



# China's Fertilizer Industry Review and Outlook

- ④ Brief Introduction on China's Economic Development
- ④ Review and Outlook on China's Fertilizer Industry
- ④ China's New Policy for Fertilizer Industry During the 11<sup>th</sup> 5-year Plan
- ④ Impact on China's Fertilizer Industry and the Trend

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- President of Spur China, China

**Chiangmai Thailand**



# I

## China's Economic Development





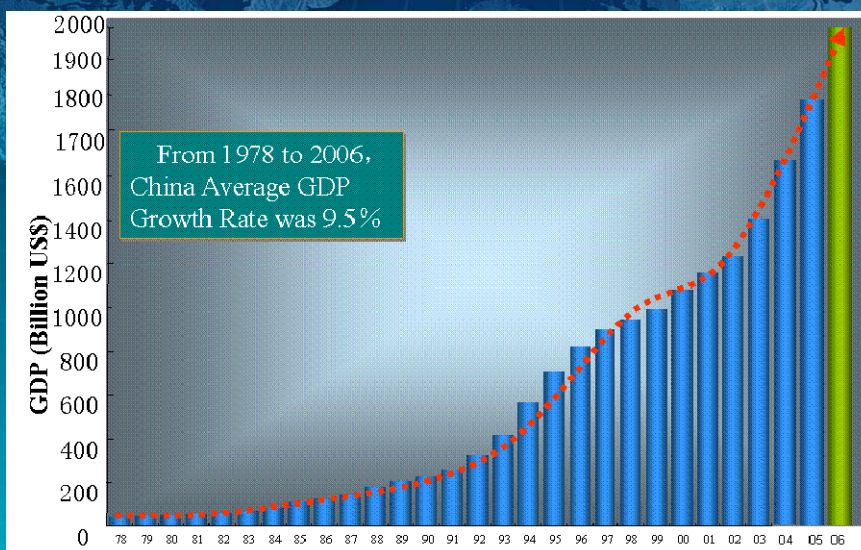
# China's Concerns 中国关注的问题

- 粮食安全和农民收入
- 经济增长: 主要问题不是经济速度, 而是公平与协调发展
- 协调经济发展与资源/环境的可持续发展问题
- 不仅关注本国也关注世界经济的可持续发展
- Food security and farmer income
- Major issue is not growth rate but equality
- Balance between economy, resource & environment
- Not only China but also global sustainable development



# China's GDP From 1978 to 2006

1978-2006年我国GDP增长趋势



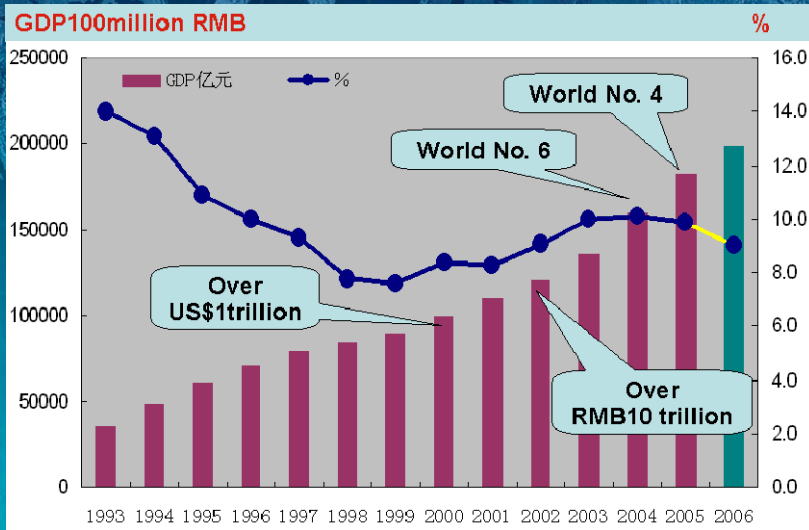
Source: National Bureau of Statistics of China (NBSC), SPUR





