

I-3.2 Summary on Chinese Production

- Production Situation

The total capacity of biotin as of May 2005 in China is claimed to be 73MTs/year, including the capacity of the potential producers. The actual production level as of May 2005 is around 5.3-6.3MTs/month.

The operating condition for some manufacturers is getting bad. Some even stopped production. For example, xxx, who launched commercial production at the end of 2002, a very difficult time for biotin producers, discloses that it was difficult for them to enter the market as they find that some large producers like xxx have already snatched most customers. xxx has stopped biotin production since last year because it was unable to get profit from it. xxx simply stopped the production in May 2003 due to the severe competition.

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- Impact of Roche's Resumption

Since 2003, the Chinese manufacturers have clearly felt the difficulties in biotin business. The pressure mainly comes from the resumption of Roche's line, which is no wonder a great threat to the "child" of Chinese material in the international market. Because their price is low and the quality of their product is good. Most Chinese consumers hold that the domestic products can't compete with products of Roche.

As a result, the export volume of pharmaceutical grade biotin is quite small, comparing to the large production capacity.

In addition, when Roche resumed production and exported biotin into China, biotin is oversupplied in the world market and the price went down accordingly. It is a strike for Chinese manufacturers. Some small manufacturers had to stop the biotin production or are likely to stop in the near future.

- Domestic Sales

In the domestic market, the high content biotin has three outlets:

- Some pharmaceutical fields like complex vitamins. But the quantity is quite small.
- Feed grade biotin converters.
- Most manufacturers also make feed grade biotin themselves.

Therefore, in the domestic market, the majority of biotin is used in the feed industry. However, few feed producers would like to add biotin as it might increase the cost of feed. In addition, as the dosage of biotin is little and it is hard to be detected, some of them do not add the biotin into feed.

The impact of feed grade biotin from imported materials is much more obvious, greater than