



# Crop Protection China News

Vol.5 Issue 24 2011

Dec. 31, 2011



## Contents

<b>■ Overview.....</b>	<b>1</b>
Overview of China's pesticide industry 2011 .....	1
<b>■ Policy.....</b>	<b>2</b>
China to further increase investment in agricultural subsidy .....	2
12 <sup>th</sup> Five Year Plan for Environmental Protection released.....	4
Vegetable circulation to be exempt from VAT .....	4
<b>■ Dynamic .....</b>	<b>5</b>
Full implementation of new pesticide policy in Hainan postponed.....	5
<b>■ Company.....</b>	<b>6</b>
Grandpharma formally enters bio-pesticide field .....	6
Huapont to enter Brazilian pesticide market.....	7
<b>■ Product.....</b>	<b>8</b>
Chlorpyrifos and imidacloprid demand surges in Nov., 2011 .....	8
<b>■ Agriculture production .....</b>	<b>9</b>
2011: Heilongjiang harvests highest grain yield in China for the first time.....	9
<b>■ Registration.....</b>	<b>10</b>
New registration of foreign pesticide companies in China, 2011 .....	10
Main pest/disease occurrence in Guangxi, H2 2011.....	11
Average market price of main crops in China (Dec. 31, 2011).....	11
<b>■ News in Brief .....</b>	<b>12</b>



 **Dynamic Database**

**Finding unlimited**

**ValoTracer Database in Agriculture:**

- >> Glyphosate Industry Database
- >> Pyridine Pesticides Industry Database
- >> Triazole Fungicides Industry Database

**CCM Ready Market Reports:**

- >> [Survey of Rice Insecticides in China](#)
- >> [Seed Treatment for Vegetable Seed in China](#)
- >> [Company Profiles of Ten Chinese Agrochemical Manufacturers](#)
- >> [Acephate Survey in China](#)
- >> [Production and Market of Azoxystrobin in China](#)
- >> [Production and market of Dichlorvos in China](#)
- >> [Survey of Mancozeb in China](#)
- >> [Pyrethroids Survey in China](#)
- >> [Production and Market of Paraquat in China](#)
- >> [Merger and Acquisition Research in Pesticide Industry](#)
- >> [Global Commercial Opportunities Derived from Glyphosate Industry](#)

- >> [Company Profiles of Thirty Major Chinese Agrochemical Manufacturers](#)
- >> [Survey of Triazole Fungicides in China](#)
- >> [Production and Market of Imidacloprid in China](#)

**CCM newsletters related to CP:**

- >> [Insecticides China News](#)
- >> [Fungicides China News](#)
- >> [Herbicides China News](#)
- >> [Glyphosate China Monthly Report](#)
- >> [China Agriculture Investment Bimonthly Report](#)
- >> [Seed China News](#)

**CCM trade analysis related to CP:**

- Glyphosate - PMIDA
- Abamectine - Chlorpyrifos
- Paraquat - Imidacloprid



**Interact column**

Please click here to send your comments and topics you are interested in.

Welcome to Crop Protection China News 1124.

China's Annual Central Conference on Rural Work was held in Beijing on 27 Dec., 2011. The conference focused on reviewing the progress in rural development in 2011 and putting forward requirements of rural development in 2012.

Despite the discussion of enhancing the agricultural subsidy system and the achievements received in the past few years, the eye-catching policy, namely the No.1 Central Document of 2012 (draft), has also been revised at the conference. Main contents of the document have been finally nailed down, which will focus on the development of agricultural technology. The prediction of what the No.1 Central Document of 2012 will focus on in Crop Protection China News 1122 has been proved. In line with the document, the development of seed industry has become one of the most important industries that will be largely supported in the coming year. Promoting the industrialization of new GM seed industry which was previously mentioned in the No.1 Central Document of 2011 is now reaffirmed in the 2012 edition.

*If there are any specific topics you would like us to cover or investigate any of the subjects covered in more detail, please contact us by +86-20-3761 6606, or [econtact@cnchemicals.com](mailto:econtact@cnchemicals.com).*

## Headlines of Crop Protection China News 1124

China's pesticide industry has witnessed downturn in the whole year of 2011, and the trend may also continue in the coming year.

China plans to further increase agricultural subsidy, aiming to increase peasants' income and simultaneously stimulate their planting enthusiasm in the coming year.

China's 12<sup>th</sup> Five Year Plan for Environmental Protection which sets up a series of environmental protection goals for the next four years was released on 20 Dec., 2011.

The Special Office of State Council released a new policy, which stipulates that vegetable circulation will be exempt from VAT, to stabilize the price of agricultural produces.

Hainan Province announced that it will postpone the full implementation date of its new pesticide management policy.

Grandpharma formally enters the bio-pesticide field after Wuhan Kernel finished the alteration procedures for industrial and commercial registration on 19 Dec., 2011.

Huapont will invest USD20 million in CCAB to gain 7.5% of its shares, which may help Huapont export pesticides to Brazil through CCAB.

Price and demand of chlorpyrifos and imidacloprid in China have surged in Nov., 2011 due to the increasing insecticide demand from underground pest management.

The grain yield in Heilongjiang Province, which reaches 55.7 million tonnes in 2011, the highest in China, has surpassed that in Henan Province for the first time.

### Location of key companies covered in this issue



RMB Exchange Rate, Dec. 31, 2011

**100USA 630.09**

**100EUR 816.25**

Source: The Bank of China (BOC)



## Overview

### Overview of China's pesticide industry 2011

China's pesticide industry is still believed to be trapped in downturn due to many reasons. The industry has been under even more serious condition compared with 2010, witnessing continuous industrial policy adjustment, increasing pesticide output, RMB appreciation, shrinking export, intensified competition, high environmental protection investment, overcapacity, capital shortage, high raw material prices but slumping product prices, etc.

Although some of the factors have impacted domestic pesticide industry since 2009, they are still worthy to be mentioned in 2011, or even in the coming few years.

#### Newly implemented policies in 2011

In 2011, Chinese governments, including provincial ones, have continuously carried out some policies on pesticide industry, aiming to better manage the whole pesticide industry as well as to ensure the food security.

On 12 Jan., 2011, Shandong government released a new pesticide management draft, namely Regulations on Quality and Safety of Agricultural Produces in Shandong (draft), intending to respond to the problems triggered by pesticide residue and further regulate the current pesticide market in Shandong Province.

