March 24, 2025

The Honorable Jamieson Greer
Ambassador
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

Subject: Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance

Reference: USTR–2025–0002

Dear Ambassador Greer:

The North American Export Grain Association (NAEGA) appreciates the opportunity to comment on the above referenced proposal published in the Federal Register on February 27, 2025. NAEGA is pleased to be joined in these comments by the National Grain and Feed Association (NGFA) and the National Oilseed Processors Association (NOPA).

Founded in 1912, NAEGA is the trade association representing exporters of bulk shipments of agricultural commodities and their derivative products, including but not limited to grains, oilseeds, soybean meal and DDGS. In addition, NAEGA is home to the NAEGA 2 Free on Board (FOB) Export Contract (NAEGA 2) and its Addendum No. 1 (Load Rate Guarantee) which are used by Sellers with their buyers in virtually all FOB sales of bulk agricultural commodities from the United States.

The National Grain and Feed Association (NGFA), established in 1896, consists of grain, feed, processing, exporting and other grain-related companies that operate facilities handling U.S. grains and oilseeds. Its membership includes country and export grain elevators; feed and feed ingredient manufacturers; biofuels companies; grain and oilseed processors and millers; exporters; livestock and poultry integrators; and associated firms that provide goods and services to the nation's grain, feed and processing industry.

Organized in 1930, the National Oilseed Processors Association (NOPA) represents the U.S. soybean, canola, flaxseed, safflower seed, and sunflower seed-crushing industries. NOPA's membership is engaged in the processing of oilseeds for meal and oil that are utilized in the manufacturing of food, feed, renewable fuels, and industrial products. NOPA's 17 member companies operate over 70 softseed and soybean solvent extraction plants across 21 states, crushing over 95% of all soybeans processed in the United States, the equivalent to more than 2 billion bushels annually.

Support Objective of Increased U.S.-built Vessel Capacity

The members of NAEGA, NGFA and NOPA are acutely aware of the need to reduce vulnerabilities in critical supply chains, including food and agriculture, and welcome the U.S. government's focus on restoring domestic shipbuilding capacities. As USTR's report outlines, China's dominance in the maritime, logistics and shipbuilding sectors has been achieved through non-market practices over a series of decades. As a result, the bulk freight fleet is nearly 50% Chinese built.

Request to Consider Alternative Approaches

As associations whose member companies rely on the global bulk freight fleet, we encourage the Administration to prioritize this issue to advance U.S. national security interests. However, *we ask that the U.S. government consider alternative approaches that stimulate domestic shipbuilding as opposed to port entry fees and export restrictions that will penalize U.S. agriculture to the benefit of global competitors*.

Our request is in part influenced by the fact that the proposed actions have already had an impact on global grain and oilseed trade. Within days of USTR's publication of these proposed actions, the global freight market seized for U.S. exporters of agricultural commodities, limiting options to secure vessels beyond late April/early May, increasing ocean freight costs by upwards of 40%, and causing U.S. agribusinesses to lose new sales to international competitors. This is reducing export revenue, which supports the upstream agricultural and rural economy through inland transportation, processing, manufacturing, and production agriculture. If adopted as proposed, ag exports, revenue and production would be considerably reduced and significantly limit agriculture's ability to positively contribute to reducing the U.S. trade deficit.

The USTR proposal lays out an intent to implement a range of port-entry fees and escalating requirements on the use of U.S. flag vessels and U.S. built vessels, respectively. USTR specifically requests comments about whether the proposed fees or restrictions on services are appropriate, including the type of services to be subject to fees or restrictions, the level of fees or restrictions, the structure of any fees, restrictions, or reimbursement of fees on services.

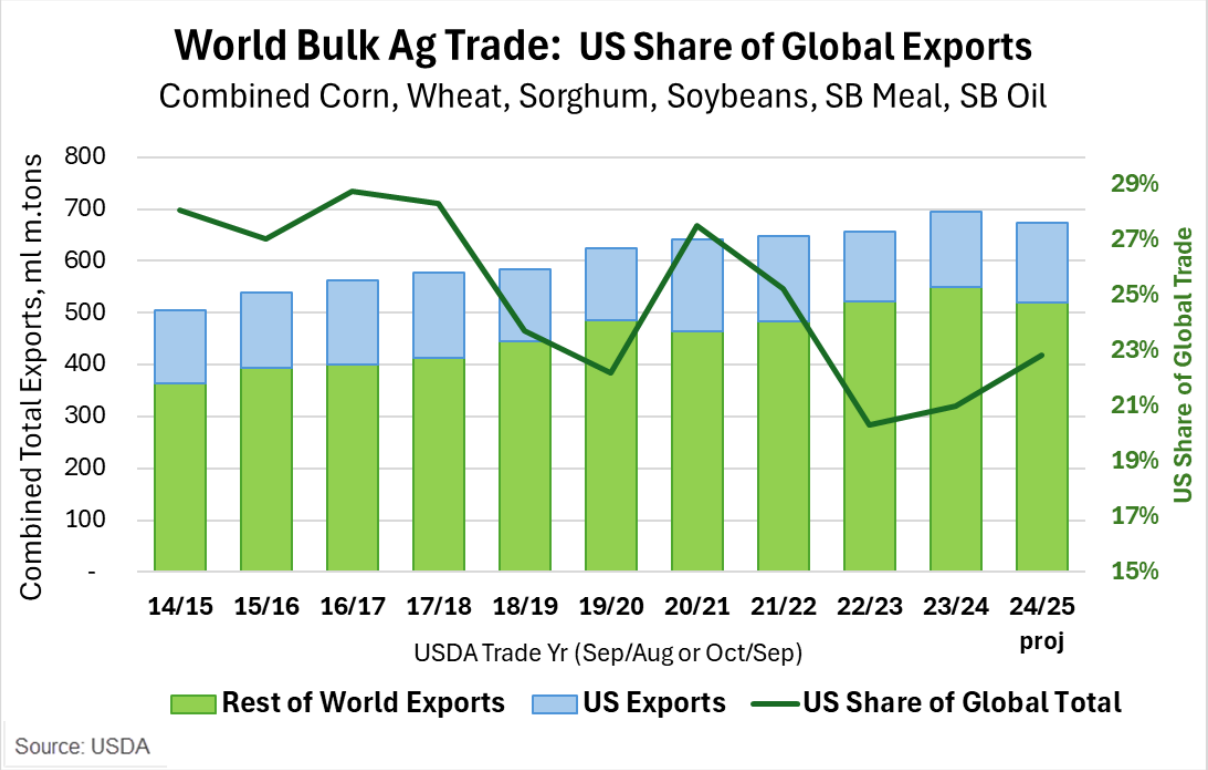
The Global Trade in Agricultural Commodities

U.S.-grown agricultural commodities have a long history of meeting the food and feed needs of growing populations. Global trade connects the United States' fertile soils, modern agricultural practices and skilled farmers with the opportunity to sell to countries who do not enjoy these same benefits.