# China's GDP Growth Trend

中国GDP增长量及增长率变化

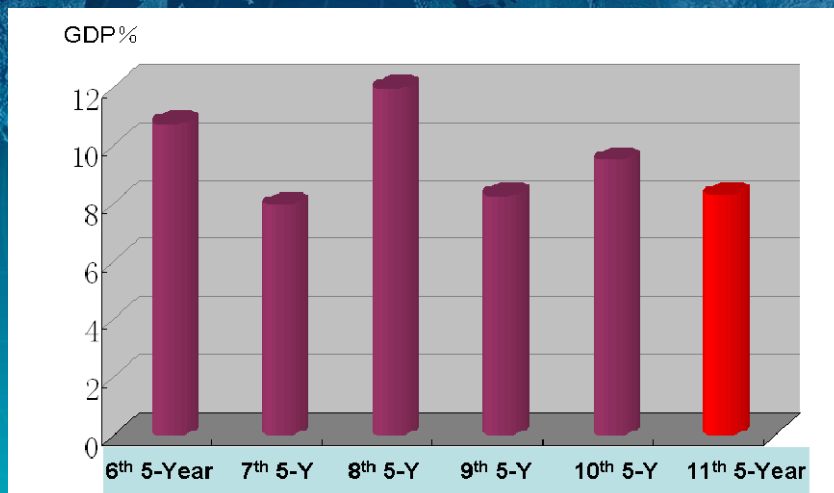


Source: NBSC, SPUR



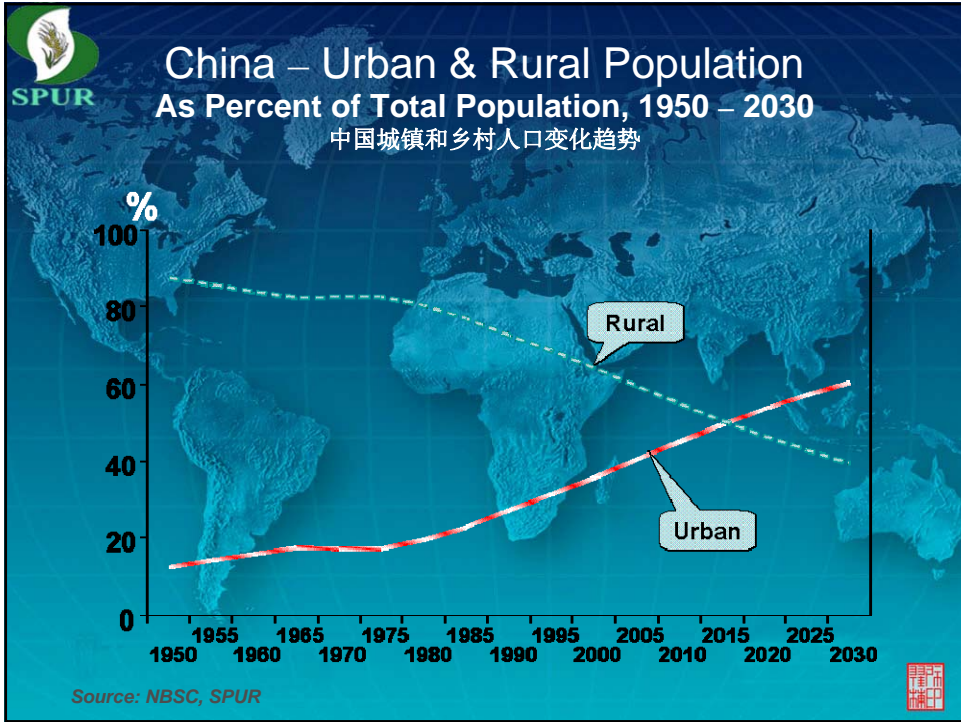
# China's economy grew at 9.5% annually from 1981-2010

