

China's Fertilizer Market after WTO

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China's WTO Commitments on Fertilizer

- Official to WTO on December 11, 2001
- Abolish the fixed quota administration to tariff rate quota (TRQ) system
- TRQ covers *DAP-----5.4 million metric tonnes (Mt)*
Urea-----1.3 million metric tonnes (Mt)
NPK-----2.7 million metric tonnes (Mt)

In-quota tariff is 4% while out of quota tariff is 50%

- Automatic permit system will cover MOP and all other fertilizer product
- Open fertilizer wholesale and retail business in the further 5 years
- Fertilizer import is administered through state trading, while SINOCHEM is designated one of the two state trading companies

China's Fertilizer Import and Export During January-August 2002
Import

(Mt)

	Jan-Aug 2002	Jan-Aug 2001	Increase by %
Total	12.25	7.53	63%
DAP	3.56	2.17	64%
NPK	1.75	1.35	30%
UREA	0.77	0	-
AN	0.62	0	-
KCL	5.21	3.74	39%

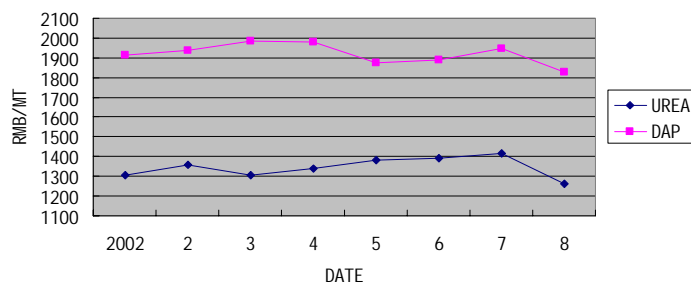
Export

	Jan-Aug 2002	Jan-Aug 2001	Increase by %
Total	1.53	1.83	-16%
DAP	0.25	0.35	-28%
NPK	0.08	0.09	-11%
UREA	0.3	0.85	-65%
AN	0.6	0.02	133%
KCL	0.24	0.16	51%

China's Fertilizer Production During January-August 2002
Output

(Mt)

	Jan-Aug 2002	Increase by % over 2001	Estimated annual output	Total output in 2001
Total	23.92	11.88%	36	33.35
N	18.33	11.73%	27.28	25.26
UREA	10.53	9.17%		
P₂O₅	51.31	13.72%	8	7.39
K₂O	0.46	4.93%	0.72	0.7

Price Change


- **Both production and sales boomed in first half 2002, fertilizer import increased sharply**
 - **Demand will be stable but competition will intensify**
- Example :** *DAP annual demand 5.0 Mt product*
 domestic production 2.5 Mt product
 import from Jan-Aug 3.6 Mt product

• **Steady but Slow Growth in Fertilizer Demand in the Next 2-3 Years** (Mt)

Year	1999	2000	2001	2002 (estimated)	2005 (estimated)	Annual increase by % during 2002-05
Total Consumption	36.837	37.082	38.41	39.5	42	2.50%
N	24.471	24.455	25.476	26.3	28	
P2O5	8.909	8.365	8.888	9	9.5	
K2O	3.457	4.262	4.046	4.2	4.5	

- **Nitrogen Production To Remain Steady While Phosphates and Potash Production To Increase Sharply During the Next 2-3 Years**
- **Globalization of the Fertilizer Industry and Acceleration of Fertilizer Export**
- **Structural Realignment of the Fertilizer Industry Will Speed Up**
- **Market Competition Will Intensify**