

Impact of Suspension of Agrochemical Enterprises on Market

The First Edition

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1. Introduction

The Chinese government has tightened environmental protection in agrochemical production in recent years. In 2017–H1 2018, large number of agrochemical enterprises in China suspended production for reasons as environmental protection policies, safety production hazards and supply shortage of raw materials. Tight supply of pesticides and intermediates caused by suspension has pushed up price of agrochemical products on the market. Enterprises suffered from complete suspension include Lianyungang Liben Crop Science and Technology Co., Ltd., Jiangsu Huifeng Agrochemical Co., Ltd., Jiangsu Lianhe Chemical Technology Co., Ltd., Jiangsu Lanfeng Bio-chemical Co., Ltd., Jiangsu Sword Agrochemicals Co., Ltd., Jiangsu Huangma Agrochemicals Co., Ltd. and Jiangsu Tuoqiu Agriculture Chemical Co., Ltd., etc. These enterprises were included in the list of 2018 China Top 100 Pesticide Enterprises by pesticide revenue released by China Crop Protection Industry Association.

To better reflect the impact of production suspension on agrochemical industry and price of related products, CCM collected related events leading to such suspension in different periods of 2017–H1 2018 and analysed reasons respectively. Major suspended enterprises and corresponding products were listed. Besides, price changes of some pesticides are analysed based on those given reasons and CCM's daily price monitoring of more than 200 pesticides in different periods.

It is worth noting that Pollutant Discharge Permit System has been implemented among agrochemical manufacturers in China. As of mid-July 2018, pesticide enterprises across the country had obtained 856 pollutant discharge permits in total, yet the number of enterprises that are qualified to produce pesticides in China is far greater than that. It is expected that enterprises without pollutant discharge permit will suffer from suspension or stoppage in the future. You can find the following contents in this report,

- ✓ Major suspended agrochemical enterprises in China, 2017–H1 2018
- ✓ Reasons for suspension of agrochemical enterprises in China
- ✓ Impact of suspension of agrochemical enterprises on herbicide price
- ✓ Impact of suspension of agrochemical enterprises on insecticide price
- ✓ Impact of suspension of agrochemical enterprises on fungicide price
- ✓ Impact of suspension of agrochemical enterprises on related intermediate

2. Approach for this report

- Desk research

The sources of desk research are various, including published magazines, journals, government 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.

- Data processing and presentation

The data collected and compiled were sourced from:

- Published articles from Chinese periodicals, magazines, journals, and the third-party databases
- Government statistics & customs statistics
- Comments from industrial experts
- CCM's innovative database
- Professional databases from other sources
- Information from the internet

- Telephone investigation

The interviewees included the following groups:

- Key producers
- Key end users
- Key traders
- Material suppliers
- Associations involved
- Industry experts

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

During 2017–H1 2018, many agrochemical enterprises were ordered to restrict production during large conferences. At the same time, with the implementation of Pollutant Discharge Permit System, agrochemical enterprises fail to obtain pollutant discharge permit may be forced to stop production in the near future. The implementation of *Action Plan for Comprehensive Prevention and Control of Autumn and Winter Air Pollution of 2017–2018 in the Beijing-Tianjin-Hebei Area and Surrounding Area* has led to production suspension of some herbicide technicals, including acetochlor, metolachlor, cletheth, butachlor and 2, 4-D, etc.

In April 2018, the Ministry of Ecology and Environment of the People's Republic of China publicly notified some pesticide enterprises involved in illegal environmental problems in chemical industry park located in North of Jiangsu Province. Among which, serious environmental pollution of Jiangsu Huifeng Agrochemical Co., Ltd. (Jiangsu Huifeng) and ineffective rectification of local central environmental protection inspectors were notified. Inspection team found that Jiangsu Huifeng and its subsidiaries had serious environmental violations. With the exposure of environmental violations, Jiangsu Province has stepped up efforts to rectify the environment. At the end of April 2018, the Environmental Protection Department of Jiangsu Province required that enterprises in chemical industry parks of four regions, including Guanyun County, Guannan County, Xiangshui County and Binhai County to suspend production and carry out comprehensive investigation. Many pesticide and intermediate producers in these chemical parks have been forced to suspend production for environmental protection. Only being checked and accepted as qualified, these enterprises could restore production.