However, trade in agricultural commodities doesn't just happen. Trade in agricultural commodities is both highly competitive and price sensitive – it is also a high volume, relatively low margin business, even in good market conditions. Together with our value chain partners – most critically American farmers – our company members make up the private sector commercial trade that originates grains and oilseeds from U.S. producers to handle, process, store and deliver the commodities and their co- and by-products to domestic and export markets. Collectively, this agricultural value chain has made the United States a world leader in the international trade in agriculture commodities and our member companies are a vital part of the U.S. economy. Every year, U.S. farmers produce over 130 million metric tons of

oilseeds, and over 450 million metric tons of grain.[1] U.S. imports of grain and oilseeds are negligible and exports are significant with 60-70 mmt of soybean production and 100 mmt of grains destined for export markets. As well as putting high-quality, healthy food on American families' plates, the export of grains, oilseeds, their co- and by-products alone supports over 450,000 American jobs, adding $174 billion to the U.S. economy.[2]

In 2024, the U.S. exported $191 billion in U.S. agricultural and related products. More than 70 percent of the ag exports were waterborne and moved by vessels through 29 customs districts and numerous ports. At $66.2 billion, grain, oilseeds and byproducts made up more than one-third of agricultural exports by value in 2024. Only, $1.1 billion in grain, oilseeds and byproducts were imported making the U.S. grain and feed industry a net export contributor of $65.1 billion. On the bulk side, the vast majority of vessels exporting U.S. agricultural commodities arrive at U.S. ports empty which would make the proposed vessel fees a direct tax on exports. Importantly, exports of grains, oilseeds and byproducts are major contributors to positive trade balances and the port fees on vessels or premiums on the remaining fleet jeopardize these exports.



The US makes up a significant share of the global bulk ag trade, but it has been declining from 27%-29% 10 yrs ago, to recent years at 20%-23%. As other exporting countries would not be subject to the same higher freight fees, the U.S. would have a potentially insurmountable bar to clear in the already extremely competitive international marketplace for agricultural commodities.

Loss of export demand would further erode commodity prices for farmers. While exports represent about 25% to 40% of demand for various commodities, it is that demand that is very influential in establishing market clearing prices and strengthening commodity values for farmers.

[1] https://apps.fas.usda.gov/psdonline/app/index.html#/app/home
[2] U.S. Agricultural Trade - U.S. Agricultural Trade at a Glance | Economic Research Service

Proposed Fees would not Address China's Policies; the Fees would Reduce Exports and Diminish Agriculture's Role in Reducing America's Trade Deficit

While we embrace the investigation's findings and recognize the importance of addressing China's non-market practices appropriately, our analysis of the proposed actions makes clear that any one of the fee proposals, if enacted, make U.S. exports of agricultural grains, oilseeds and their derivative products uncompetitive in global markets. There are not enough U.S.-built vessels for exporters to comply with the proposed measures, which would result in U.S. exporters losing market share to foreign competitors, especially favoring those in South America.

The effects of lost markets would certainly affect U.S. farmers as can be illustrated from a North Dakota State University assessment of 2025 production cost data. The study finds that direct costs for planting in 2025 are estimated to be $3.07 per bushel (or $121 per ton).[3] With new crop (October 2025 onwards) corn bids currently around $3.89 per bushel, as indicated by market data,[4] this results in a gross profit margin of $0.82 per bushel. It should be emphasized that this calculation of gross profitability does not take into account interest expenses on land, amortization, and rental fees, which significantly affects net profitability - and makes it negative. The NDSU report does not take into consideration the added costs of vessel fees which would further erode the anticipated cost of production for farmers.

The effects of lost markets would extend further throughout the agricultural value chain to include: exporters of grains, oilseeds and their derivative products (ethanol, DDGS, corn gluten feed, soybean oil and soybean meal); longshoremen and related export services providers; barge and rail transportation providers; processors and millers; and terminal and country elevators.

We thus request that USTR reject the adoption of any of the proposed fees and instead reopen its consideration of actions that would directly address the Chinese dominance in shipbuilding.

Our conclusions are not made lightly. They are drawn from an independent economic analysis on the effect a static $1 million fee would have on our exported commodities by assessing: the availability of U.S. bulk freight; the global fleet size and composition (country of build) for bulk freight; and a historical view of competitiveness and price sensitivity data sets. The results of the analysis clearly support the conclusion that enacting any of the fees proposed would result in what would be a punitive tax on exports, fully borne by the US agricultural value chain and US farmers. We expect this would significantly grow the United States trade deficit in agriculture, which is counter to the Administration's stated goal of reducing the agriculture trade deficit.

Vessel Availability - Global Fleet of Bulk Carriers

The current fleet of bulk carriers of all classes (including Supramax, Panamax, Handysize, Laker) globally and believed to be available to all industrial users of bulk ocean freight is approximately 21,000 vessels, of which only seven are flying the US flag and only five were built in the US.[5]. Approximately 48 percent of the global fleet is Chinese built and just 0.2 percent of the fleet is U.S. built.

[3] See: https://www.ndsu.edu/agriculture/sites/default/files/2025-01/ec1657_0.pdf
[4] See: https://www.mrga.com/grain/cash-bids
[5] Source: Clarksons shipbrokers

The following two charts provide insight into monthly bulk vessel shipments from U.S. ports from March, 2022 through February, 2025. Total U.S. demand for bulk carriers is consistently between eight and ten percent of total global freight vessels available.

