) covering transactions with the government of Venezuela and certain government of Venezuela individuals. In particular, [General License 35](#) authorizes certain administrative transactions with the government of Venezuela, authorizing U.S. persons to pay taxes, import duties and other basic administrative fees to the government of Venezuela, subject to specific ongoing and mandatory reporting requirements. OFAC also issued [amended General License 34A](#), which authorizes transactions involving certain government of Venezuela individuals.

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Calendar & Member Notices:

Click [here](#) for a copy of the IGTC Calendar

2019

November

6-8 – IGTC General Assembly – Sao Paulo, Brazil

12 – 2019 OFAC Symposium – Washington, DC

15 – AAA/ICDR International Symposia In Advanced Case Management Issues – New York, NY

18-20 – U.S. Agriculture Export Development Council (USAEDC) Annual Workshop – Baltimore, MD

22 – NAEGA Contract & Best Practices Seminar and Industry Reception – Tokyo, Japan

27-28 – Thanksgiving Holiday in the U.S. – NAEGA Offices Closed

December

3 – International Grains Council's 50th Session – London, UK

8-10 – NGFA Country Elevator Conference – Indianapolis, IN

23-25 – Christmas – NAEGA Offices Closed

31-January 1 – New Year's Holiday – NAEGA Offices Closed

2020

March

8-10 – NGFA Annual Convention – Austin, TX

9 – NAEGA Annual Meeting & Board of Directors Meeting – Austin, TX

December

TBD – COP 15 – CBD – Beijing, China

2021

March

14-16 – NGFA Annual Convention – San Diego, CA

2022

December

TBD – COP 16 – CBD – Turkey

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