



Monthly Report in December 2012



### Policy Headline

#### Export tariffs will improve urea exports

The Ministry of Finance reported on December 17, "2013 tariff implementation plan" is to put into practice on January 1, 2013, in which fertilizer export tariffs have been adjusted. According to the new tariff policy, urea's off-season in 2013 is set from July to October with rate at 2% when the price is not higher than the benchmark price. Off-season rate is plus 75% for special tariffs. Benchmark price increases from RMB2100/ton to RMB2260 /ton. Similar relaxed policies are also applied in other fertilizers.

#### Successful Experiment in Low-temp Ammonia Catalyst

On December 14 low-temp and highly active ammonia catalyst, developed by Sinopec Research Institute, has successful operation in one of Yangquan Coal's equipments with annual production 180,000 ton. New catalyst adds another production 45,000ton per year and decreases the depressure by 1.5MPa and costs less energy 150Watt per ton ammonia. It's a landmark in domestic market of ammonia catalyst.

#### Over 110 billion's investment in Fertilize

In the first ten months, fertilizer industry has investment 116.1 billion in fixed asset, 15.3 up YOY. It contributes 33.4% in the planned investment, 0.4% up YOY. Continuous but differential growth trends are in all the sub-industries. 3.3% up in nitrogen fertilizer and over 20% in phosphate, potash and other organic fertilizers.

### Market Focus: Natural Gas Pricing Change for Sichuan Fertilizer Producers

On December 7 Sichuan DRC released that self-support and outsourcing natural gas are integrated-priced and the out-the-quota price is eased. Gas price(including outsource and plan) is adjusted at 1.34 yuan/m<sup>3</sup>, 0.28yuan/m<sup>3</sup> higher than that from originally local suppliers while much lower than originally outsource one, 2.31yuan/m<sup>3</sup>. However, this notice hasn't guaranteed any gas supply for fertilizer.

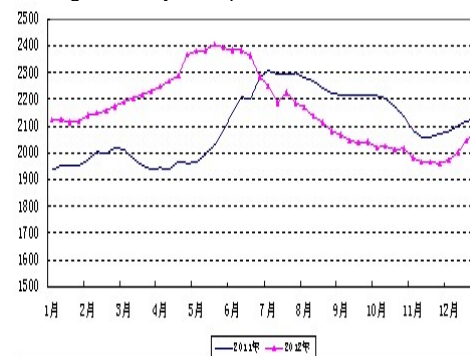
### Market

#### Urea market

Bolstered by 2013 export tariff policy and operation rate of compound fertilizer producers, price remains stable and goes hike. In Nov, China exported 1.45 M ton's urea, 61.6 up YOY. In the first 11 months, 5.29 M ton in all, 60.8% up YOY. Benefited by the new tariff policy, the rates in on-and-off season are decreased and benchmark price is increased. On production, the supplication is still intense and gas-sourced urea producers have low operation rates. It's expected that the price continues to climb in the future.

#### Urea: Continuous hike in domestic market and stable in int'l market

Average monthly ex-plant price: RMB2,031/ton  
Average monthly FOB price: USD385/ton even



#### Ammonia: stable and up

Bolstered by climbing urea price, intense gas supply in southwest areas and declining ammonia production, domestic ammonia price begins to climb by RMB 50-100 per ton, by RMB150 in Sichuan. In November China had production of 4.45 M ton and in the first 11 months accumulative production of 49.65 M ton, 8.07% up YOY. With the better urea market, the ammonia price is expected to increase, but slightly.

#### Average Monthly ex-plant Price: RMB3150/ton, slightly up



info Source:

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