Chart 1

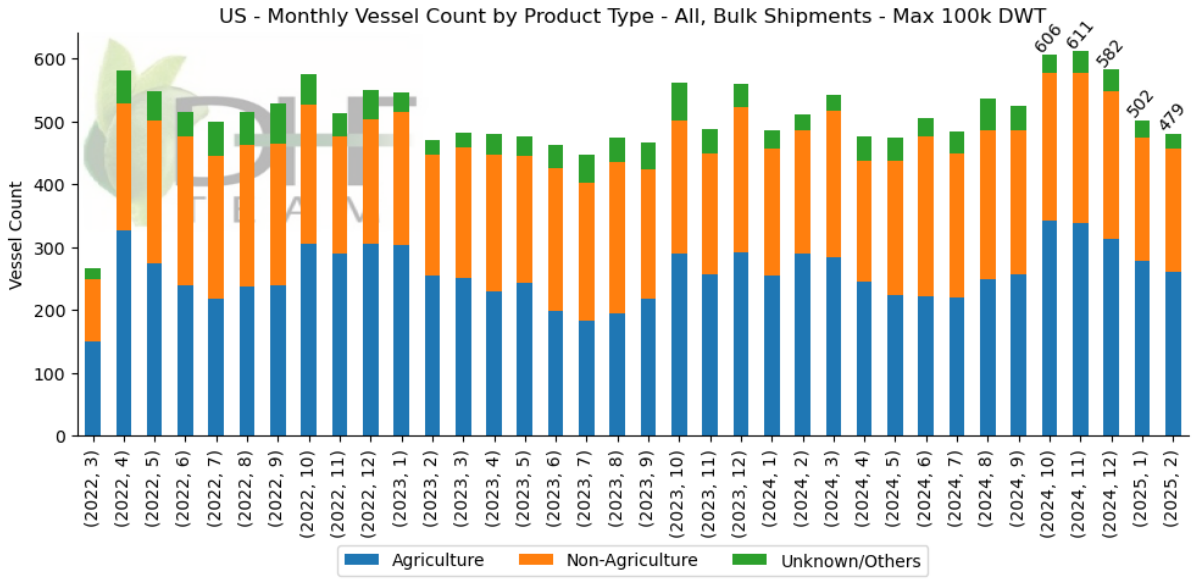
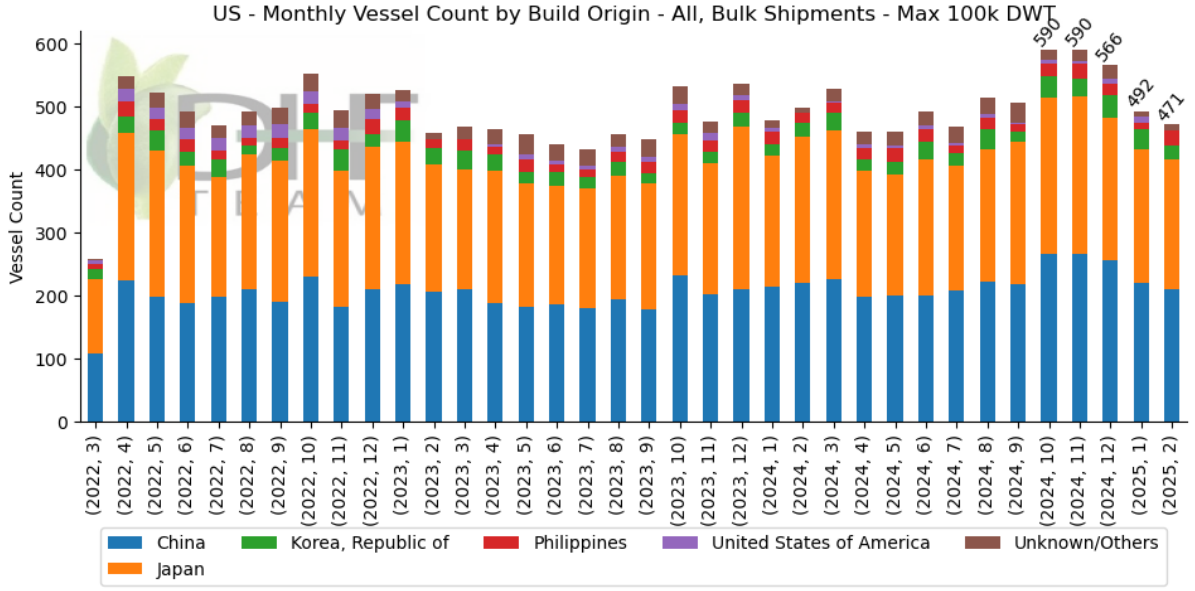
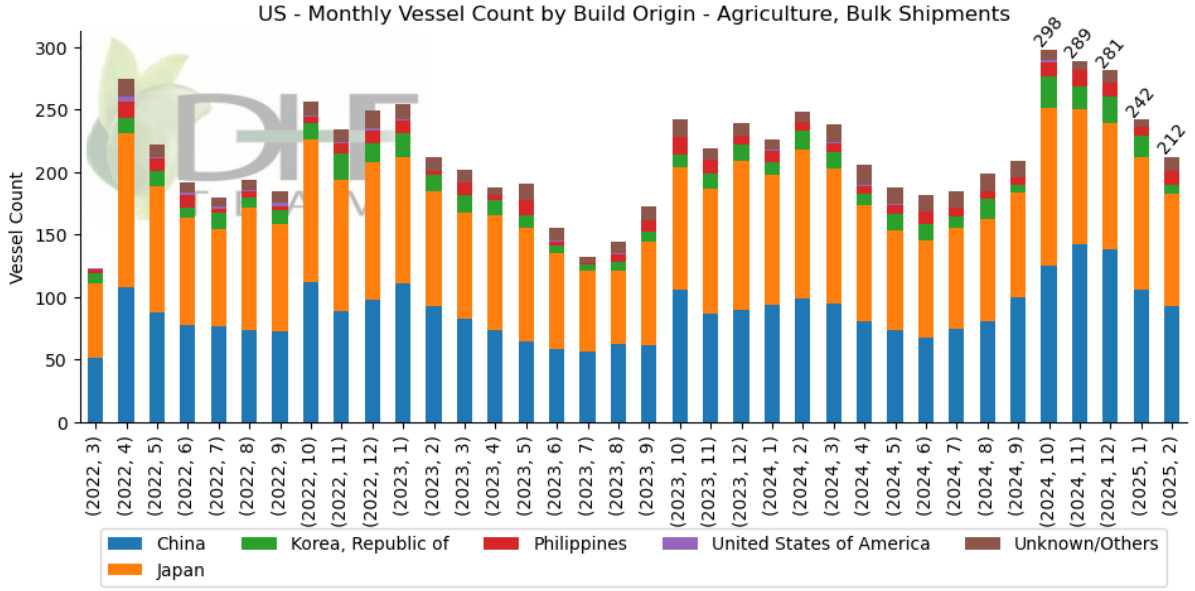