30年中国经济以年均9.5%左右的速度增长



Source: NBSC, SPUR







# China's Future Economic Environment and the Trend

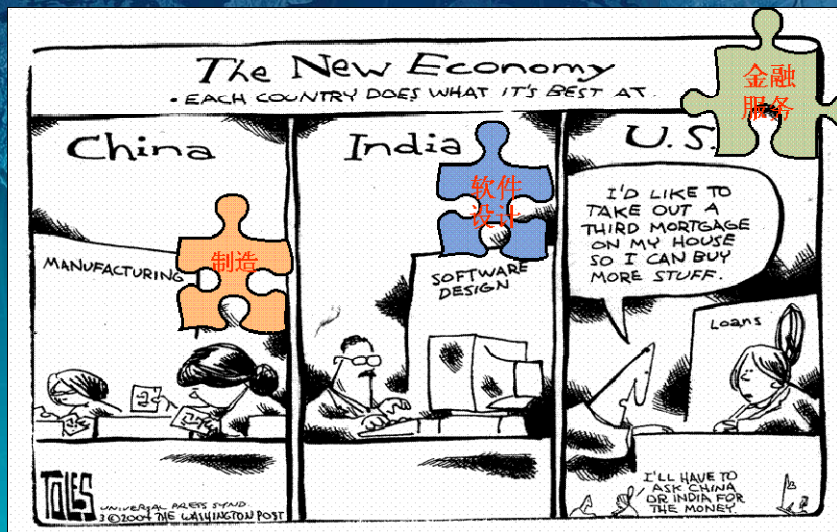
未来经济环境大趋势

## • China's Economic Driving Factors

- More private enterprise
- More farmers move to cities
- More regional economy development
- More industrial clusters
- Increasing service sector
- Accessing global natural resources
- Knowledge & property right protection

## • Challenges for China's Economy Development

- Energy, resources (oil, iron ore, potash.....)
- Environmental safety (atmosphere, water area, soil, vegetation.....)
- Industrial safety (frequent mine accident, increasing flinty transportation situation.....)
- Food security (sufficient supply, good quality green food.....)
- Welfare (political, population, social security, SARS, bird flu.....)



新经济下的各国战略定位

Source: Washington Post





## The significant strategy changes which Chinese enterprises are facing

1. From shortage economy to over supply economy (Sellers' to Buyers' market)
  - 1978-1992 Power controlling market, two price systems
  - 1993-2003 Marketing control economy
  - 2003-Now Capability control system (Skills, Management, Capital, Capability)
2. From localization to internationalization
  - Transnational Corporations: Enter into China, Research China, Using China)
3. From rough operation to refined management
  - GE's three circles strategy: Core business, Hi-tech & Service

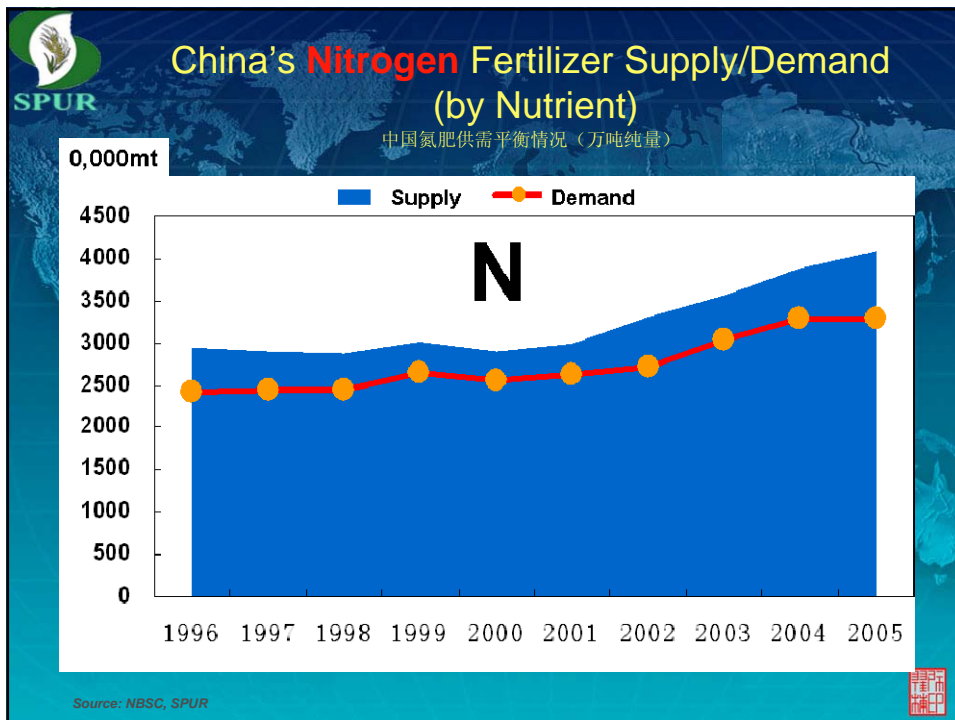
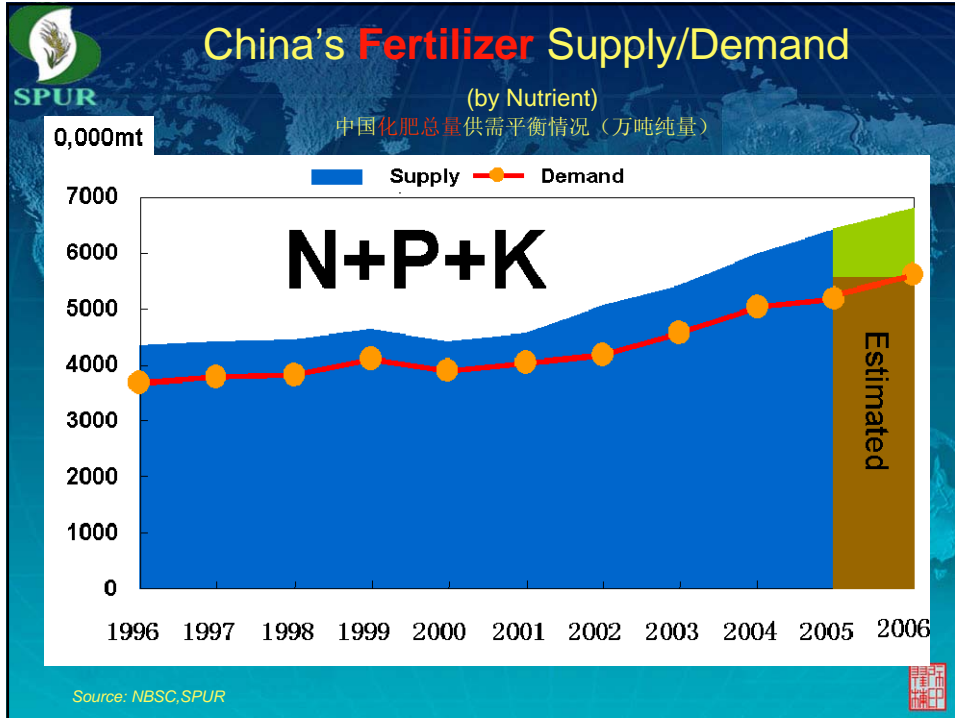


