

Challenges after COVID-19 in China's Pesticide Market

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1. Introduction

Pesticides, closely related to crop farming, have become stable products for agricultural production and a critical sector that supports national economy. Exporting is the major way through which Chinese pesticides are consumed, meaning any volatility in the global market could be risks at varying levels for the supply and demand chain in China.

In the past two years, China's pesticide industry went through ups and downs. In price terms, the hike in 2021 was triggered by many factors, such as more stringent regulations and policies on environmental protection in China, international turmoil, rising inflation worldwide. In 2022, the CAPI of pesticides started to fall, and the downtrend proceeded to April 2023, especially in herbicide which has accounted for largest share of China's pesticide production, price plunged during Q1 2023.

In the future, the number of pesticide enterprises will greatly reduce, and the process of industry integration and elimination will speed up. In addition, the tendency of domestic pesticide enterprises to shift to low-cost areas is obvious. In particular, those areas with low labour cost, strong environmental carrying capacity and rich land and energy have become the targets for spatial layout.

In this report, CCM will analyse Pesticide Market in China in Q1 2023 from the following aspects:

- ✓ Overview on supply and demand of pesticides in China
- ✓ Factors for the downturn of China's pesticide industry
- ✓ Forecast on China's pesticide market in H2 2023
- ✓ Solutions from CCPIA

2. Approach for this report

The report is drafted by diverse methods as follows:

- Desk research

The sources of desk research are various, including published magazines, journals, government websites and statistics, industrial statistics, association seminars as well as information from the Internet. A lot of work has gone into the compilation and analysis of the obtained information.

- Internet

CCM visited government websites and contacted with players in the domestic agrochemical industry through B2B websites and software.

- Data processing and presentation

The data collected and compiled are sourced from:

- CCM's database
- Published articles in periodicals, magazines, journals and third-party databases
- Statistics from governments and international institutes
- Telephone interviews with domestic producers, joint ventures, service suppliers and governments
- Third-party data providers
- Comments from industrial experts
- Professional databases from other sources
- Information from the internet

The data from various sources have been combined and cross-checked to make this report as precise and scientific as possible. Throughout the process, a series of internal discussions were held in order to analyse the data and draw the conclusions.

3. Executive summary

In XX, XXXX, the pesticide market remained gloomy demand with sluggish trading volume and low sales rate. By category, herbicide saw sufficient inventory in upstream but soft demand in downstream with fierce price competition, yet it is deemed that the slipping trend of exports and price will change in XX, XXXX after the stocks run out; with the weather getting warmer, demand for insecticide and fungicide is increasing, and the prices are expected to resume to the level before XXXX.

CAPI of pesticide marked a drop by XXXX from XXXX on average. In XXXX, China recorded a YoY decrease of XXXX in export volume and XXXX in export value, mainly because the rising domestic supply and dull demand abroad; it is predicted that the prices of most pesticides will remain the downtrend in XX, XXXX. According to the NBS, China's output of pesticide technical slipped slightly in XXXX by XXXX and the aggregate output in XX, XXXX down by XXXX and XXXX QoQ.

As of XX, XXXX, the downturn of China's pesticide industry was affected by oversupply, wait-and-see attitudes among overseas buyers and unrest global economy. Further, China's pesticide industry is facing multiple challenges. In addition to the quantity and intensity controls of energy consumption, and environmental safety and protection requirements, large enterprises are troubled by lack of innovation ability and difficulty in transformation and upgrading; while small enterprises are under pressure of being eliminated due to the fast regeneration of product variety and structure.

4. What's in this report?

Note: Key data/information in this sample page is hidden, while in the report it is not.

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1 Overview on supply and demand of pesticides in China

1.1 Decreased price of pesticide technical

From XX, XXXX to XX, XXXX, the China Agrichemical Price Index (CAPI) marked a monthly drop by XXX on average. In fact, it witnessed a falling trend since XX, XXXX. In XX, XXXX, the prices of China's pesticide came back to and even lower than the level before the strict control on power consumption in East China during XXX-XXX, XXXX, when supply was constrained and prices hiked.

By category, the three major pesticides: herbicide, insecticide and fungicide experienced slight differences in CAPI.