Chart 2



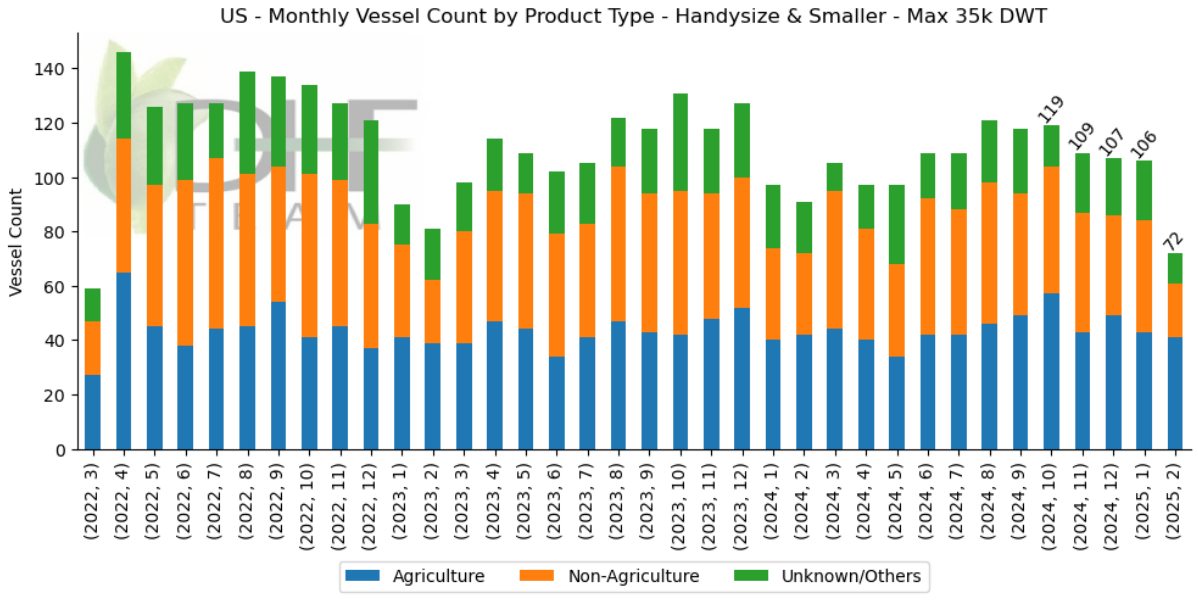
Removing the “non-ag” and “unknown” shipment data reveals a direct view into the composition of vessels used to export U.S. agricultural commodities. For purposes of these data sets, bulk shipments include bulk grains and oilseeds, as well as derivative products such as soybean meal, DDGS, gluten feed and soybean oil. Notably, agricultural bulk commodity exports consistently account for 40% - 50% of total bulk carrier demand for exports.

Chart 3



The market for agricultural bulk carrier shipments can be further segmented to identify the number of vessel shipments by Handysize and smaller. These vessels are often used in shipments to customers in the Caribbean and Gulf of America or for shipments from the Great Lakes. Because of their smaller size, any fees applied would have outsized impact on these trade flows. The number of vessel port calls per month is again roughly 40% - 50% of the bulk carriers used for agricultural commodity shipments.

Chart 4



Cost per Ton

The analysis of the vessels carrying U.S. exports of bulk agricultural commodities also included tonnage carried by vessels built in China. This additional data allowed us to evaluate the effect of a static $1 million fee on each vessel and the resulting ***additional cost per ton of exported agricultural commodities***. The analysis concludes:

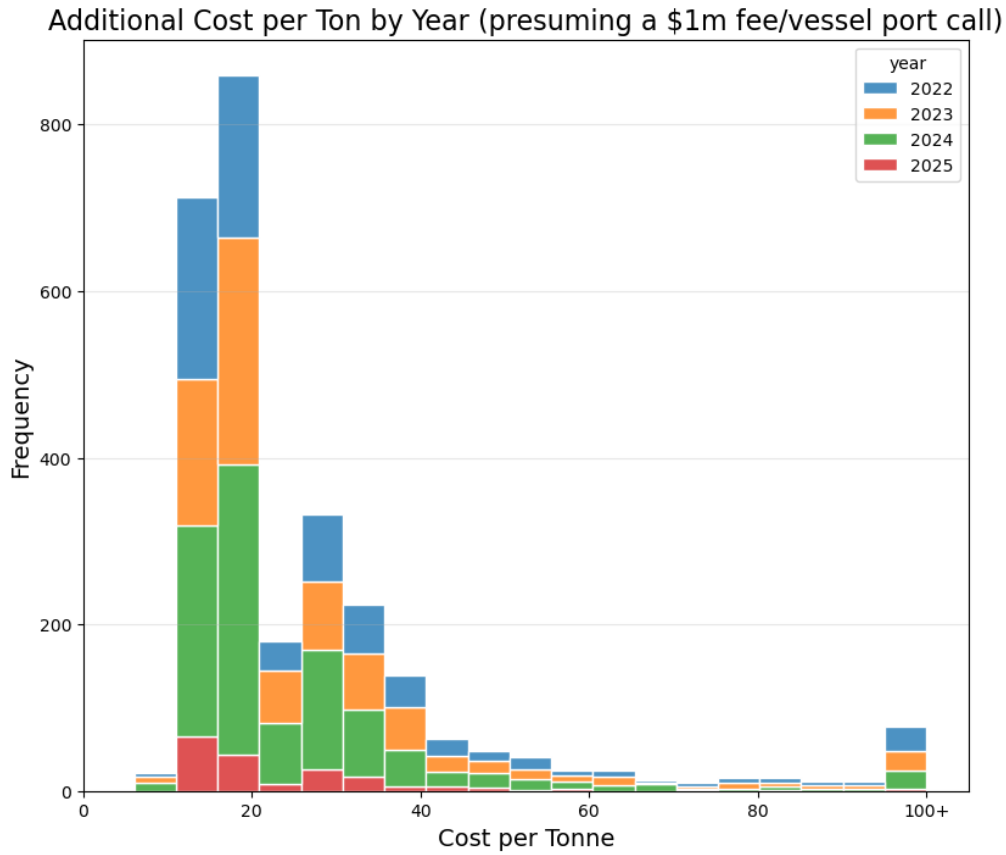
- The additional costs range from $3/ton to $198/ton each year.