## The significant strategy changes which Chinese enterprises are facing

4. From OEM to self-owned property and brand operation
5. From manpower cost to human being resource management
  - 山到高处人为峰，水到远处天为岸
4. From abnormal team to normal team
5. From rule management to cultural management
6. From single competition to competing and cooperation alliance





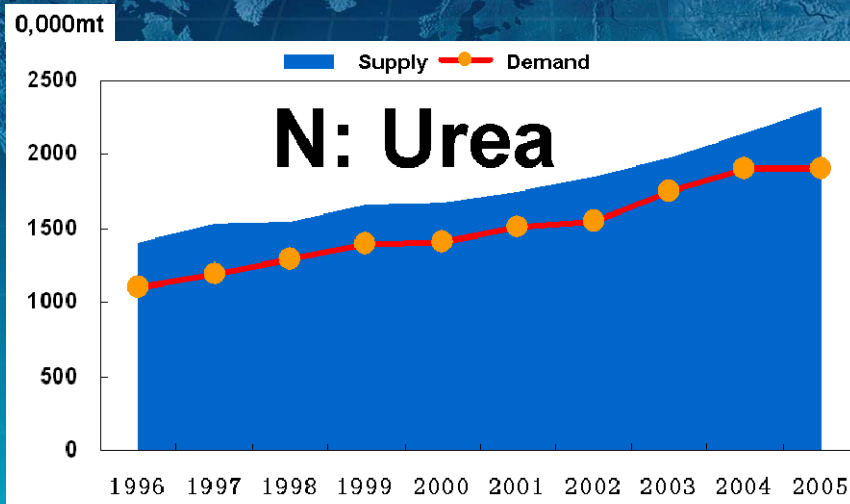




# China's Urea Supply/Demand

(by Nutrient)

中国尿素供需平衡情况 (万吨纯量)



