

Nitrogenous Fertilizer Quarterly China Report Q2 2021

Issue 2 July 30 2021





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Headline

In mid-April 2021, China's phosphate fertiliser market is about to enter in slack season as usual. Whether the market performance of DAP can remain strong depends on the exports.

In April 2021, Xinyangfeng Agricultural and Hubei Xiangyun revealed their 2020 annual performance. Net profits of both companies grew YoY significantly.

Top DAP enterprise, Yunnan Yuntianhua's net profits in Q1 2021 skyrocketed YoY; net profits of another DAP enterprise, Hubei Yihua, are predicted to ascend YoY.

As hot weather approaches in June, there have been strengthened efforts across China to ensure safety and prevent accidents especially in the wake of the fatal explosion in Shiyan City, Hubei Province. Currently, the efforts are mainly reflected in the restrictions on the transport of HAZMAT. It's expected that the restrictions will get tighter in July.





Editor's Note

As for market analysis, in mid-April 2021, China's phosphate fertiliser market is about to enter in slack season as usual. Whether the market performance of DAP can remain strong depends on the exports. Until the end of June 2021, the average ex-works price of urea in China had risen to USD429/t (RMB2,727/t), with a 20.73% increase MoM when measured by RMB.

As for company dynamics, Chenguang Heze has carried out a project of the tail gas treatment and technical renovation of the ammonium phosphate project line; meanwhile, the company has also conducted potential tapping and technical renovation of the production system.

As for policy, there have been strengthened efforts across China to ensure safety and prevent accidents especially in the wake of the fatal explosion in Shiyang City, Hubei Province in June. Currently, the efforts are mainly reflected in the restrictions on the transport of HAZMAT. It's expected that the restrictions will get tighter in July.

1-2 USD/CNY exchange rates, March 2021–June 2021

Month	USD/CNY exchange rates
March 2021	6.4754
April 2021	6.5584
May 2021	6.4895
June 2021	6.3572

Source: The People's Bank of China





Market analysis

DAP shifts focus to exports from domestic sales in April 2021

Summary: In mid-April 2021, China's phosphate fertiliser market is about to enter in slack season as usual. Whether the market performance of DAP can remain strong depends on the exports.

After the Qingming Festival, as fertilisers for spring ploughing have been released to end markets, domestic fertiliser market in spring also comes to an end. Manufacturers of diammonium phosphate (DAP) still hold intention to support prices given cost support from raw materials, labour and transportation, as well as global demand. However, downstream customers are unwilling to accept the high-level prices at present; purchasing prices higher than selling prices were seen in Northeast China and Northwest China, main selling areas of DAP in spring. In mid-April 2021, China's phosphate fertiliser market is about to enter in slack season as usual. Whether the market performance of DAP can remain strong depends on the exports. DAP prices in different regions in early April are shown as the below table:

2.1-3 DAP prices in different regions in early April 2021

Region	Grade (%)	Quotation, RMB/t	Note
Yunnan Province	64	3,050–3,300	Ex-works price
Hubei Province		3,150	Ex-works price
Guizhou Province		3,100–3,300	Ex-works price
Shandong Province		3,350	Arrival price
Heilongjiang Province		3,400-3,450	Arrival price
Xinjiang Uygur Autonomous Region		3,400-3,500	Arrival price
FOB		540-550	USD/t

Source: RMB/t as price unit unless noted otherwise

Note: CCM

With the experience of fighting against COVID-19 while safeguarding supply in 2020, many dealers replenished inventories in advance of the Spring Festival (mid-Feb. 2021) and ordered a certain amount of DAP at relatively low prices. After the Chinese New year, market prices of DAP raw materials went up significantly, which brought about the following influences: some manufacturers were anxious about transferring the risk of cost surge and were not hesitate to break the order contracts and then raise prices; some dealers gained decent profits. At the same time, these dealers started to sell their products at prices lower than market prices in early March to avoid a possible price drop later. Consequently, DAP purchasing prices higher than selling prices were seen in main selling areas of DAP in





spring such as Northeast China, Northwest China and North China.