About two months later, on 1 March, 2011, Zhejiang Province issued the Pesticide Management License System in Zhejiang. Till then, two provinces in China, including Hainan Province which published the policy in 2010, have carried out the pesticide management license system.

On 5 July, 2011, the Ministry of Agriculture (MOA) held a press conference, disclosing that it will ban 10 more highly toxic pesticides in China in 2011.

Later on 26 July, 2011, China released a new pesticide policy, namely the 12th Five-Year Plan for Pesticide Industry, aiming to set up clear goals and plans for domestic pesticide industry in the next five years.

On 12 Aug., 2011, Hunan Province released the 12th Five-Year Plan (2011-2015) for Pesticide Industry. Many regulations in the plan share something in common with the Pesticide Industrial Policy China released in Sept. 2010, including consolidation, R&D investment, relocation to industrial parks, etc. The object of the plan is to enhance the development of pesticide industry in the province.

On 28 Nov., 2011, aiming to better support the development of biotechnology, China's Ministry of Science and Technology (CMST) released the 12th Five-Year Plan (2011-2015) for Biotechnology Development which will also offer support to the development of bio-pesticide industry.

It is worthy to be mentioned that the release date of the new Regulations on the Management of Pesticides which was intended to be carried out in 2011 is decided by

Chinese government to delay to 2012 for a better revise.

#### Production & demand

Although most of domestic pesticide players have faced a decreasing profit of their businesses in 2011 (according to the Q1-Q3 financial reports of listed pesticide enterprises in China), their passion for production never stops.

According to the data from the National Bureau of Statistics, domestic pesticide output in the whole year of 2011 is predicted to reach about 2.5 million tonnes, up 10.62% over 2010.

Total pesticide demand in 2011 is predicted to show an uptrend, reaching 308,200 tonnes, up 2.69% over 2010. The growth rate varies with different kinds of pesticides.

The demand for insecticides is predicted to subtly decrease, reaching 124,900 tonnes, down 1.43% over 2010.

As China carries out more policies to ban highly toxic pesticides in recent years, the demand for organophosphorus insecticides continues to slide. Even so, organophosphorus insecticides still account for large share in domestic insecticide market. Chlorpyrifos, profenofos, dimethoate, malathion are some of the hottest insecticides in 2011.

On the contrary, the demand for some substitutes for highly toxic pesticides has witnessed increase in 2011. Some foreign pesticides, such as DuPont's Kangkuan (20% chlorantraniliprole) and Bayer's Belt (6.7% flubendiamide•2.3% abamectin) which have experienced good sales in China.

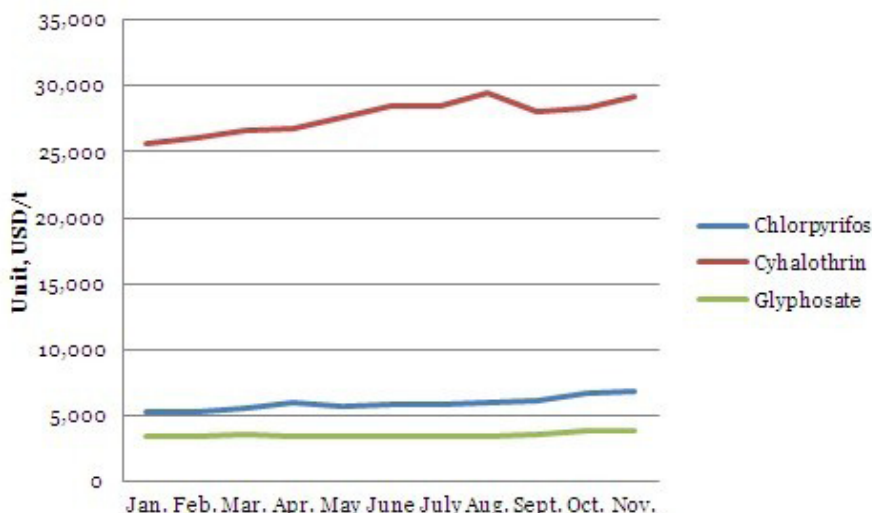
The demand for herbicides in 2011 is predicted to be 97,500 tonnes, up 9.33% over 2010. Acetochlor, glyphosate, atrazine, butachlor, paraquat, 2,4-D butyl, metolachlor, bentazone, fomesafen, trifluralin, quinclorac, MCPA, etc., are hot products in China this year.

With the planting structure adjustment in recent years, the application structure of pesticides in China has also been changed: usage amount of insecticides has witnessed decrease, while those of fungicides and herbicides have seen increase. Adding up the bad weather in the first half of 2011, the demand for fungicides in 2011 has been pushed up, which is predicted to reach 72,800 tonnes, up 2.94% over 2010.

#### Prices

Prices of domestic pesticides have seen growth in 2011 over 2010 because of the price increase of raw materials and the gradually recovered export. Glyphosate TC's ex-work price was USD3,490/t in Jan., 2011 and it witnessed ups and downs in the next few months. Finally, it increased to USD3,852/t in Nov., 2011 aided by the export jump since Sept.

**FIGURE 1:** Monthly ex-work prices of chlorpyrifos TC, cyhalothrin TC and glyphosate TC, Jan. to Nov., 2011



Source: CCM International

### Export

As an export-oriented country, China has exported about 611,000 tonnes of pesticides in Q1-Q3 2011, up 38.87% over the same period of 2010. Export volumes of herbicides, insecticides and fungicides in this period have reached 377,000 tonnes, 158,000 tonnes and 59,000 tonnes, up 47.27%, 23.44% and 24.21% respectively compared with those in Q1-Q3 2010. Although the total export volume of pesticides in the whole year of 2011 is still under calculation, it can still be predicted that the export volume of pesticides in 2011 may witness an increase compared with that in 2010.

### Outlook in 2012

It is hard to predict the general status of domestic pesticide

industry in 2012. Things change so fast that the prediction at this moment may be proved wrong by reality one year later. Just like the condition at the beginning of 2011 that it was predicted that domestic pesticide industry would see recovery this year, while the result turned out different. But what CCM International believes is that running business will remain tough for most pesticide players next year. As the problems of overcapacity, chaotic and intense competition are predicted to be unsolved in the coming few years, low-profit or even deficit running condition of domestic pesticide players will continue in 2012. More M&A cases will take place in domestic pesticide industry due to Chinese government's great determination to reduce the number of pesticide players in China.