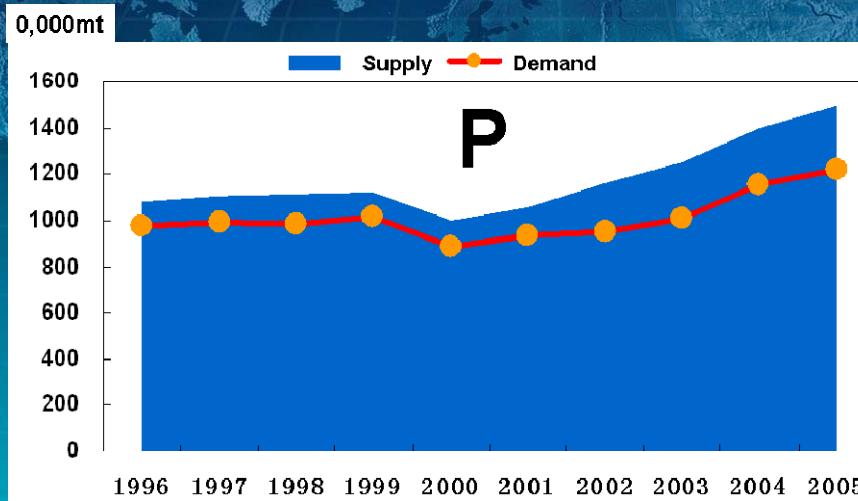
Source: NBSC, SPUR



# China's Phosphate Supply/Demand

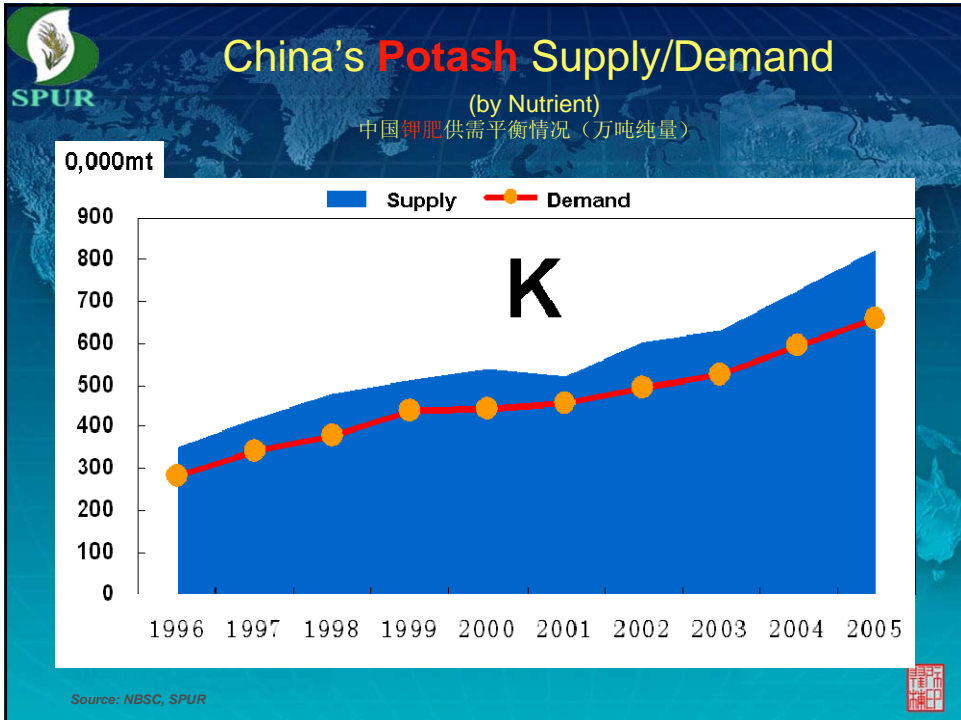
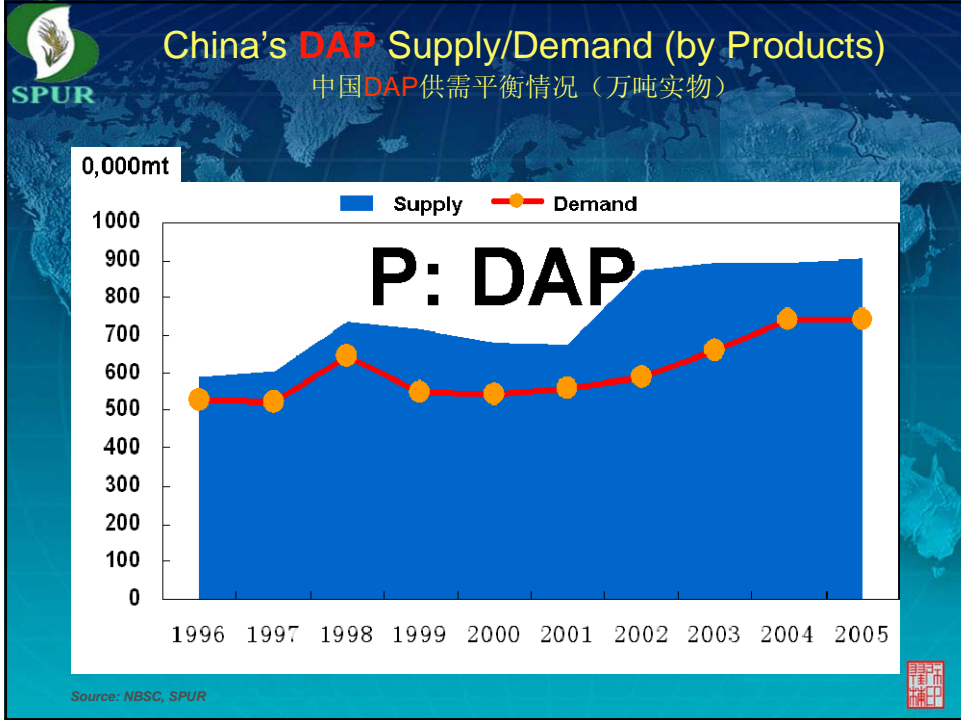
(by Nutrient)