- Panamax vessels shipping 50,000 mt to 70,000 mt of commodities likely would see an additional cost/ton in the range of $15-$21.
    - This translates to approximately 50 cents per bushel. For context, nearby CBOT corn futures are trading at about $4.50/bushel.

- The expected cost increase is more burdensome on smaller vessel classes, those that service nearby destinations.
    - For vessels of 7,000-10,000mt, the added cost ranges from $100 - $198/ton.
    - This would make the United States uncompetitive in our own backyard.

- The cost increases are projected to decrease U.S. agricultural exports and U.S. farm production. The reason for the reduced production is because reducing exports (demand) reduces prices and farmers would produce less at the lower price levels.
    - U.S. wheat production is estimated to decrease by 32.83% due to the loss of exports by 64.39%. This would reduce wheat production revenue for farmers by about $3-$4 billion per year.
    - U.S. soybean production is projected to decrease by 18.17% due to reduced exports of 42.23%. Farmers' soybean production revenue would decrease by approximately $10 billion per year.
    - U.S. corn production is anticipated to decrease by 3.57% due to reduced exports of 8.78%. The production revenue for corn farmers would decrease by about $3 billion annually.

Chart 5



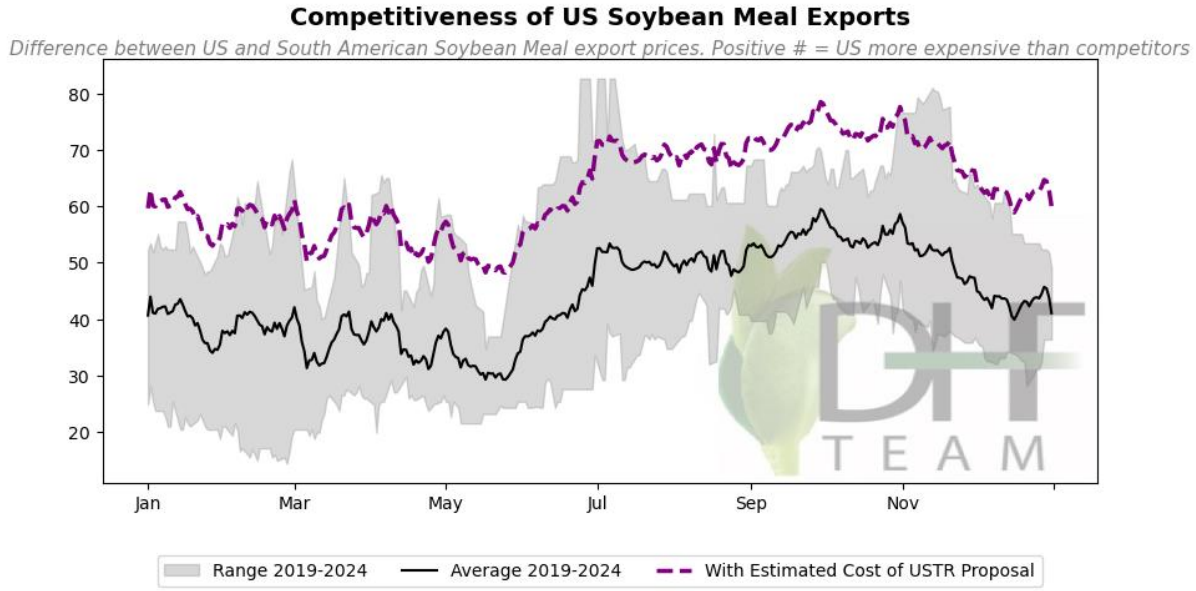
This distribution charts showing the estimated cost per ton for each bulk ag commodity vessel shipped from the U.S. over the past 4 years, shows a vast majority of ag shipments from the U.S. would see cost increases from $15 to $40 per metric ton.

The charts show that in most years, the U.S. must win agricultural commodity export business based on price competitiveness. Agricultural commodities produced in different global origins have slightly different characteristics that may affect value, but generally they are considered fungible, and the lowest price and transportation cost combination dictates export business.

U.S. Price Competitiveness v. Key Competitors

The following charts show historical competitiveness of US ag exports compared to the main competitor exporting countries. They are simply the price of US ag exports historically minus the price in the main alternative exporting country. There are normal price differences due to quality and shipping times that often result in US commodities capturing a premium to other exporters, particularly for soybean meal and HRW (Hard Red Winter Wheat) which puts the U.S. product at a premium to other countries. Corn and SRW Wheat are more generic in quality and U.S. supplies must compete equally on price, after adjusting for freight cost differences.