With regard to the above circumstance, industry insiders said that DAP has regional and seasonal characteristics and it can be replaced by other fertilisers; in terms of fertilisers for wheat, there is competition between DAP and compound fertilisers. As DAP prices swelled this year, many farmers intended to purchase and use compound fertilisers which are more cost-effective, decreasing demand for DAP. Besides, dealers sold their products at reduced prices in advance, which also contributed to the inversion between purchasing prices and selling prices of DAP. Li Dayong, Vice General Manager of Jilin Yuntianhua Agriculture Development Co., Ltd. said that the number of high towers in Northeast China exceeded 20 and six or seven towers were added in last year; the production capacity of compound fertilisers by prilling tower process increased by more than one million t/a, cutting down demand for DAP and bulk-blended fertilisers. Therefore, DAP prices faced downward pressure under dropping demand although the actual arrival quantity of phosphate fertilisers in three northeastern provinces (Heilong, Jilin and Liaoning provinces) only accounted for 80% as the previous year.

With respect to exports, FOB prices of China's 64% DAP dwindled to USD550/t from USD570/t as enterprises in India and Southeast Asia postponed their procurement plans recently. Some foreign trade personnel said that global phosphate fertiliser prices slid compared with earlier stage, but the demand still remained strong. Domestic manufacturers will shift their focus to exports again when the DAP market enters in slack season. Currently, foreign phosphate fertiliser giants have basically determined their supply flows in April–May 2021; DAP inventories of India and Pakistan are at a relatively low level, only making up a third of those a year ago. Retail prices of DAP in India constantly went up, with an increase of over USD50/t, which also reflected a large supply gap of DAP in the country. Recently, departments of agriculture of Bangladesh stated that they will launch import bidding of 750,000 tonnes to 800,000 tonnes DAP in Q2 and Q3 2021. Given the limited global DAP supply, China's DAP exports enjoy distinct advantages under the present prices.

Overall, China's DAP prices are expected to drop in the near future and FOB prices will remain a high level in the short term and may slip slightly.

Sri Lankan to stop importing chemical fertilizers

News released on 26 April, 2021 by the Ministry of Commerce of the People's Republic of China showed that based on the report on 24 April from the Daily Financial Times, Sri Lankan President Gotabhaya Rajapaksa stated that the nation will stop importing chemical fertilisers very soon as chemical fertilisers have led to water pollution and diseases; the government will take measures to guarantee the production of organic manure to meet relevant needs.

Urea prices in China rise significantly in Q2 2021

Until the end of June 2021, the average ex-works price of urea in China had risen to USD429/t (RMB2,727/t), with a 20.73% increase MoM when measured by RMB. The main reason for the current rise in the prices of urea is the tight supply of its raw material coal, which has limited the production of urea. However, considering the current relatively





weak downstream demand for urea and the influence of policy regulation factors, the prices of urea are expected to rise at a reduced rate in the future.

India shifts to higher DAP subsidies

This time in May, faced with the continually rising fertiliser prices and a possible revival of farmer protests, India government announced a 137% increase in the subsidy on diammonium phosphate (DAP), from Rs511.55 (USD6.99) to Rs1,211.55 (USD16.55) per 50-kg bag. For tonne, it would be Rs10,231 (USD139.75) to Rs24,231 (USD330.98) per tonne. This decision, at the economic and political compulsions, is estimated to cost an additional 147.75 billion rupees (USD2.02 billion) on the DAP subsidy for this COVID-19 suffering country. Previously in April, India had just decided to maintain the DAP subsidies unchanged. (USD1.00 =Rs73.21)





Company dynamics

Two MAP enterprises release 2020 annual performance

Summary: In April 2021, Xinyangfeng Agricultural and Hubei Xiangyun revealed their 2020 annual performance. Net profits of both companies grew YoY significantly.