## Policy

### China to further increase investment in agricultural subsidy

China's Annual Central Conference on Rural Work, which maps out policies for next year's agricultural and rural development, was opened on 27 Dec., 2011. Premier Wen Jiabao who presided over the conference made an overview of last year's progress in rural development and put forward requirements of the development in 2012.

"We should recognize that the economic development level of our country has been raised greatly, and we can no longer sacrifice peasants' land property rights for the sake of lowering the costs of industrialization and urbanization," said Wen. "We must and also have the conditions to greatly increase the share of gains that goes

to peasants from enhancing the value of land."

Some domestic economic analysts predict that the meeting may deliberate on and specify policies such as boosting grain production and raising the minimum state purchasing prices of grain in 2012.

Moreover, Premier Wen also stressed to further increase agricultural subsidies, aiming to increase peasants' income and simultaneously stimulate peasants' planting enthusiasm.

In recent years, China has gradually enlarged the



investment in agricultural subsidy. The central government has subsidized more than USD22.15 billion (RMB140 billion) to peasants in 2011, up 17% over 2010. It is the largest investment in agricultural subsidy ever. Premier Wen said at the conference that China will continue to carry out more policies to enhance the agricultural subsidy system and enlarge the investment in 2012.

However, based on the large population of peasants in China, the agricultural subsidy actually yielded little. The average agricultural subsidy in China still remains a large gap with that in developed countries.

Agricultural subsidy regarded as one of the most important measures to increase the competitiveness of agricultural products has been better promoted in developed countries. In the US, about 1/3 of peasant's annual income comes from subsidy of government. Although the US appeals to cancel the production subsidy and the export subsidy of agricultural products, it meanwhile carries out a new policy (Farm Bill) to further increase the amount of agricultural subsidy. It has ensured that the total amount of agricultural subsidy in the past decades (2002-2011) in the US reached USD190 billion.

As China has gradually become a net importer of soybean

in the past few years, the decrease in domestic soybean planting area has been aggravated, and some experts started to blame China's weak agricultural subsidy in agricultural production.

Paul R. Krugman, an economist from the US, ever said that measures of agricultural production subsidy and export subsidy made by the government will help to enlarge the country's market share in international market and to increase its competitiveness and domestic economic welfare. During this process, as agriculture possesses public property, the support from government is vital for agricultural production.

China has realized the great importance of agricultural subsidy to domestic agriculture and imitated the subsidy system from developed countries in the past few years. However, the implementation of agricultural subsidy system seems to be immature for not good enough organization and arrangements, which has led to the randomness of subsidy objects and subsidy amount. Although Chinese government decides to invest more in agricultural subsidy in the coming years, there still remains a long way to go for the perfection of agricultural subsidy system in China.

**PICTURE 1:** Premier Wen Jiabao at China's Annual Central Conference on Rural Work, 27 Dec., 2011



Source: [www.xinhuanet.com](http://www.xinhuanet.com)

### Application area of wheat seed dressing reached 18 million ha., 2011

China has greatly promoted professional management of pests and diseases in main grain planting areas in 2011. The application area of wheat seed dressing reached 18 million ha. this year, accounting for 80% of the total wheat planting area.

## **Dow AgroSciences to Monitor Spinosad Globally as a Precaution Against Illegal Sale of Products Produced Using Stolen Technology**

Beijing – Spinosad, invented by Dow AgroSciences, is a highly selective, environmentally friendly insecticide. In recognition of Spinosad's novel molecular structure and mode of action that provide excellent crop protection coupled with low human and environmental risk, Dow AgroSciences received the American Presidential Green Chemistry Challenge Award in 1999.

Dow AgroSciences is aware of ongoing research efforts by others to produce new Spinosad-based insecticides. While Dow AgroSciences welcomes legitimate competition, the company plans to aggressively monitor the global pesticide marketplace against illegal counterfeit Spinosad-based insecticides and products based on the company's proprietary Spinosad technology.

Dow AgroSciences believes that counterfeit and illegal products represent a significant threat to human health and the environment, jeopardize plant health and crop production and also pose an economic threat to international trade and the sustainability of the global food supply. Dow AgroSciences believes the threat posed by counterfeit and illegal products to be one of the most critical issues facing the crop protection industry today.

Dow AgroSciences has a robust product stewardship program and vigorously defends its technology and intellectual property rights. The company employs analytical technologies that are capable of detecting counterfeit Spinosad products. These analyses will allow Dow AgroSciences to determine whether claims that certain products contain Spinosad are false and whether the products that do contain Spinosad illegally employ Dow AgroSciences' proprietary technology.

For those companies or individuals who market misbranded products or infringe the company's proprietary technology, Dow AgroSciences will take legal action to protect public health and the environment and to defend the company's interests. The company works with appropriate authorities around the world to remove counterfeit products from the marketplace.

### **About Dow AgroSciences**

Dow AgroSciences LLC, based in Indianapolis, Indiana, USA, is a top-tier agricultural company providing innovative agrochemical and biotechnology solutions globally. The company, a wholly owned subsidiary of The Dow Chemical Company, has sales of \$4.5 billion. Learn more at [www.dowagro.com](http://www.dowagro.com).

**For Further Information, Contact Mandy Zhu**  
(Telephone: 021-38512269, E-mail: [mzhu@dow.com](mailto:mzhu@dow.com))



## 12<sup>th</sup> Five Year Plan for Environmental Protection released

China's 12th Five Year Plan for Environmental Protection (2011-2015, the Plan) was issued by Chinese Central Government at the 7th National Environmental Protection Conference held on 20 Dec., 2011.

According to the Plan, it intends to solve four outstanding environmental problems in the next four years to improve the quality of water environment, implement comprehensive control of atmospheric pollutants, intensify the protection of soil environment and strengthen the protection and supervision of ecology.

The Plan has proposed some specific goals in environmental protection field till 2015, such as total emission amount of chemical oxygen demand (COD) to reach 23.48 million tonnes, down 8% over 2010; total emission amount of ammoniac nitrogen to reach 2.38 million tonnes, down 10% over 2010; total oxynitride emission amount to reach 20.46 million tonnes, down 10% over 2010; total sulfur dioxide emission amount to reach 20.86 million tonnes, down 8% over 2010. Moreover, aiming to fulfill the goals, the Plan strictly controls the new expansion projects in the industries of papermaking, printing and dyeing, pesticide, fertilizer, etc. in the areas of the Changjiang River Delta and the Pearl River Delta.