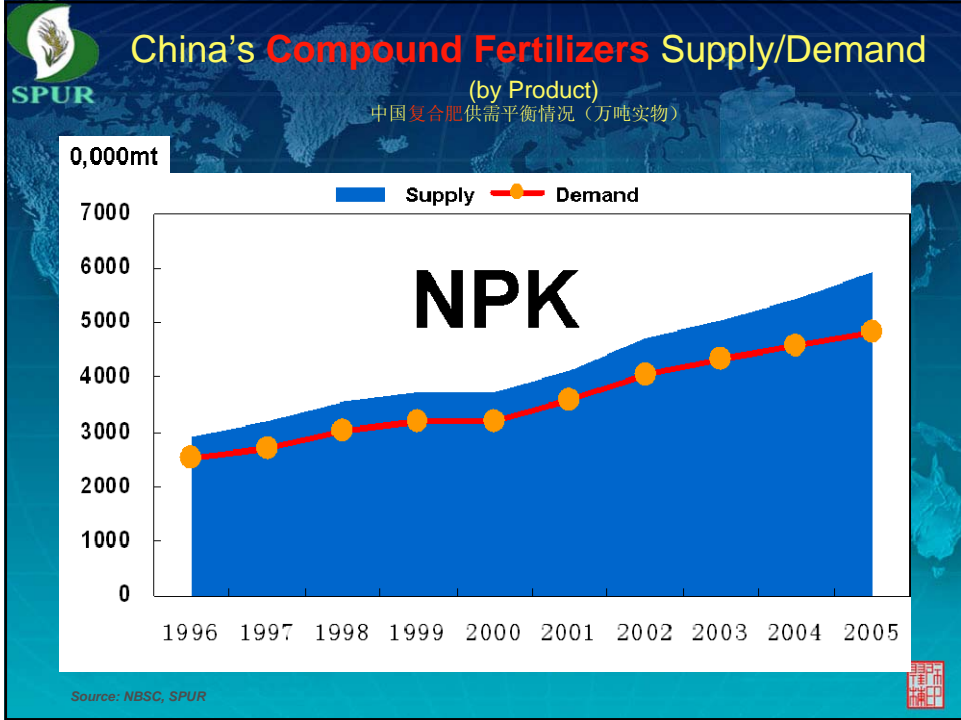
中国磷肥供需平衡情况 (万吨纯量)