Xinyangfeng Agricultural Technology Co., Ltd. (Xinyangfeng Agricultural)

On 6 April, 2021, Xinyangfeng Agricultural announced its 2020 annual report, showing that the company's revenues hit USD1.54 billion (RMB10.07 billion), up by 7.94% YoY; net profits attributed to shareholders of the listed company surged by 46.65% YoY to USD145.61 million (RMB955 million). In 2020, Xinyangfeng Agricultural sold 4.79 million tonnes of phosphate and compound fertilisers, edging up by 13.22% YoY. Specifically, the sales volume of phosphate fertilisers swelled by 29.73% YoY to 1.13 million tonnes; the sales volume of conventional compound fertilisers reached 2.94 million tonnes, inching up by 8.72% YoY; the company sold 720,200 tonnes of new type compound fertilisers, up by 9.84% YoY.

Xinyangfeng Agricultural said that the company, regarding international first-class enterprises as benchmarks, will continue promoting product innovation, upgrading marketing channels to increase sales volume of new type fertilisers; it will keep actively addressing 3-Phospho treatment (phosphorus mines, phosphorus chemicals and phosphorus gypsum storages) and phosphorus gypsum conversion and ensure construction of key projects; it will continuously promote the establishment of talent team.

Hubei Xiangyun (Group) Chemical Industrial Co., Ltd. (Hubei Xiangyun)

Hubei Xiangyun publicised its 2020 annual report on 30 March, 2021. During the reporting period, the company's revenues attained USD858.44 million (RMB5.63 billion), slipping by 1.83% YoY; net profits attributed to shareholders of the listed company rising by 58.73% YoY to USD61.30 million (RMB402 million).

Hubei Xiangyun said that the profits in 2020 went up over the same period last year mainly because it had adequate inventories and enjoyed convenient traffic, which indicated its sales and procurement advantages under the influence of COVID-19 epidemic; purchase prices of major raw materials like phosphorus ore, sulphur and sulphuric acid plunged dramatically due to the disease and gross profit margins ascended.

Net profits of Two DAP enterprises in Q1 2021 grow YoY

Summary: Top DAP enterprise, Yunnan Yuntianhua's net profits in Q1 2021 skyrocketed YoY; net profits of another DAP enterprise, Hubei Yihua, are predicted to ascend YoY.

Yunnan Yuntianhua Co., Ltd. (Yunnan Yuntianhua)

On 16 April, 2021, Yunnan Yuntianhua revealed its Q1 2021 report. In Jan.–March 2021, the company achieved revenues of USD2.01 billion (RMB13.21 billion), up by 18.32% YoY; net profits attributed to shareholders of the listed company soared by 4,997% YoY to USD87.67 million (RMB575 million). Yunnan Yuntianhua said that its





performance increased mainly because of its lean management, deep reform and cost control apart from rising prices of products; the company's operation kept improving.

On 29 March, 2021, Yunnan Yuntianhua publicised its 2020 annual report, showing that the company's revenues in 2020 slipped by 3.46% YoY to USD7.95 billion (RMB52.11 billion); net profits attributed to shareholders of the listed company surged by 79.09% YoY to USD41.47 million (RMB272 million). In Jan.–Dec., Yunnan Yuntianhua produced 4.89 million tonnes of ammonium phosphate (monoammonium phosphate (MAP) & diammonium phosphate (DAP)), up by 5.66% YoY; the sales volume of ammonium phosphate hit 4.99 million tonnes, a YoY increase of 10.31%.

Yunnan Yuntianhua disclosed that the company plans to produce 6.19 million tonnes of phosphate and compound fertilisers, 12.82 million tonnes of phosphorus ore and 520,000 tonnes of feed grade calcium hydrogen phosphate in 2021, with expected sales volume reaching 6.23 million tonnes, 3.95 million tonnes and 540,000 tonnes respectively.

Hubei Yihua Chemical Industry Co., Ltd. (Hubei Yihua)

On 1 April, 2021, Hubei Yihua announced its performance estimation in Q1 2021. Net profits attributed to shareholders of the listed company are predicted to be USD30.50 million–USD36.59 million (RMB200 million–RMB240 million), turning losses into gains compared with USD-28.82 million (RMB-189 million) during the same period last year. Hubei Yihua made up losses in Jan.–March 2021 as the company raised production rates of production equipment and market prices of major products went up.

