

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

4 Situation of production in China

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The investment fever started to cool down since 2011, as a result of the decreasing price driven by the intensifying competition and relatively slack market of feed, the largest end use of niacin.

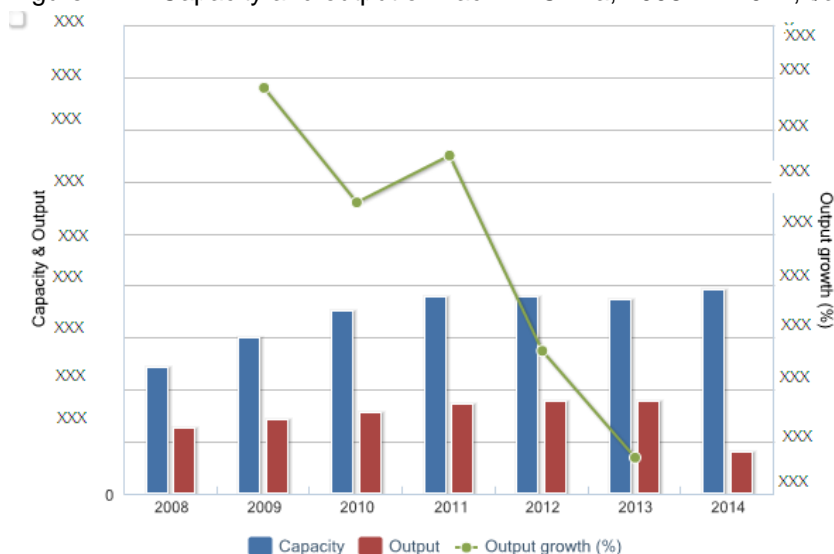
As the global producers have shifted their production plants to China, China has now been the major production country for almost all the vitamins, except niacin. The majority of niacin supply in the world market has been provided by countries other than China, though China is also an important niacin producer with Lonza Group having set up niacin plants in China as early as the late 1990s.

China's niacin output reached XXX tonnes in 2013. Lonza Guangzhou Nansha Ltd. is the dominant player, followed by several small local players trying to snatch market share from this leading player.

Though raw material supply is no longer the bottleneck for China's local players' niacin production, the XXX is the key barrier for them to win the competition with global producers like Lonza Group.

4.1 Domestic production of Niacin, 2011-2014

Figure 4.1-1 Capacity and output of niacin in China, 2008-1H 2014, t/a and tonne



Note: Output data of 2014 in the figure is only for the first half year. Therefore, output growth rate for year 2014 is not available.

Source: CCM

The production launch and expansion of pyridine, with which 3-picoline-the raw material for niacin production-is usually co-produced, by Nanjing Redsun Co., Ltd. in 2006 and 2008, has solved the raw material supply shortage, enabling Chinese producers to launch niacin production one after another since 2008.

However, different from the investment fever in the three years from 2008 to 2010, China's niacin output and capacity have XXX since 2011, staying at around XXX tonnes and XXXt/a respectively. After the output hike in 2011 to XXX tonnes from 15,500 tonnes in 2010, China's niacin output in 2012 grew by XXX% and it XXX in 2013. China's niacin capacity utilization rate has stayed below XXX% since 2011.

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The growth of feed industry, the largest end use of niacin, is expected to recover with robust demand in 2014 in both China and the world. This will be good news for niacin producers. However, with the 2,000t/a capacity increase by Nantong Acetic Acid Chemical Co., Ltd. (Nantong Acetic Acid) in early 2014 and the 5,000t/a niacin plant to be launched by Vertellus Specialty Chemicals (Nantong) Co., Ltd. (Vertellus Nantong) in October 2014, overcapacity will remain severe and competition will become more intense in China's niacin market. Accordingly, with technology unlikely to improve in a short term and relatively stable demand from downstream industries, the profitability of niacin producers in China is not expected to improve soon.

4.2 Domestic producers of niacin, 2011-2014

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Among these ten active producers in China, only two of them, namely XXX and XXX, have achieved upstream integration, with niacin raw material produced by themselves. Though raw material supply is no longer a bottleneck for niacin production in China nowadays, the upstream integration gives them an edge in China's increasingly intense niacin competition.

Producers with capacity smaller than 5,000t/a will find it increasingly difficult to survive the competition. By far, only four producers in China have the capacity reaching that level:

- Lonza Guangzhou
- XXX
- XXX
- XXX

Lonza Co., Ltd. (Guangzhou), abbreviated as Lonza Guangzhou, the first large-scale niacin producer in China, with its much larger scale and better product quality and more advanced production technology, has been in an absolute dominating position in China's niacin supply. It has kept on expanding its niacin capacity in China since its first niacin plant established in Guangzhou in 1996 (with the company name: Guangzhou Lonza Co., Ltd.) and the second plant in Nansha of Guangzhou in 2004 (with the company name: Guangzhou Nansha Lonza Co., Ltd.), from 5,500t/a to XXXt/a and now to XXXt/a.