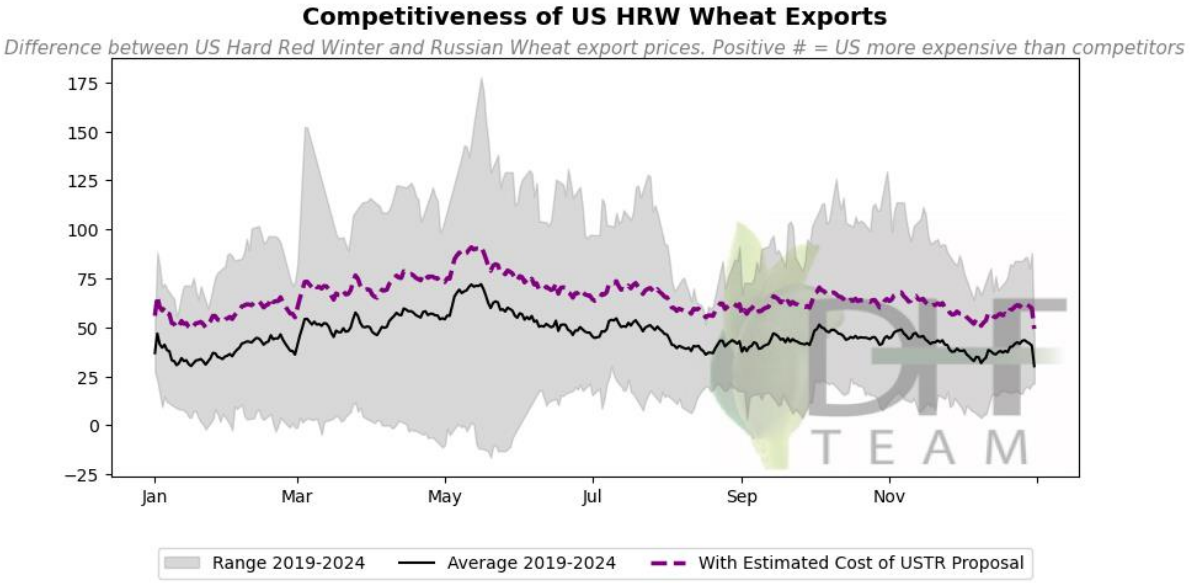
Chart 6



As shown above, in most of the past 10 years, the price difference between US soybean meal and South American soybean meal has been a $20 to $50/ton premium (due to higher U.S. quality and shorter shipping times to Asia). The proposed additional freight fees could double that difference , making U.S. uncompetitive against our competitors

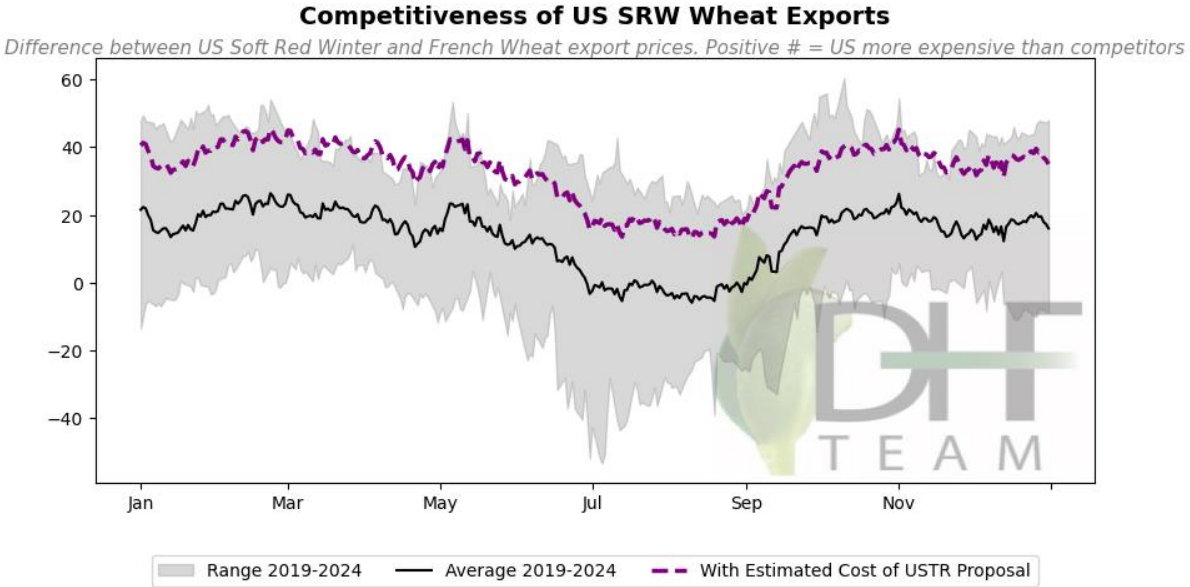
Another such comparison would be U.S. HRW Wheat (Hard Red Winter, produced in KS, TX, and OK , generally shipped from the Texas Gulf) vs Russian wheat (see below). U.S. wheat can be competitive with Russian at up to a $25-$30/ton premium on a fob basis due to quality (usually higher protein). But an increase of $20-$40/ton in freight fees (proposed port fees) would result in US HRW needing to sell at a discount to Russian wheat, in spite of higher quality, to overcome the additional shipping costs to importers.