In other fields, the Plan aims to increase the proportion of non-fossil energy in primary energy consumption to 11.4% till 2015 and make the comprehensive utilization rate of industrial solid waste reach 72% by the end of 2015.

Additionally, Minister of Environmental Protection Zhou Shengxian together with the government leaders from 31 provinces and cities, Xinjiang Production and Construction Corps and some large state-owned enterprises, such as PetroChina, Sinopec and State Grid Corporation of China, signed the reduction target responsibility documents of total emission amount of major pollutants in the period of 2011-2015 at the 7th National Environmental Protection Conference. All the units that signed the responsibility documents should finish 5,561 emission reduction projects in total by the end of 2015.

Aiming to support the completion of goals set by the Plan, Chinese government predicts that domestic capital demand in environmental protection field will reach USD537.12 billion during this period. However, the Plan also points out that the investment will be mainly from enterprises and local governments, which however will be supported by the Central Government in varied degrees.

It is worthy to be mentioned that the Plan encourages those companies complying with environmental requirements to get listed, and more credit aid policies will be inclined to these companies and related projects.

Since the 1st National Environmental Protection Conference held in Aug., 1973, China has continuously held six national environmental protection conferences in the past four decades. Eyeing the increasing emergence of environmental problems, the Central Government has continuously carried out many policies to deal with them. However, as China's economy started comprehensive transition in 2001, environmental problems don't seem to get better but instead much worse day by day.

Aiming to carry on sustainable development and fulfill the goal it promised at the Copenhagen Climate Summit in 2009, China has taken great efforts to manage environmental pollution. The policy of restricting the power usage of enterprises for non-regret mitigation (especially energy-intensive enterprises), which is considered to be a unique policy in the world, has been carried out in China for several years. And it will be carried on in the next 10 years.

The release of the Plan is considered to be a late arrival since China has already realized the seriousness of the environmental problems. In the past decade, China has harvested rapid economic growth but at a high environmental cost, and now it has to spend more money to remedy the environment polluted in this period. Nowadays, China is dragged in a vicious circle of environmental treatment after pollution, which is thought to be a much bitter process.

## Vegetable circulation to be exempt from VAT

The Special Office of State Council released the "View about strengthening the circulation system construction of fresh agricultural produces" on 19 Dec., 2011. The view stipulates that vegetable circulation will be exempt from VAT. It also requires governments of all levels to increase financial investment through investment in shares, property buyback and leaseback, and the construction of public facilities and encourages distribution enterprises to carry out trans-regional M&A, reorganization and cooperation.

It is a new policy to stabilize the price of agricultural produces. The price of domestic agricultural produces has shown great fluctuation in recent years. The phenomenon "peasants find it difficult to sell vegetables but citizens buy vegetables at a high price" existed in 2011: Garlic was in poor market; Chinese cabbage rotted in the ground and bananas were taken to feed pigs. The phenomenon "peasants are hurt by low price of vegetables" and "citizens are hurt by high price of vegetables" appeared alternately.

There are some reasons for the phenomenon. First, the



cost of circulation is high. Enterprises engaged in the circulation of agricultural produces need to pay 17% VAT. What's more, high fuel cost and toll fee are important factors. Toll fee accounts for 30%-40% in direct logistics cost. Second, the level of agricultural production organization is low. Third, the booth fee that vegetable wholesalers and retailers have to pay continues to rise.

The abolition of circulation VAT is a useful attempt to reduce vegetable circulation cost. In fact, the government has tried to reduce the transportation fee of vegetables for a long time. For example, since 1995, China has started constructing the "green channels" for fresh agricultural produces. And the free passage sections and the involved varieties of agricultural produces have continually increased. From Dec., 2010, all toll roads in the country are included in "green channels" and tracks delivering vegetables are exempt from toll.

However, the abolition of circulation VAT just benefits the distribution companies but has limited impact on vegetable wholesalers. As a result, the market construction is required. On one hand, the government is increasing financial input to reform and build a new batch of welfare agricultural produces wholesale market, peasant market and vegetable market through investment in shares, property buyback and leaseback and the construction of public facilities. On the other hand, the government encourages proper use of land, providing preferential land-use policies for those projects of public welfare wholesale market of agricultural produces invested by the government, which can prevent the price increase

of agricultural produces from being affected by the high booth fees.

What's more, to improve the systematization degree of circulation, the government will support and culture a number of large agricultural wholesale enterprises, retail enterprises and transport enterprises. Fresh agricultural produce cooperatives that integrate production and sale will be organized to promote industrial operations. Large retail enterprises of agricultural produces could develop chain operations to expand business scale and cut down operating cost. And large transport enterprises could provide value-added services such as warehousing, transportation, packaging and processing, and improve their logistics efficiency and services.

The policy also pointed out that the government will strengthen the connection between production and sale of agricultural produces. The connection between peasants and the consumers of agricultural produces such as supermarkets, schools, hotels, factories will be built. Related departments will support agricultural production bases and specialized peasant cooperatives to supply their products to the food markets directly. In addition, e-commerce is encouraged. And modern trading pattern such as auction can be used in the agricultural market.

To sum up, the policy will further reduce the intermediate links and the circulation cost in agricultural market, which will also play a positive role in stabilizing vegetable price and protecting the interests of both peasants and consumers.

## Dynamic

### Full implementation of new pesticide policy in Hainan postponed

Department of Agriculture of Hainan together with Hainan Industrial and Commercial Bureau issued a joint statement on 29 Dec., 2011, expressing to postpone the deadline of the last buffer period of pesticide wholesale and retail enterprises (including pesticide retail shops) which have got their pesticide business license expired in 2011 to 30 June, 2012 from the original 31 Dec., 2011.

According to the Implementation Measures on Business License Management of Pesticide Wholesale and Retail in Hainan Province (Trial) (Implementation Measures for short) released on 24 June, 2011, 31 Dec., 2011 was set to be the deadline for many pesticide enterprises with their pesticide business license getting expired and can't get a new license in the license bidding. Without pesticide business license, they will not be allowed to continue their business in Hainan Province and will finally be washed out from the market.