On the same day, Hubei Yihua released its preliminary financial data for 2020. During the reporting period, the company's revenues reached USD2.10 billion (RMB13.81 billion), down by 5.83% YoY; net profits attributed to shareholders of the listed company declined by 28.99% YoY to USD17.84 million (RMB117 million). Hubei Yihua said that in H1 2020, some production devices suspended production or ran under reduced loads due to the COVID-19 influence and some enterprises postponed resumption of work and production, giving negative impact on its performance. In Jan.–Dec. 2020, market prices of its major products like polyvinyl chloride, urea and DAP displayed a fall-rise pattern, which had a positive impact of its performance.

Chenguang Heze's MAP technical renovation project

In May 2021, Lingbao Chenguang Heze Phosphorus Industry Co., Ltd. (Chenguang Heze) has carried out a project of the tail gas treatment and technical renovation of the ammonium phosphate project line; meanwhile, the company has also conducted potential tapping and technical renovation of the production system. This project, with total investment of USD2.36 million (RMB15 million), is predicted to be completed in Aug. 2021. At that time, Chenguang Heze's capacity of monoammonium phosphate (MAP) will increase from 200,000 t/a to 300,000 t/a.





Policy

Many places in China place transport restrictions

Summary: As hot weather approaches in June, there have been strengthened efforts across China to ensure safety and prevent accidents especially in the wake of the fatal explosion in Shiyang City, Hubei Province. Currently, the efforts are mainly reflected in the restrictions on the transport of HAZMAT. It's expected that the restrictions will get tighter in July.

As hot weather approaches, there have been strengthened efforts across China to ensure safety and prevent accidents especially in the wake of the fatal explosion in Shiyang City, Hubei Province. In addition to implementing inspections to eliminate safety hazards in major industries, many local governments have started to forbid or stop transport of hazardous materials (HAZMAT). For example, Beijing forbids transportation of hazardous chemicals across the city from 20 June to 2 July. Shanghai also bans unnecessary transport of HAZMAT. Other provinces and cities have done the same.

- Henan Province bans the HAZMAT transport carriers from driving on the section of Jinggang'ao Expressway between Zhenzhou Entry (the intersection of Jinggang'ao Expressway and Lianhuo Expressway) and Anyang Entry (the crossing of Henan Province and Hebei Province) from 0:00 on 20 June, 2021, to 6:00 on 2 July. At the controlled access section, the HAZMAT vehicles should be stopped at the toll gates, and detour to other expressways or leave the expressway from the nearest exit. The trucks that ship gas or oil to the expressway service areas on the controlled access section should take the nearest route to deliver the loads from 8:00 to 20:00 during the controlled period.
- Hunan Province denies buses and HAZMAT transport carriers access to the expressways within the jurisdiction of Yueyang city for a certain period of time from 21 June to 5 July, 2021. To be more specific, HAZMAT carriers are denied access from 22:00 to 6:00 the next day during the controlled period.
- On 18 June, Shanghai issued an emergency notice on further strengthening the control of road transport of HAZMAT. According to the notice, from 0:00 on 20 June, 2021 to 24:00 on 2 July, 2021, all non-essential transportation of HAZMAT shall be suspended unless they are concerned with people's livelihood, city operation and major production projects.
- Shenzhen continues to restrict the access for non-local HAZMAT transport vehicles to all roads other than highways from 0:00 to 6:00.
- From 0:00 on 20 June to 24:00 on 2 July, 2021, Beijing prohibits vehicles carrying hazardous chemicals (including highly toxic chemicals) from driving on roads in the administrative area of the city throughout the day.
- Hebei Province imposes traffic restrictions from 0:00 on 1 July to 24:00 on 31 Aug., on the G1 Jingha Expressway (K47-K63 Section, and K102-K262 Section in Hebei Province).

In addition, it is worth noting that Provinces like Fujian, Hubei, and Jiangxi have recently issued emergency notices on work safety, requiring major safety inspections of the key areas such as chemical industries. All violations of safety laws and regulations shall be tackled with zero tolerance, and the violators shall be fined, halted, or closed entirely according to the severity of the offence.