- The CAPI of herbicide peaked in XX, XXXX, then began to fall almost straight to the end of the year; its index number in XX, XXXX plunged by XXX MoM or nearly XXX YoY, approaching the figure in XX, XXXX.
- The CAPI of insecticide kept an oscillating decline as a whole. In XX, XXXX, it was pulled down to XXXX, even lower than the figure in XX, XXXX (=XX).
- The CAPI of fungicide showed the least month-on-month changes compared with the other two categories, marked by a monthly drop of XXX on average during XX, XXXX and XX, XXXX. The outperformance of fungicide was mainly due to the increasing prices of exports, especially in the Latin American and the US markets; and in China, the warmer and moister weathers in XX, XXXX to some extent spawned fungus that impacted on crop growing.

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Table 1.1-1 Monthly changes of China Agrichemical Price Index (CAPI) in XX, XXXX

Item	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	Average MoM Change
Pesticides	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Herbicides	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Insecticides	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Fungicides	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Average	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

Source: China Crop Protection Industry Association (CCPIA) and CCM

Figure 1.1-1 China Agrichemical Price Index (CAPI) , XXXX



Source: China Crop Protection Industry Association (CCPIA) and CCM

1.2 Depressed China's exports and imports of pesticide technical

According to the data from China Customs, in XX, XXXX, the import values of China's three major non-retail packaged pesticides (herbicide, insecticide and fungicide) added up to over USDXXXX million, with the former increasing to USDXXXX million, while the export value fell by XXX YoY to USDXXXX million; the trade volumes (actual volume, also applied in a subsequent part of the report) aggregated to XXXX tonnes, with the import volume edging down by XXX YoY to XXXX tonnes and the export volume dipping by XXX YoY to XXXX tonnes.

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Table 1.2-1 Import and export value of China's pesticides in XX, XXXX, million USD

Category	Export		Import		Surplus / Deficit
	Value	YoY Change	Value	YoY Change	
Herbicide	XXXX	XXXX	XXXX	XXXX	XXXX
Insecticide	XXXX	XXXX	XXXX	XXXX	XXXX
Fungicide	XXXX	XXXX	XXXX	XXXX	XXXX
Total	XXXX	XXXX	XXXX	XXXX	XXXX

Source: China Customs and CCM

Table 1.2-2 Import and export volume of China's pesticides in XX, XXXX, tonne

Category	Export		Import		Trade volume in Q1 2023
	Volume	YoY Change	Volume	YoY Change	
Herbicide	XXXX	XXXX	XXXX	XXXX	XXXX
Insecticide	XXXX	XXXX	XXXX	XXXX	XXXX
Fungicide	XXXX	XXXX	XXXX	XXXX	XXXX
Total	XXXX	XXXX	XXXX	XXXX	XXXX

Source: China Customs and CCM

1.3 Diminished supply of China's pesticide technical

Since the overseas demand for China's pesticide marked a double-digit drop in Q1 2023, the supply of pesticide technicals witnessed a stable output in the major producing provinces/regions in China. According to the National Bureau of Statistics (NBS), China's output of pesticide technical (converted into 100% AI) reached XXX tonnes in XX, XXXX, slipping slightly by XXX compared with that in XX, XXXX; and the aggregate output in XX, XXXX–XX, XXXX was XXX tonnes, down by XX QoQ or XX YoY.

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Table 1.3-1 China's pesticide technical output by province/region in XX, XXXX, tonne

No.	Province/Region	March 2023	YoY Change	Q1 2023	QoQ Change	YoY Change
1	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
3	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
5	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
7	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
9	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
11	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

No.	Province/Region	March 2023	YoY Change	Q1 2023	QoQ Change	YoY Change
13	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
14	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
15	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
16	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
17	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Others		XXXX	XXXX	XXXX	XXXX	XXXX
Total		XXXX	XXXX	XXXX	XXXX	XXXX

*Note: The output here is converted into 100% AI volume.
Source: National Bureau of Statistics (NBS) and CCM*

3 Forecast on China's pesticide market

In XXXX, the pesticide supply went excessive on the rising capacity, leading to a fall in prices to some extent. The demand-supply situation has turned normal year to date and the balance is expected to last in XX, XXXX.

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