If the trial Implementation Measures were put into practice as scheduled, Hainan government would have launched the full implementation of the new policy in the whole island since 31 Dec., 2011, when the government will gather all the wholesale enterprises who have got pesticide business licenses to bid for pesticide procurement, and the retail pesticide enterprises with pesticide business licenses will execute the fixed prices or guide prices of pesticides set by Hainan government.

However, the schedule of new policy promotion has been largely delayed. Till 29 Dec., 2011, there are only two cities in Hainan Province carried out local pesticide policies to support the Implementation Measures. The license bidding supposed to be finished from Oct., 2011 to Nov., 2011 is still reported to be uncompleted so far. And it is speculated to be the main reason for Hainan government's postponing the deadline of the buffer period.



It is actually a tough work for Hainan government to fulfill the job of washing out 99% of wholesalers and 89% of retailers from the pesticide market in Hainan. How to arrange jobs for a large amount of people who get unemployed after the policy is fully implemented is one of the most important problems. Many people in Hainan Province still can't believe the government can actually fulfill the goal it set in the Implementation Measures. And the government also admitted the full implementation of the policy will be a long and painful process.

Calculated by the Department of Agriculture, till June 2010, there are 2,123 pesticide wholesalers and retailers with complete licenses in Hainan Province, including 337 enterprises with the license to run both wholesale and retail businesses. There will be 1,023 pesticide wholesalers and retailers with their business licenses expired till 31 Dec., 2012, accounting for 48.19% of the total number of enterprises who own complete pesticide business licenses. The number will increase to 1,602 till 30 June, 2012, accounting for 75.50% of the total number.

## Company

### Grandpharma formally enters bio-pesticide field

The M&A between Wuhan Kernel Bio-tech Co., Ltd. (Wuhan Kernel), a famous bio-pesticide manufacturer in China, and Grandpharma (China) Co., Ltd. (Grandpharma), a Hong Kong listed Sino-foreign pharmaceutical company in China, was approved by the local government in Wuhan, Hubei Province on 19 Dec., 2011. On the same day, Wuhan Kernel finished the alteration procedures for industrial and commercial registration, which means that Grandpharma has formally entered the bio-pesticide field.

On the basis that Grandpharma promised to pay around USD17.41 million (RMB110 million) cash for the transaction capital, Wuhan Optics Valley Union Co., Ltd., a large real estate development group who holds 81% equity of Wuhan Kernel, has been largely attracted by the terms that proposed by Grandpharma. The two companies then reached an agreement on share transaction of Wuhan Kernel in Sept., 2011 and finally launched equity transaction ceremony on 21 Sept., 2011. The step into bio-pesticide field of Grandpharma is considered to be a bold attempt by the public.

Eyeing Chinese government's great concern over agriculture in the past few decades, many large domestic enterprises have started to involve in the business of agriculture through building up agricultural department; even some of the companies' main business has nothing to do with agriculture, such as Lenovo China (an advanced PC enterprise in the world), NetEase (a large web portal in China), etc. Their large investments in agriculture field once surprised the public in China, but so far they all seem to have done good jobs in their agricultural projects.

According the board of Grandpharma, what attract it the most are Wuhan Kernel's R&D capacity in bio-pesticide field and its oversea sales network of bio-pesticides. As one of the famous bio-pesticide manufacturers in China, Wuhan Kernel owns the largest R&D and pesticide pilot base of bacillus thuringiensis (Bt) in Asia. It is mainly engaged in the R&D, production and sales of bio-pesticides and green chemical pesticides, etc. The three main bio-pesticides of the company are BT, Jिंगgangmycin and bacillus subtilis (Bs), with capacity of 750t/a (TC), 200t/a (TC) and 1,000t/a (formulation) respectively in 2011.

The board of Grandpharma expressed its optimistic attitude towards the transaction with Wuhan Kernel. And the policy released by China's Ministry of Science and Technology (CMST) on 28 Nov., 2011, namely the 12th Five-Year Plan for Biotechnology Development (2011-2015), has also proved that Grandpharma's involvement in bio-pesticide industry is a right choice. Supported by the plan, China intends to promote the bio-industry to be one of the pillar industries in the national economy, especially the industries of bio-medicine, bio-pesticide, bio-energy, etc. Some overall development goals for domestic biotechnology industry in the coming four years have also been set, which will largely promote the development of China's bio-pesticide industry.

Additionally, to set aside the good prospect of Wuhan Kernel's bio-pesticide business, Grandpharma also aims at the new raw material production technology of amino acids in Wuhan Kernel, which will help to decrease the production cost of its medicine production after the industrialization is realized.



## Huapont to enter Brazilian pesticide market

Chongqing Huapont Pharm. Co., Ltd. (Huapont), a pharmaceutical company, and CCAB AGRO S.A. (CCAB), a Brazilian pesticide company signed an agreement on 7 Dec., 2011 that Huapont will invest USD20 million in CCAB to gain 7.5% of CCAB's shares.

In the last fiscal year (from July 2010 to June 2011), CCAB's net assets were USD1.8 million and the net loss reached USD1.4 million. However, Huapont stressed that the main aim of the investment is to develop its export market of agrochemical products in Brazil through CCAB in the future but not to obtain investment income.

CCAB, established in 2007, is mainly dedicated to registration, import, sale and technical services of pesticides. The shareholder of CCAB's parent company is a key cooperative of cotton, soybean, coffee and corn production in Brazil, whose annual output value of agricultural products exceeds USD8 billion and its annual consumption of pesticides accounts for 20% of the total consumption of Brazil. Brazil is the world's major producer and exporter of agricultural products. Meanwhile, it is the second largest consumer of pesticides; the annual consumption value of pesticides is over USD8 billion.

Huapont can enter Brazilian pesticide market through the investment in CCAB. Established in 1992, Huapont is mainly engaged in manufacturing and marketing of active pharmaceutical ingredients, drugs for dermatosis and anti-tuberculosis. After the merger of Beijing Nutrichem Laboratory Co., Ltd. (Nutrichem), Huapont's business crosses both bio-pharmaceutical industry and pesticide industry.

Huapont just completed merging Nutrichem by equity replacement on 14 Dec., 2011. Huapont issued 35,493,000 shares to 18 individual shareholders of Nutrichem. Nutrichem canceled its legal personality and all its assets and liabilities were inherited by Huapont. In fact, since Dec., 2007, Huapont has begun to buy 12,364,500 shares of Nutrichem which accounted for 22.74% of Nutrichem's total. In Oct., 2009, Huapont announced restructuring, but the restructuring program was not approved by the Stock

Supervisory Committee until July 2011.