8,731 riverside chemical enterprises are shut down, relocated or renovated

On 18 May, 2021, the National Development and Reform Commission (NDRC) held a press conference. Jin Xiandong, Director of the Policy Research Centre of NDRC and spokesman introduced the promotion of the development of the Yangtze River Economic Belt; so far, 8,731 chemical enterprises along the river have been shut down, relocated or renovated.

NATESC evaluates performance of Pesticide Use Reduction Research Project

On 25 June, the National Agro-Tech Extension and Service Center (NATESC) held a meeting on comprehensively evaluating the performance of the Research Project on Application and Evaluation of Technologies for Usage Reduction and Efficiency Improvement of Chemical Fertilisers and Pesticides (the Pesticide Use Reduction Research Project). It's pointed out at the meeting that since the very beginning, thanks to the joint efforts of all research groups, the project has been going well, with the missions and objectives fully completed. Here's what's been achieved:

- The groups have sorted out current methods used to extend the technologies that can reduce the use of chemical fertilisers and pesticides, and improve the efficiency (the pesticide use reduction techs), and to provide relevant training, and come up with new methods that adapt to local distinctiveness.
- The groups have built a basic data base on use of fertilisers and pesticides, and developed a digital service platform dedicated to the the pesticide use reduction techs.
- The groups have investigated and analysed the current situation of pesticide use reduction from the perspective of the entire industry chain, and submitted multiple consultation reports to policymakers.
- The groups have built a system that can monitor and evaluate the performance of the pesticide use reduction techs on different crops.

It's stressed at the meeting that the follow-up evaluations will be fully launched at the end of June. Each research group shall submit the self-assessment report on the performance of the project, and prepare relevant materials before 15 July in accordance with relevant requirements. They should make amendments to the materials according to the opinions of the pre-auditor as soon as possible, and complete 95% of the project within budget soon.



Import and export

Exports of nitrogenous fertilizer products in China, March 2021–May 2021

5.1-1 Exports of nitrogenous fertilizer products in China, March 2021–May 2021

Product	Export volume, tonne			Unit price, USD/t		
	March 2021	April 2021	May 2021	March 2021	April 2021	May 2021
Urea	367,399	539,253	601,022	344	348	348
Liquid ammonia	263	231	241	1,785	1,436	1,573
Diammonium phosphate	518,645	454,985	931,478	448	511	525
Monoammonium phosphate	200,458	372,132	362,941	443	433	523
Ammonium sulfate	872,395	920,332	798,774	144	163	190
Ammonium chloride	107,169	129,375	173,317	114	129	131
Ammonium carbonate	13,637	11,565	12,730	623	478	422
Ammonium nitrate	6,464	6,096	6,632	350	334	365

Source: China Customs and CCM



Price and Trend

Ex-works prices of nitrogenous fertilizer products in China, Q2 2021

6.1-1 Ex-works prices of nitrogenous fertilizer products in China, Q2 2021

No.	Product	Apr-21		May-21		Jun-21	
		Price (USD/t)	Original price (RMB/t)	Price (USD/t)	Original price (RMB/t)	Price (USD/t)	Original price (RMB/t)
1	Ammonium sulfate	138	907	143	928	165	1,052
2	Ammonium chloride	113	742	113	735	127	807
3	Ammonium nitrate	456	2,990	477	3,095	547	3,480
4	Diammonium phosphate	473	3,100	462	3,000	476	3,025
5	Liquid ammonia	596	3,907	609	3,955	691	4,395
6	Monoammonium phosphate	374	2,450	385	2,500	488	3,100
7	Urea	327	2,146	348	2,259	429	2,727

Source: CCM



Journalist : Shiyun Lu
Editor : Shiyun Lu
Chief Editor : Yihua Huang
Publisher : Kcomber Inc.

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17th Floor, Huihua Commercial & Trade Building, No.80 XianlieZhong Road Guangzhou, 510070, P.R.China

Tel: +86-20-37616606

Fax: +86-20-37616768

E-mail: econtact@cnchemicals.com

Website: www.cnchemicals.com