

JOEL R. JUNKER

ATTORNEY AT LAW • A PROFESSIONAL CORPORATION
1191 SECOND AVENUE • SUITE 1800 • SEATTLE, WASHINGTON 98101 USA
TELEPHONE (206) 621-7878 • FACSIMILE (206) 621-8220

June 6, 2002

Via Email and Facsimile

(202) 225-2610

hearingclerks.waysandmeans@mail.house.gov

The Honorable Phil Crane, Chairman
Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

RE: Nufarm America's, Inc. Comments Supporting H.R. 4485 for Suspension of Duty on 2-Methyl-4-chlorophenoxyacetic acid (MCPA)

Dear Mr. Chairman:

Pursuant to Advisory TR-9 dated May 3, 2002, we respectfully submit these comments on behalf of Nufarm America's, Inc. in support of H.R. 4485, which seeks the suspension of duty on 2-Methyl-4-chlorophenoxyacetic acid, salts and esters (herein referred to collectively as "MCPA").

Nufarm America's, Inc. is an importer of MCPA who is located in Burr Ridge, Illinois, with offices in St. Joseph, Missouri and Houston, Texas, and plant operations in Chicago Heights, Illinois.

PRODUCT DESCRIPTION

MCPA is a plant growth regulator-type herbicide used as an effective control on a wide variety of broadleaved weeds in cereals, grasses, flax, and non-crop areas. MCPA is currently classified under HTSUS No. 2918.90.2015 with a duty rate of 7.9%. Developed in the 1940's, MCPA is advantageous because it offers broad spectrum weed control, low toxicity, low environmental persistence, little evidence of weed resistance following decades of use, and relative cost advantages over other chemical and non-chemical methods of weed control. In its long history, it has been tested according to modern standards and continues to meet regulatory acceptability.

CURRENT DUTY-FREE STATUS

MCPA is classified under HTSUS 2921.19 which has a duty rate of 6.5%. This tariff rate is staged and is reduced annually. However, imports of MCPA presently are entered duty free under HTSUS 9902.29.81 as a result of duty suspension passed by Congress and signed by the President on November 9, 2000. That suspension of duty is effective through December 31, 2003.

Moreover, this product is an agricultural input designated for possible multilateral duty elimination in the "Zero for Zero" initiative supported by the United States. Thus, revenues from duties on this product may be eliminated through this avenue in the future even if duty were not suspended under this bill.

NO DOMESTIC INDUSTRY

There are no manufacturers of MCPA in the United States. Because MCPA is not domestically produced and is used in crop protection for numerous agricultural crops grown in the United States, the market demand will continue to be met by imports. There are no grounds on which to anticipate significant changes in import levels resulting from continued duty suspension.

BENEFITS OF DUTY SUSPENSION

Because MCPA has a substantial end use as an input for agricultural application and production, the cost savings from continued duty suspension are strategically important to agricultural commodity growers who experience significant price and cost pressures. These duty savings in part will ultimately benefit the end consumer.

The imported MCPA also is involved in significant downstream production activity in the United States. Imported acid product is further processed into amines and esters, or blended into branded product and other active ingredients, or formulated into lesser concentrates of amines and esters at numerous general formulators throughout the United States. Approximately ten formulators in the United States with over 20 operation sites, in addition to approximately 2 to 3 local smaller or family owned blenders per state throughout the United States benefit from lower costs from duty free product.

The suspension of duty on MCPA also creates export activity for US producers and formulators. As you are aware, the North American agricultural commodity market is a major market for agricultural inputs, including crop protection materials. US producers and formulators of MCPA based products have more competitive access to the significant Canadian and Mexican markets with the suspension of duty.

Hon. Phil Crane, Chairman
June 6, 2002
Page 3

Presently under NAFTA requirements, when imported product enters the United States duty free under bond for formulating or further processing (i.e., a TIB under HTSUS 9813.00.05), any subsequent export to a NAFTA country triggers payment of US duty on the base material entered under bond as if it were entered for consumption in the United States. (19 CFR 181.53(A)(2)(i).) That relatively high 6.5% duty must be born in any cost structure of exports to Canada or Mexico, and therefore makes US produced product less price competitive. With US duty suspended on imported MCPA, producers and formulators in the United States can export more competitively a wide variety of blended and formulated products in North America without this cost burden

REVENUE NEUTRALITY

No duty revenue is being realized presently as a result of the current duty suspension effective through 2003. Because MCPA is applied as an agricultural input, and therefore is subject to highly variable factors that affect the agricultural market, it is impossible to predict estimated levels of dutiable imports for years after 2003. However, increased 2001-2002 import levels and current high U.S. inventory levels in the unexpected continuing difficult agricultural market suggest that future import levels are likely to stabilize at pre-2001-2002 levels, if not retract from those levels considered for revenue loss in the last suspension legislation.

RETROACTIVITY

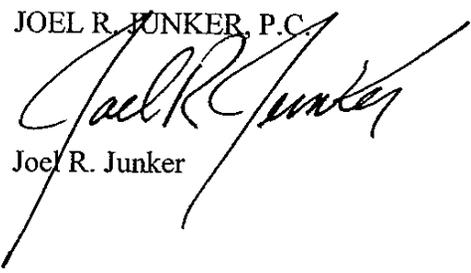
There is no retroactive effect from this legislation.

CONCLUSION

For the above stated reasons, Nufarm America's, Inc. strongly supports the continued suspension of duty on MCPA in H.R. 4485 for inclusion in the miscellaneous trade package legislation.

Respectfully submitted,

JOEL R. JUNKER, P.C.


Joel R. Junker

JRJ/slh