Merging Nutrichem is beneficial to both sides: Huapont can enter the pesticide field, increase its profitability and diversify its products; Nutrichem can open up new overseas markets. Nutrichem is a leading agrochemical company in China which dedicates to developing, producing, registering and marketing agrochemicals, pharmaceutical intermediates and other fine chemicals. Nutrichem has been recognized by CCAB for its stable product supply and strong research support, which becomes an aid to Huapont's investment in CCAB.

After the equity investment in CCAB, Huapont will obtain a board seat of CCAB. CCAB agreed to add Huapont and its affiliates to the list of data source provider and formulator of all the products produced by CCAB within the term of service. CCAB also promised that if Louis Dreyfus Commodities Brasil S.A. (Louis Dreyfus) carries out debt-to-equity swap, the ratio of CCAB's shares owned by Huapont will not be less than 6.75% after dilution. Louis Dreyfus is the holder of USD10 million subordinated convertible bonds issued by CCAB.

What's more, pesticide business will become a new growth highlight for Huapont. Nutrichem and its original shareholders made a performance commitment to Huapont that its profit will reach USD17.8 million in 2011, USD23.1 million in 2012 and USD29.9 million in 2013. From Jan., 2011 to Sep., 2011, the net profit of Huapont has reached USD16.5 million; it is predicted that its net profit would reach USD22.0 million in 2011. After the merger, Huapont's net profit will reach USD35.8 million in 2011, including USD13.8 million net profit that belongs to Nutrichem.

The investment is a new attempt for Chinese agricultural enterprises to develop in overseas markets. However, the time required for pesticide registration in Brazil is about 2-3 years. In consideration of the exchange rate fluctuations and the long pesticide registration period, it's expected that 5-6 years will be needed to recover the investment.

### 10% glyphosate AS to retreat from domestic market

According to the Notice No. 1158 previously released by the Ministry of Agriculture of China on 25 Feb., 2009, 10% glyphosate AS will totally retreat from domestic market by 1 Jan., 2012.

## Product

### Chlorpyrifos and imidacloprid demand surges in Nov., 2011

Price and demand of chlorpyrifos and imidacloprid in China have surged in Nov., 2011 due to the increasing insecticide demand from underground pest management. Both chlorpyrifos TC and imidacloprid TC have experienced a short supply in this period.

By contrast, other insecticides have witnessed a sales off season at the end of the year.

#### Chlorpyrifos

According to the data from CCM International, 25 pesticide enterprises have involved in the production of chlorpyrifos TC in 2011. However, the operating rate has remained low among these enterprises after Oct., 2011. Only 9 of them launched chlorpyrifos production in Nov., 2011 and the operating rate was only 36%.

Domestic output of chlorpyrifos TC in Nov., 2011 reached 4,716.43 tonnes, up 36.15% over Oct., 2011, close to the output in April, 2011.

Domestic sales amount of the product reached 1,700 tonnes in Nov., up 10.27% over the same period of the previous month. Although Nanjing Redsun Co., Ltd. owns the largest chlorpyrifos production capacity in China, it didn't account for much of the market share in Nov.

Direct export volume of chlorpyrifos this month also increased, reaching 1,231.58 tonnes, almost at the same level of July, 2011.

The total storage of chlorpyrifos in Nov., 2011 was estimated to be 4,943.00 tonnes, up 19.63% compared with that in Oct., 2011.

Ex-work price of chlorpyrifos TC has witnessed continuous growth in 2011. The price in Nov. reached USD6,910/t (the highest point in Jan.-Nov. 2011), up 2.90% over Oct. and up 32.10% over Jan. of the same year.

#### Imidacloprid

The number of imidacloprid TC production enterprises has reached 24 in 2011. However, the operating rate is not high in the whole year owing to the high pressure from domestic environmental protection policies. Only 11 of them launched operation in Oct., 2011 and the number reached 13 in Nov.

Output of imidacloprid TC in Nov. climbed to 991.57 tonnes. Jiangsu Fengshan Group Co., Ltd., Jiangsu Changqing Agrochemical Co., Ltd., Jiangsu Changlong Chemicals Co., Ltd. are the main manufacturers of imidacloprid in this month.

However, the sales of imidacloprid in domestic market seemed to be bearish due to the climbing price, even though the market demand surged in Nov. Total sales amount in this month reached 514.56 tonnes, down 33.2% over Oct.

Pushed by the climbing cost of raw materials and larger investment in environmental protection, the ex-work price of imidacloprid TC has gradually increased in the year of 2011, which reached the highest in Nov. over the first 11 months of 2011, hitting USD20,515/t, up 18.6% over Jan.

#### Comment

So far, seed treatment agent is a hot field in domestic pesticide market. Not only domestic pesticide enterprises, but also some international pesticide giants have paid great attention to the market dynamics of seed treatment agent in China. As two high efficient, lowly toxic insecticides for controlling underground pests, chlorpyrifos and imidacloprid are considered embracing more opportunities in seed treatment industry; that is to say, the seed treatment field may become a new growth point of the application of these two products.

TABLE 1: Capacities of main imidacloprid TC manufacturers in China, 2011

Company	Capacity, t/a
Jiangsu Kwin Group (Holding) Co., Ltd.	5,000
Hebei Yetian Agrochemicals Co., Ltd.	2,500
Shandong Qingdao Hailir Pesticides & Chemicals Co., Ltd.	2,500
Jiangsu Changqing Agrochemical Co., Ltd.	2,200
Nanjing Redsun Co., Ltd.	1,200
Shandong Sino-Agri United Biotechnology Co., Ltd.	1,000
Jiangsu Changlong Chemicals Co., Ltd.	1,000
Jiangsu Chemspec Agro-Chemical Co., Ltd.	1,000
Jiangsu Fengshan Group Co., Ltd.	1,000
Anhui Youngsun Pesticides Co., Ltd.	1,000
Shandong Qilin Agrochemical Co., Ltd.	1,000
Qingdao KYX Chemical Co., Ltd.	1,000
Hubei Sanonda Co., Ltd.	1,000
Others	4,900
<b>Total</b>	<b>26,300</b>