Chart 7



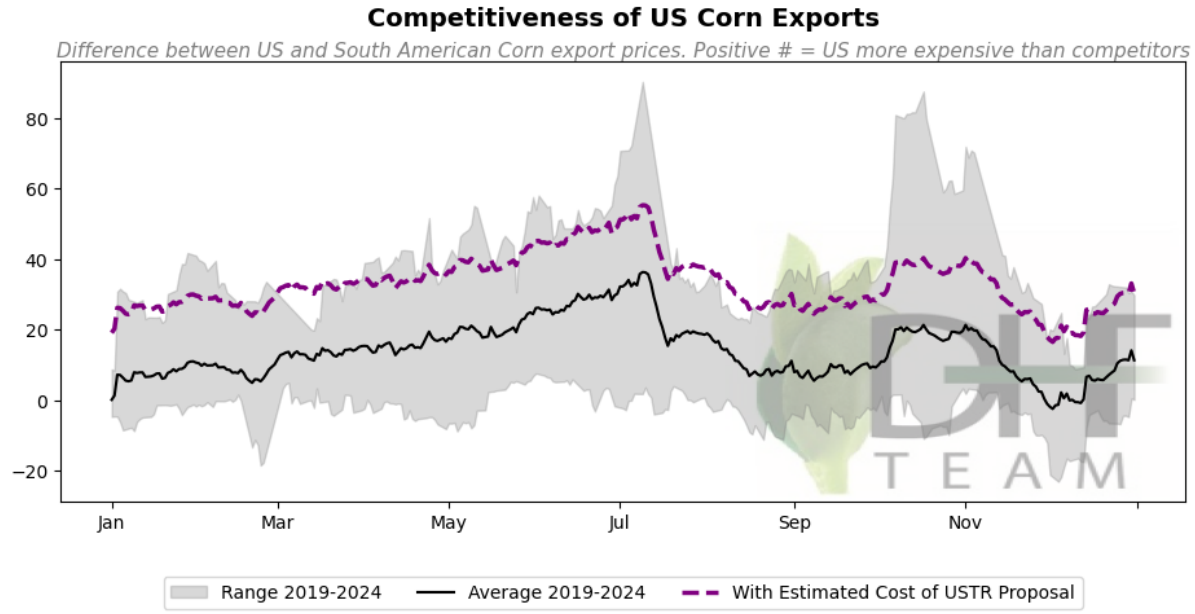
Eastern U.S. Soft Red Winter Wheat (SRW), grown mainly in OH, IL, IN, and MI, competes mostly with French wheat exports, and has been losing market share over time. French wheat often prices seasonally at a discount to US SRW , but U.S. SRW exports are often competitive during summer months, just following U.S. harvest. So additional US freight costs would only hasten the export market share loss for U.S. SRW farmers.

Chart 8



US corn exports compete mainly with Brazil and Argentine corn, and the latter countries have been expanding production and export market share rapidly over the past 15 years. The price difference between United States and South American corn is typically only +/- $20/ton, compared to the increase in proposed freight fees of +$20 to +$40/ton, requiring US corn prices to decline in order to maintain competition with South American supplies.

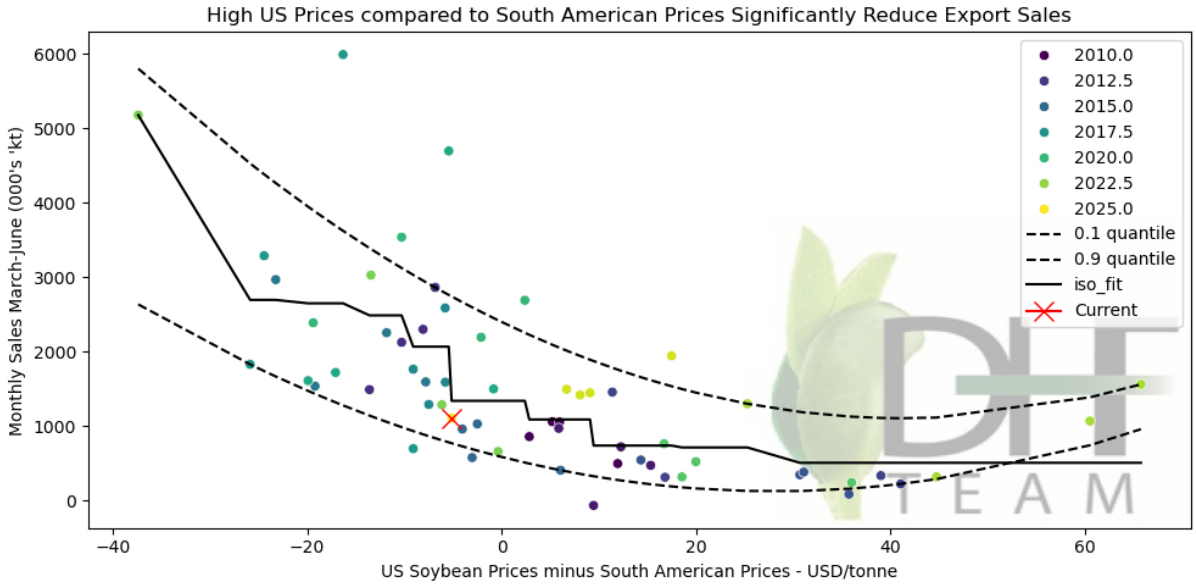
Chart 9



Sensitivity of U.S. Export Sales to Competition

This next chart highlights how much US export sales increase when U.S. soybeans are priced at a discount to Brazil, which at most has been up to $40/ton discount in recent years. A $20-$40 range on additional freight fees would negate even the biggest historical discount for U.S. vs Brazil, making it very difficult for U.S. soybeans to capture large export sales volume.

Chart 10



Over the last 40 years, Brazil's soybean production has grown by 1,200 percent. Each time a U.S. policy contracts U.S. grains and oilseeds production, such as with an embargo or other trade action or a supply control, Brazil fills the void. Brazil still has more arable land that can come into production and once the land is in production it stays. Forty years ago, the United

States had two-thirds of the world's soybean export share and Brazil only had 14 percent. While the volume of trade has increased, the roles have reversed and Brazil now has almost 60 percent and the United States has 27%. Competition in grains and oilseeds is much stronger today than in any time in history and any policy changes to disadvantage U.S. exporters will have a longstanding, significant impact.

Containers

In calendar year 2024, the United States exported approximately 175 million metric tons of grain, oilseeds and byproducts. This compares to about 575 million metric tons of production of grain and oilseeds. Thus, almost 1/3 of U.S. grain and oilseeds are exported. While bulk vessels are the predominant conveyance for grain and oilseed exports, containers are a significant conveyance and more than 10 million metric tons of grain and oilseeds valued at almost $9 billion were shipped via containers in 2024. Containers are especially important for U.S. ag exporters of grain and oilseeds with more specialized characteristics and also for their byproducts, such as DDGS and soybean meal.

DDGS for example commonly moves in either bulk or containers depending on price and customer need. DDGS has production of roughly 38-40 million metric tons per year and nearly 30 percent of the production is exported to over 50 countries. The export market of DDGS is critical for the US ethanol industry as it provides an outlet for a coproduct. However, due to availability of competing feed ingredients from numerous origins around the world, the proposed port fee makes it unlikely U.S. ethanol plants that rely on export markets would be able to clear their DDGS production. The loss of the export market for U.S. DDGS would cause some ethanol producers to reduce production or shutdown and others to try and pass along the added costs to U.S. farmers and U.S. fuel customers.

