

September 8, 2022

## Transportation/Logistics Update

The number of container ships headed for the California ports of Los Angeles and Long Beach — a traffic jam that once symbolized American consumer vigor during the pandemic — declined to the lowest level since the bottleneck started to build two years ago. According to data from the Marine Exchange of Southern California & Vessel Traffic Service Los Angeles and Long Beach, eight vessels were in the official queue at the end of August. That's an all-time low, officials said in a statement, down from a record of 109 set in January and about 40 lined up a year ago. As a result, LA port officials want ships that diverted around the congestion to return.

Long-term box freight rates continue to climb but are finally showing signs of coming under pressure. Data from online platform Xeneta shows that long-term rates increased 4.1% in August, standing 121.2% higher than this time last year. Nevertheless, there are signs that new long-term contracted rates are actually starting to drop on key trading corridors. But given that they're replacing expiring agreements with considerably lower rates, the average paid by all shippers is still climbing.

The Almond Alliance has worked with carriers and railroads in order to expand service options to the Ports of Los Angeles and Long Beach. CMA/CGM has announced the opening of weekly services to India and Asia via Union Pacific rail from the Oakland Ramp to the Port of Los Angeles. MSC is currently adding the Oakland Ramp as an export option in their online booking system. Evergreen has confirmed core services available via Oakland Ramp to Los Angeles, and working towards LB. OOCL will rail direct to ship from Oakland to LA & LB or by truck to LA & LB. Services currently include China, Philippines, Taiwan, Korea, Australia, and Vietnam. All of these services are now available both by booking direct or through SCTC contracts. For more information please contact the Almond Alliance [staff@almondalliance.org](mailto:staff@almondalliance.org) or Brock Densel at ABC, [bdensel@almondboard.com](mailto:bdensel@almondboard.com).

## World shipping container capacity grows sixfold since 2000

It may not seem true, given current logistics issues, but PPI's Ed Gresser recently wrote a nice [blog highlighting the fact that world shipping container capacity has grown sixfold since 2000](#). Since the 1950's, container shipping has seen capacity at least doubling every decade. By 2000, fleet capacity had reached 2400 ships carrying 4.3 million TEU, and by 2010, 4700 ships and 12.8 million TEU. The 6,406 container ships active as of mid-2022 carry 25.8 million TEU, meaning an average of over 4,000 containers per ship. A median-size container vessel is said to take about 15 hours to load and unload. The largest container ship yet built, named Ever Alot - is owned by Taiwan's Evergreen lines, and went into service on June 22. It is 400 meters long, 61.5 meters wide, and 100 meters deep; requires a crew of 25; and can carry 24,004 TEU containing almost 500,000 tons of cargo.

## USDA forecasts drop in US ag exports for FY 2023

USDA raised its forecast for US ag exports in FY 2022 in the latest [USDA quarterly forecast](#), to a record \$196 billion, but predicts that the value of exports will decline to \$193.5 billion in FY 2023 due to falling values of sales to foreign buyers of commodities like cotton, beef, corn, wheat and sorghum. USDA also estimates a record increase of agricultural imports of 18% from year to year reaching \$197 billion based on increasing domestic prices of feed, horticultural, sugar, and tropical products. Related to the port situation mentioned above, the overall US trade deficit declined from \$98.6 billion to \$89.1 billion in July as the decline in imports outpaced the decline in exports. Exports of goods for July were \$181 billion, \$0.4 billion less than June exports. Imports of goods for July were \$270 billion, \$9.9 billion less than June imports. The trade gap is the lowest since October 2021.

## USTR Chief Ag Negotiator Moving Forward

The Senate Finance Committee voted unanimously to advance the nomination of Doug McKalip for chief agricultural negotiator at USTR. McKalip is currently serving as a senior advisor to the agriculture secretary and is a longtime agriculture department official. His confirmation hearing and following questions for the record had a major focus on market access in trade negotiations, particularly the Indo-Pacific Economic Framework. McKalip pledged that he would push for market access, for IPEF's trade pillar to be a core piece of the framework, and for trade to be "a much larger percentage of the results" than the other pillars. He now awaits a confirmation vote from the full Senate. Meanwhile, there has been no further movement on the nomination of Alexis Taylor for the Undersecretary for Trade position at USDA.

## Update on China's Decree 248

While most handlers were able to take advantage of the fast-track registration of their facilities and corresponding raw inshell and shelled almonds for shipment to China back in December 2021, China's General Administration of Customs (GACC) has become very slow in helping firms clear products that weren't approved in the initial registrations. Please be advised that if you are shipping products that have not been approved under your GACC registration, you may experience long delays in clearing products stuck in Chinese ports even with assistance from US FDA and USDA offices in Beijing. If you need help confirming which products are already covered under your GACC account or need assistance registering additional products or with the initial registration of your facility with GACC, please contact [kschneller@almondboard.com](mailto:kschneller@almondboard.com).