Source: CCM International

**TABLE 2:** Capacities of main chlorpyrifos TC manufacturers in China, 2011

Company	Capacity, t/a
Nanjing Redsun Co., Ltd.	30,000
Shandong Tiancheng Biological Technology Co., Ltd.	15,000
Zhejiang Xinnong Chemical Co., Ltd.	10,000
Jiangsu Baoling Chemical Co., Ltd.	8,000
Jiangsu Kuaida Agrochemical Co., Ltd.	8,000
Hubei Xianlong Chemical Industry Co., Ltd.	6,000
Shandong Huayang Technology Co., Ltd.	5,000
Lier Chemical Co., Ltd.	3,000
Anhui Chizhou Sincerity Chemicals Co., Ltd.	3,000
Guangdong Yingde Greatchem Chemicals Co., Ltd.	3,000
Hubei Qinong Chemical Co., Ltd.	3,000
Jiangsu Fengshan Group Co., Ltd.	3,000
Shandong Dacheng Pesticide Co., Ltd.	3,000
Shanxi Sanwei Fenghai Chemical Co., Ltd.	3,000
ZheJiang Dongfeng Chem.Ind Co., Ltd.	3,000
Others	12,000
<b>Total</b>	<b>118,000</b>

Source: CCM International

## ■ Agriculture production

### 2011: Heilongjiang harvests highest grain yield in China for the first time

According to the data from the National Bureau of Statistics of China, the total grain yield in Heilongjiang Province has reached 55.7 million tonnes in 2011, which is 2.8 million tonnes more than that in Henan Province whose grain yield was the highest from 1999 to 2010. It means that the total grain yield in Heilongjiang Province has ranked top one in China for the first time.

11.8%, 12.2% and 15.1% respectively; on the other hand, the soybean yield reached 5.4 million tonnes, down 7.5% over 2010. Mr. Jing, Under-Secretary-General of Heilongjiang government, disclosed that the total grain yield would reach 75 million tonnes in Heilongjiang Province at the end of 2015.

**PICTURE 2:** Peasants are airing their harvested rice.



Source: [www.news.cn](http://www.news.cn)

Compared with 2010, the total grain yield in Heilongjiang Province increases by 5.6 million tonnes in 2011, taking up 22.6% of the total grain increment in China. And the yield structure of crops has changed in 2011: on one hand, the yields of rice, wheat and corn in Heilongjiang reached 20.1 million tonnes, 2.2 million tonnes and 1 million tonnes, up

The changed planting structure and the improved yield per unit play an important role in the increased grain yield in Heilongjiang Province. According to the requirement "increase the planting area of rice and corn while decrease the planting area of soybean", the government of Heilongjiang Province readjusted the planting structure



of grain: the acreages of rice, wheat and corn in 2011 rise by 6.4%, 6.4% and 5.0% respectively. And the acreages of soybean and other crops respectively decrease by 9.8% and 3.9%. The total grain yield increases by 1.5 million tonnes in 2011 for the planting structure adjustment. And the grain planting area reaches 13.7 million ha. in 2011, increasing by 2.2 million ha. For the increased planting area, the total grain yield rises by 0.2 million tonnes.

What's more, the grain yield per unit has been improved substantially, because the weather conditions in most parts of Heilongjiang Province in 2011 were better than that in 2010, and the government has strengthened the construction of agricultural infrastructure and increased the investment. According to the survey result, the yield per unit of rice, wheat, corn, soybean and other crops has respectively increased by 5.1%, 5.5%, 9.6%, 2.5% and 16.9%. For the yield per unit has increased, the total grain yield in Heilongjiang Province has increased by 3.8 million tonnes in 2011, and its contribution rate to the total increased grain yield is up to 68.3%.

In addition, the fund for the construction of irrigation and water conservancy facilities in Heilongjiang has increased substantially in recent few years. For example, the fund was USD0.4 billion in 2007 and came up to USD2.2 billion in 2010. "Up to now, the area of water-saving

farmland is up to 1.5 million ha. and the irrigation control area of paddy field is 0.1 million ha.," introduced Mr. Xu, Deputy Director of the Water Resources Department of Heilongjiang Province. "The irrigation area has increased by more than 2 million ha. in the past five years and the total irrigation area reached 4.7 million ha. in our province in 2011."

Furthermore, the government has been continually improving the systematization degree of agriculture, and peasants are encouraged to use high-yield culture technique. Up to now, the number of peasant professional cooperatives, which were registered in the Ministry of Industry and Commerce, is more than 14,000. The government of Heilongjiang plans to set up cooperatives in every village during the period of the 12<sup>th</sup> Five-Year (2011-2015) Plan.

Stabilizing the grain yield is the government's major task in 2012. "We should try our best to stabilize the grain yield at over 525 million tonnes in 2012," said Mr. Han, Head of the Ministry of Agriculture, at China's Annual Central Conference on Rural Work which was held on 27 Dec., 2011. And Mr. Wen Jiabao, Premier of the State Council, expressed that governments of all levels should attach great importance to agricultural production, especially grain production.

## Registration

### New registration of foreign pesticide companies in China, 2011

Company	Registration name	Content	Types	Valid date
DuPont	Copper hydroxide	46%	WDG	2011.01.11-2016.01.11
	Chlorantraniliprole	5%	SC	2011.02.16-2016.02.16
	Chlorantraniliprole	35%	WG	2011.04.21-2016.04.21
	Sulfometuron-methyl	95%	TC	2011.12.05-2016.12.05
	Thifensulfuron-methyl	96%	TC	2011.01.25-2016.01.25
Bayer	Spirotetramat	96%	TC	2011.03.16-2016.03.16
	Spirotetramat	22.4%	SC	2011.03.16-2016.03.16
	Tebuconazole	430 g/L	SC	2011.03.11-2016.03.11
	Amidosulfuron · Iodosulfuron-methyl	11%	OD	2012.01.06-2013.01.06
Syngenta	Mancozeb	80%	WP	2011.10.10-2016.10.10
	Difenoconazole · Azoxystrobin	325 g/L	SC	2011.05.30-2012.05.30
	Emamectin benzoate	0.88%	EC	2011.11.17-2016.11.17
	Emamectin benzoate	2%	EC	2011.06.20-2016.06.20
	Metalaxyl-M · Chlorothalonil	440 g/L	SC	2011.08.23-2012.08.23
	Chlorantraniliprole · Thiamethoxam	300 g/L	SC	2011.12.14-2012.12.14
	Propiconazole · Azoxystrobin	18.7%	SC	2011.12.13-2012.12.13
Dow AgroSciences	Chlorpyrifos	40%	EW	2011.04.11-2012.04.11
	Mancozeb	75%	WG	2011.05.12-2016.05.12