Further complicating matters, U.S. containerized agricultural exports are especially vulnerable to cutbacks in U.S. imports as they depend on the backhaul for price competitiveness. Given this vulnerability, it is important for U.S. containerized exports to also receive an exemption if the port fee proposal is implemented. This is to ensure there is a market incentive for container owners to make an adequate amount of containers available for U.S. agricultural exporters.

Conclusion of Analysis

Based on our analysis, there is clear evidence that the proposed fees are an inappropriate tool to addressing the concerns over Chinese policy as it relates to the export of U.S. agricultural products. In fact, the proposed fees would be punitive in their effects on U.S. exporters, U.S. labor and logistics support, U.S. agricultural processing, and ultimately on the U.S. farmer.

Our conclusions remain unchanged even if USTR were to pursue the imposition of fees on Chinese-built vessels exclusively. Based on market reaction to date, removal of the Chinese-built fleet will shrink the available supply of vessels for U.S. exports by about 50%. The demand for bulk vessels by U.S. industrial sectors is such that we expect there would be significant risk premiums, perhaps capped only by the amount of the fees on Chinese built vessels. Notably, these additional freight costs on U.S. exports would provide a clear benefit to competing nations, providing a significant advantage in freight costs for agricultural exporters in the other regions around the globe.

Evaluation of Proposals for Restrictions on Services To Promote the Transport of U.S. Goods on U.S. Vessels

The proposed actions also include proposals to promote the transport of U.S. goods on U.S. vessels. We believe such proposals, must be reconsidered. To comply with the scheduled

requirements, significant government support will be necessary to achieve sufficient capacity to service the demand required by the proposal.

Implementation of compliance obligations will also need to be taken into consideration. One proposed action would impose increases in the percentages of exports required to be shipped on U.S. flag and U.S. built vessels over a seven-year period. It appears that USTR envisions compliance to fall on exporters directly although it is unclear how that could be achieved.

Analysis of the Global Bulk Carrier Fleet and U.S. Export demand for freight

Today, the global bulk carrier fleet includes approximately 21,000 vessels, of which only seven are flying the US flag and only five were built in the US. Each month, 600 bulk vessels export goods from U.S. ports and there are between 2,000 and 2,400 port calls made to US ports by bulk carriers specifically to export US agricultural commodities.

US exporters would welcome the addition of US-built bulk carriers to achieve the objectives contained in the proposal. Any action that increases capacity of U.S. built vessels to the ocean freight market could provide welcome capacity and would be more likely to address the underlying practices on the part of the Chinese government.

Cost increases resulting from U.S. vessels obligations

It is estimated the U.S. would need 900+ Handymaxes, 400 Panamaxes, or a combination thereof, within three years under the proposal in order to assure that all companies would have access to a supply that is both readily available and competitive. None are currently being built or planned to be built in the U.S. in this time period.

Cost competitiveness of this endeavor is a concern. Analysts conclude that it costs 4-5 times more to build an ocean vessel in the United States than in most foreign locations. Given that differential it is likely that the proposed action would require ongoing government support to bring US freight bids closer to the global market price. Absent such support, costs for U.S. agricultural commodities would be uncompetitive and exports may be further depressed as exporters work to meet their compliance obligations.

Moreover, U.S.-flagged and operated vessels are currently not competitive in the global market. As it stands, U.S.-flagged vessels cost $7 million more to operate each year than equivalent internationally flagged vessels.[6] In 2011, the U.S. Department of Transport Maritime Administration found that U.S.-flagged vessels' operating costs were over six times greater than those of equivalent internationally flagged vessels.[7] Those additional costs, while significant, are more likely achievable than a failure to address the vessel build cost differential.

Disruption resulting from failure to meet production targets for U.S. vessels

While we commend the administration's efforts to boost U.S. industry and shipbuilding capacity, we are concerned that the economic viability and reliability of the commercial agriculture trade will depend on an exponential increase in the output of U.S. shipbuilding.

Therefore, any action taken to enact the proposed volume requirement must be tied to the actual availability of US-flag and US-built vessels. In doing so we highlight the following:

---

[6] https://www.gao.gov/assets/gao-20-178.pdf.
[7] https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/resources/3651/comparisonofusandforeignflagoperatingcosts.pdf.

1. U.S. shipyards produced 15-25 ships annually during their peak in the 1970's; even with such production levels it would take years, if not decades to have enough U.S.-built vessels to meet the demand from U.S. ag exports.[8]

2. The current U.S. dry bulk fleet is not sufficient, even if it were operating at 100% capacity on a continuous basis, it is only capable of carrying 0.02% of U.S. export shipments.

Summary and Conclusion

Based on the analysis presented here, we respectfully urge the administration to reconsider the unintended consequences of the proposed actions and develop alternatives that address concerns over China's unfair practices without harming U.S. farmers, exporters, and the entire U.S. agricultural value chain by making U.S. agricultural commodities uncompetitive globally.

We would welcome action to incentivize and accelerate the addition of U.S.-built vessels, providing much needed capacity on the ocean freight market and would directly counter the underlying unfair practices on the part of the Chinese government.

If, however, USTR decides to implement fees and impose restrictions as outlined in the proposal, we request an exemption for agriculture. Exports, to maintain U.S. competitiveness; and imports for products necessary to support production agriculture and the animal feed industry. Without such relief U.S. agriculture and the positive impact it has on the broader the U.S. economy would suffer significantly.

We stand ready to continue to support the Office of the United States Trade Representative and thank you for your efforts to address this important concern.

Yours sincerely,

Alejandra Castillo
Alejandra Castillo (Mar 24, 2025 08:00 EDT)

Alejandra Castillo
President & CEO
North American Export Grain Association

Michael Seyfert

Michael J. Seyfert
President & CEO
National Grain & Feed Association

Devin Mogler
Devin Mogler (Mar 24, 2025 07:49 EDT)

Devin Mogler
President & CEO
National Oilseed Processors Association

[8] https://www.csis.org/analysis/threat-chinas-shipbuilding-empire.