Under circumstance of environmental inspection, heating season, pollution scandal in Lianyungang City, and production safety issues, etc., chemical intermediate and agrochemical producers were affected greatly. A large number of chemical intermediate and agrochemical producers were ordered to suspend production during 2017–H1 2018. With tight supply of intermediates and pesticides, both of intermediates and pesticides are generally on the rise in price.

4. What's in this report?

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1.2 Enterprises ordered to suspend production for rectification due to environmental inspection

In April 2018, the Ministry of Ecology and Environment of the People's Republic of China publicly notified some pesticide enterprises involved in illegal environmental problems in chemical industry park located in North of Jiangsu Province. Among which, serious environmental pollution of Jiangsu Huifeng Agrochemical Co., Ltd. (Jiangsu Huifeng) and ineffective rectification of local central environmental protection inspectors were notified. Inspection team found that Jiangsu Huifeng and its subsidiaries had serious environmental violations. With the exposure of environmental violations, Jiangsu Province has stepped up efforts to rectify the environment.....

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Table 1.2-1 Suspended pesticide enterprises (incomplete statistics), 2018

No.	Enterprise	Suspended time	Status	Product	Reason
1	XXXX	XXXX	XXXX	XXXX	XXXX
2	XXXX	XXXX	XXXX	XXXX	XXXX
3	XXXX	XXXX	XXXX	XXXX	XXXX
4	XXXX	XXXX	XXXX	XXXX	XXXX
...

Source: CCM

3.3 Fungicide

In the first half of July 2018, the average price of domestic prochloraz technical has continued to rise due to restricted production among major producers for environmental protection reasons. Low inventory and tight supply pushed up price of prochloraz technical. Jiangsu Huifeng, with the largest capacity of prochloraz technical, was ordered to suspend production in April 2018, and has not recovered production yet.

Some other prochloraz technical producers in China include Rosi Chemical Co., Ltd., Nanjing Red Sun Co., Ltd., Nantong Jiangshan Agrochemical & Chemicals Co., Ltd. and Jiangsu Changlong Agrochemical Co., Ltd. Although these producers have scale production of prochloraz technical, their capacities are far behind Jiangsu Huifeng (capacity: XXXXt/a).

Jiangsu Huifeng also produces epoxiconazole technical (capacity: XXXXt/a) and dimethomorph technical (capacity: XXXXt/a). Production lines of these two products were also ordered to suspend production for environmental protection in April 2018, and have not recovered production yet. This has certain impact on market supply of epoxiconazole technical and dimethomorph technical.

At the same time, production of other epoxiconazole technical and dimethomorph technical producers like Jiangsu Frey Agrochemicals Co., Ltd. were restricted as well. Jiangsu Frey Agrochemicals Co., Ltd. produces difenoconazole technical (capacity: XXXXt/a), dimethomorph technical (capacity: XXXXt/a), pyrimorph technical (capacity: XXXXXt/a), epoxiconazole technical (capacity: XXXXt/a), pyraclostrobin technical (capacity: XXXXt/a), trifloxystrobin technical (capacity: XXXXt/a) and metconazole technical (capacity: XXXXt/a), etc. Past inventory of epoxiconazole technical and dimethomorph technical has been consumed due to low operating rate, which intensified supply shortage and made their price maintained high.

Table 3.3-1 Price change of major fungicides due to suspension, 2017–H1 2018

No.	Fungicide	Q1–Q2 2017	Q2–Q3 2017	Q3–Q4 2017	Q4 2017–Q1 2018	Q1–Q2 2018
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

Source: CCM

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