## US Trade with China

This past month saw a spike in tension from China over House Speaker Pelosi's visit to Taiwan. Commerce Secretary Gina Raimondo said in an interview that the geopolitical situation with China following the visit is "particularly complicated."

Nevertheless, the US and China still plan to meet in-person this year, though the time and place are not decided. There will be a high-level meeting of the ruling Communist Party on October 16 that will determine whether President Xi will be granted a very rare third term as president. It looks extremely likely that he will.

A [recent study](#) by the USDA's Economic Research Service found that US exports of pork, wheat, corn, and other products would significantly increase with the removal of China's non-tariff barriers. Implementation of China's Decree 248 facility registration requirement is a good example of a non-tariff barrier that is restricting US agricultural exports to China. An [annual survey](#) of 100 member firms of the US-China Business Council found a rise in wariness among US firms about doing business in China. Businesses cited China's Covid-control policies and the ongoing political and security tensions as the top barriers.

## US-Taiwan 21st-Century Trade

Deputy USTR Sarah Bianchi announced the start of negotiations of the US-Taiwan Initiative on 21st-Century Trade in a statement on August 17. She said the talks "will deepen our trade and investment relationship, advance mutual trade priorities based on shared values, and promote innovation and inclusive economic growth for our workers and businesses." Talks will take place early this fall. The trade areas are laid out in the negotiating mandate – jointly released by USTR, AIT, TECRO. Washington and Taipei have agreed not to discuss tariff cuts.

## US and Brazil make progress in reducing trade barriers

The US International Trade Administration (ITA) announced the results of a July 21 U.S.-Brazil Commercial Dialogue meeting. In a [joint statement](#), the trade partners reiterated a shared commitment to increase investment and cooperation in enhancing bilateral trade flows. In the statement, ITA Under Secretary Lago and Brazil's economy minister Guedes outlined four "key accomplishments" since the partnership's formation in 2006. These include technical discussions on trade facilitation, standards for renewable fuels and collaboration on patent and trademark protection, and creating a "Trade in the Digital Economy Working Group." The United States and Brazil's two-way trade in goods registered a new record between January and June 2022, reaching \$44.4 billion for the first half of the year, up from \$33.6 billion in 2021 over the same period. In 2021, the United States exported \$46.9 billion of goods to Brazil, making it the 9th largest export destination for U.S. products.

In the past 6 years, the US has exported around 3.5 million pounds of almonds to Brazil on average each year. While there are great opportunities in Brazil for almonds and almond products, there are a number of technical barriers to trade in Brazil that need to be addressed.

## EU Regulatory & Trade Update

While the Ukraine war has delayed the implementation schedule of some of the Farm-to-Fork proposals, nevertheless, EU has indicated it will not halt the F2F activities. ABC

continues to monitor EU proposals and stakeholder solicitations, providing comments on elements that could impact almonds, such as *applying EU environmental clauses to imported products* and *creating harmonized sustainability standards*. ABC continues to stress the importance of science-based regulations and consideration of regional differences in production practices and local regulations.

ABC is building strategic alliances with other stakeholder groups that share similar concerns with EU's regulatory approach by informing them of the various issues ABC is currently involved in and exploring areas of collaboration. Sara Garcia Figuera from Prospero & Partners, our EU consultant, will provide the latest updates from the EU on its progress in implementing its Green Deal strategies during an international trade panel at the Annual Conference coming up in December. For more information, contact [akulkarni@almondboard.com](mailto:akulkarni@almondboard.com).

## U.S.-Kenya Strategic Trade and Investment Partnership

USTR announced on July 14, 2022 it would pursue discussions with Kenya on developing our economic and trade relationship with Kenya. It will be collecting comments from the US public via the [Federal Register](#) in order to identify US interests and priorities.

In the past six years, the US has exported about \$700,000 of almonds to Kenya each year on average while Kenya exported \$52 million of macadamia nuts to the United States. Kenya has a 10% tariff on inshell almonds and 25% on shelled almonds, while the US tariff equivalent on macadamia nuts is about 1%. Kenya also has a convoluted [pre-registration requirement for food imports](#) managed by a 3<sup>rd</sup> party, SGS. ABC is collecting information required by the Kenyan government to export almonds to Kenya and will share this information with USTR. Comments are due by Sept 16.

## Upcoming Travel and Events

Oct 13-14	Frucom Annual Meeting in Brussels
Oct 19	TRAC Meeting
Nov 7-9	ESA Nut Production Course in Malaga, Spain
Nov 16-18	USAEDC 2022 Annual Conference in Baltimore
Dec 6-8	The Almond Conference in Sacramento

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