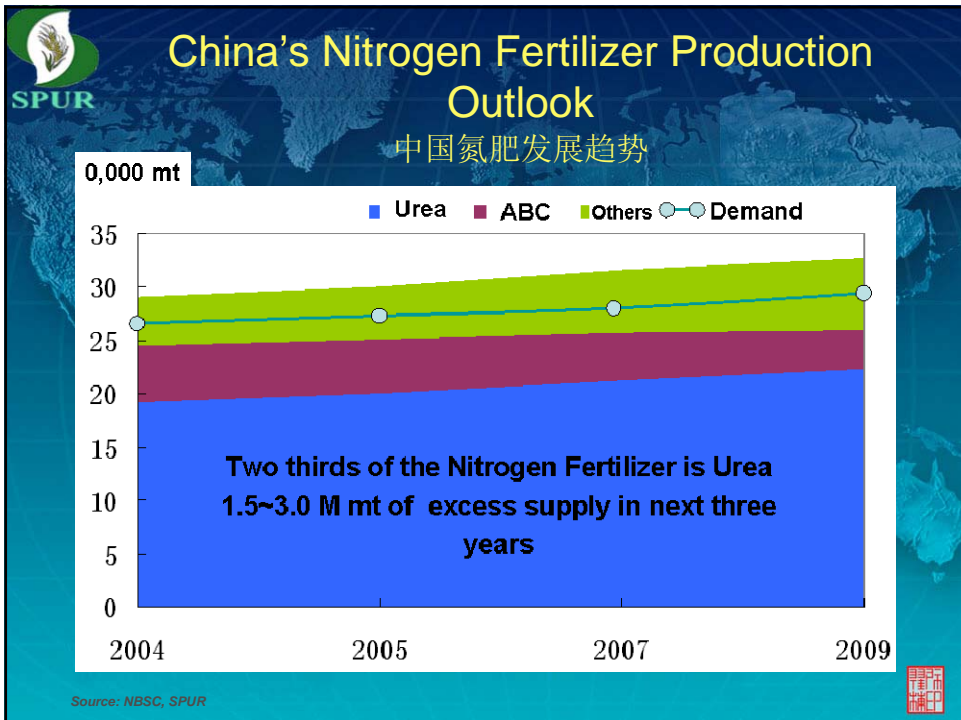
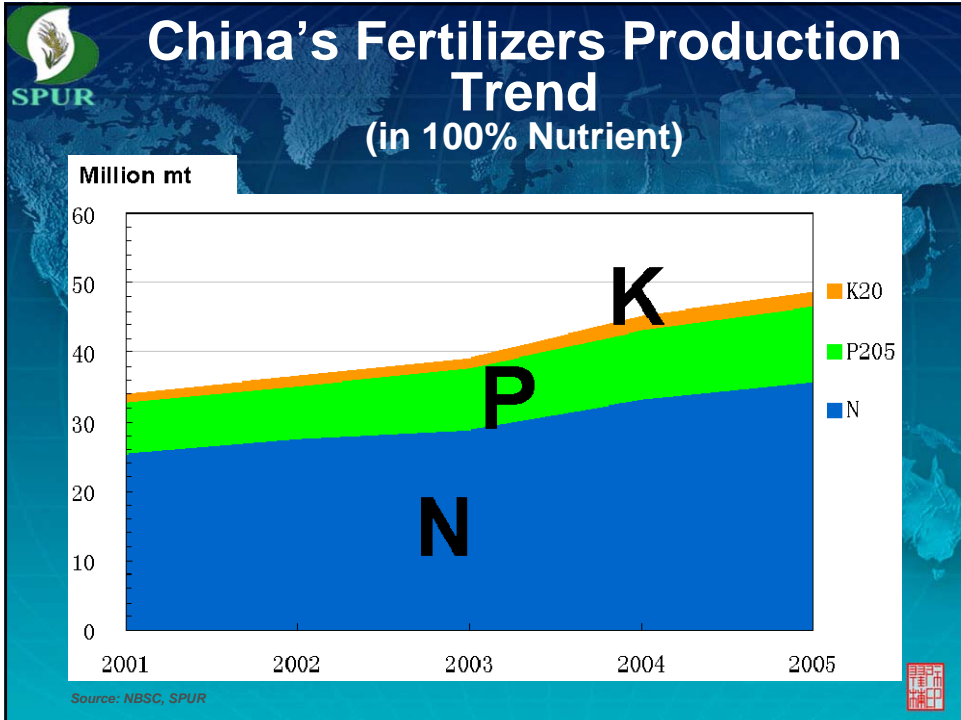
Source: NBSC, SPUR