Note: CCM International chooses part of the foreign companies that got new products registered in 2011. More registration information of foreign companies will be presented in the coming issue.  
Source: China Crop Protection Industry Association

### Main pest/disease occurrence in Guangxi, H2 2011

Pest and disease	Occurrence area, ha.	Occurrence time
Rice borer	2,900,000	H2, 2011
Rice plant hopper	10,200,000	H2, 2011
Rice leaf roller	7,300,000	H2, 2011
Sugarcane cottony aphid	4,200,000	H2, 2011
citrus red mites	2,300,000	H2, 2011
Rice sheath blight	9,100,000	H2, 2011
Rice blast	3,900,000	H2, 2011
Rice bacterial leaf streak	1,200,000	H2, 2011

Source: Guangxi Plant Protection Station

### Average market price of main crops in China (Dec. 31, 2011)

Crops	31-Dec.-11		15-Nov.-11		31-Dec.-10	
	USD/t	RMB/t	USD/t	RMB/t	USD/t	RMB/t
<b>Wheat</b>	<b>340</b>	2,144	<b>333</b>	2,107	<b>323</b>	2,128
<b>Corn</b>	<b>346</b>	2,181	<b>344</b>	2,175	<b>295</b>	1,947
<b>Soybean(oil)</b>	<b>639</b>	4,026	<b>632</b>	4,000	<b>660</b>	4,350
<b>Soybean(food)</b>	<b>668</b>	4,210	<b>642</b>	4,066	<b>766</b>	5,050
<b>Peanut</b>	<b>1492</b>	9,400	<b>1,485</b>	9,400	<b>1,381</b>	9,100
<b>Indica rice</b>	<b>542</b>	3,414	<b>531</b>	3,361	<b>501</b>	3,300
<b>Japonica Rice</b>	<b>622</b>	3,917	<b>622</b>	3,939	<b>586</b>	3,860
<b>Rapeseed</b>	<b>729</b>	4,595	<b>736</b>	4,659	<b>645</b>	4,250
<b>Broomcorn</b>	<b>524</b>	3,300	<b>427</b>	2,700	<b>316</b>	2,080

Source: CCM International



## News in Brief

### **Sichuan plans to carry out pesticide business license system**

Aiming to keep pace with the coming national pesticide policy, namely Pesticide Management Policy, and to reinforce the management of pesticide business, Sichuan Province plans to launch a policy on pesticide business license system.

So far, the draft of the policy is under revising and it is supposed to be carried out in 2012.

Sichuan becomes the fourth province in China which plans to or has carried out the policy of pesticide business license system.

### **China's herbicide output from Jan. to Nov. 2011 reaches 1.06 million tonnes**

Herbicide output in China from Jan. to Nov., 2011 reached 1.06 million tonnes, up 11.37% over the same period of 2010. The output in Nov., 2011 reached 118,000 tonnes, up 22.76% over Nov. 2010.

Shandong Province, Jiangsu Province and Zhejiang Province were the top three herbicide production provinces in this period, whose output accounting for 31.23%, 26.32% and 14.12% respectively of the total national output.

### **Jiangsu Huifeng to set up subsidiary in LA, the US**

The board of Jiangsu Huifeng Agrochemical Co., Ltd., a listed pesticide enterprise in China, has recently passed the bill of setting up a wholly-owned subsidiary in Los Angeles, the US. The setting up of the subsidiary is to better support the company's pesticide registration and sales in the Americas.

### **China to keep total grain yield over 525 million tonnes in 2012**

According to Han Changbin, Minister of Agriculture, China will make great efforts to keep total grain yield at over 525 million tonnes in 2012. Owing to the high costs of labor, agricultural means of production, etc., China has entered a high cost period of agricultural production. Keeping the continuous growth trend of grain yield becomes more and more difficult in the coming years.

The total grain yield in China has reached 570 million tonnes in 2011, up 4.5% over 2010.



#### **Interact column**

Please click here to send your comments and topics you are interested in.

Journalist: Keke Lan, Youqiao Chen, Xiaohong, Feng

Editor: Emily Chen

Chief Editor: Norman Lai, Hongxiang Du

Publisher: CCM International Limited

### **CCM International's legal disclaimers**

1. CCM International guarantees that the information in the report is accurate and reliable to the best of its knowledge and experience. CCM International defines the report as a consulting product providing information and does not guarantee its information is completely in accordance with the fact. CCM International shall not have any obligations to assume any possible damage or consequences caused by subscribers' any corporate decisions based upon subscribers' own understanding and utilization of the report.
2. The complete copyright of the report is and will be held by CCM International. Subscribers shall not acquire, or be deemed to acquire the copyright of the report.
3. The report provided by CCM International shall be only used as source of subscriber's internal business decisions and shall not be used for any other purposes without CCM International's prior written consent, unless stated and approved in license contract signed by both parties. Subscribers shall not distribute, resell and disclose the whole report or any part of the report to third parties and shall not publish any article or report by largely or directly copying or citing the information or data based on CCM International's report without the prior written consent of CCM International.
4. "Single User License" means that there shall be only ONE person to receive, access and utilize the report. Subscriber can present the content of the report that marked the source from CCM International to their internal colleagues for their internal communication and utilization, but cannot share the whole report to other individuals. Any citation, distribution, reselling and disclosure of the report as well as its partial content to any third party are prohibited, including but not limited to their parent companies or subsidiaries.
5. "Corporate License" means that subscriber shall not cite, distribute, resell the report or disclose information of the report to any third party without CCM International's prior written consent, except subscribers' affiliates controlled with ownership of more than 50% of shares.

### **CCM International Limited**

---

17th Floor, Huihua Commercial & Trade Building, No.80 Xianlie Zhong Road  
Guangzhou, 510070, P.R.China

Tel:+86-20-37616606

Fax:+86-20-37616968

E-mail: [econtact@cnchemicals.com](mailto:econtact@cnchemicals.com)

Website: [www.cnchemicals.com](http://www.cnchemicals.com)