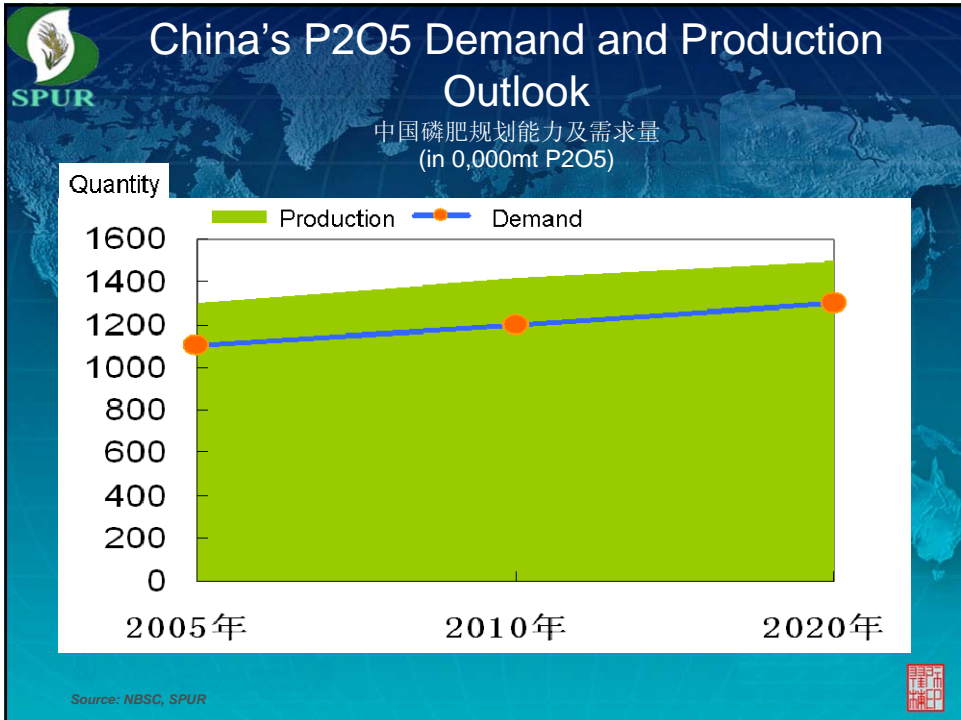
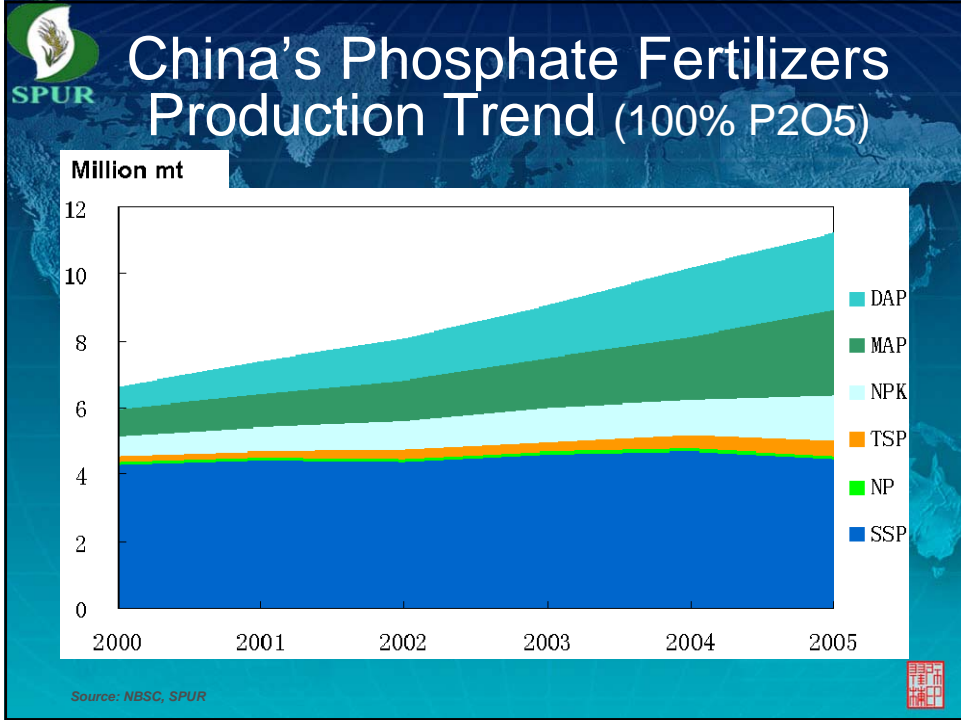


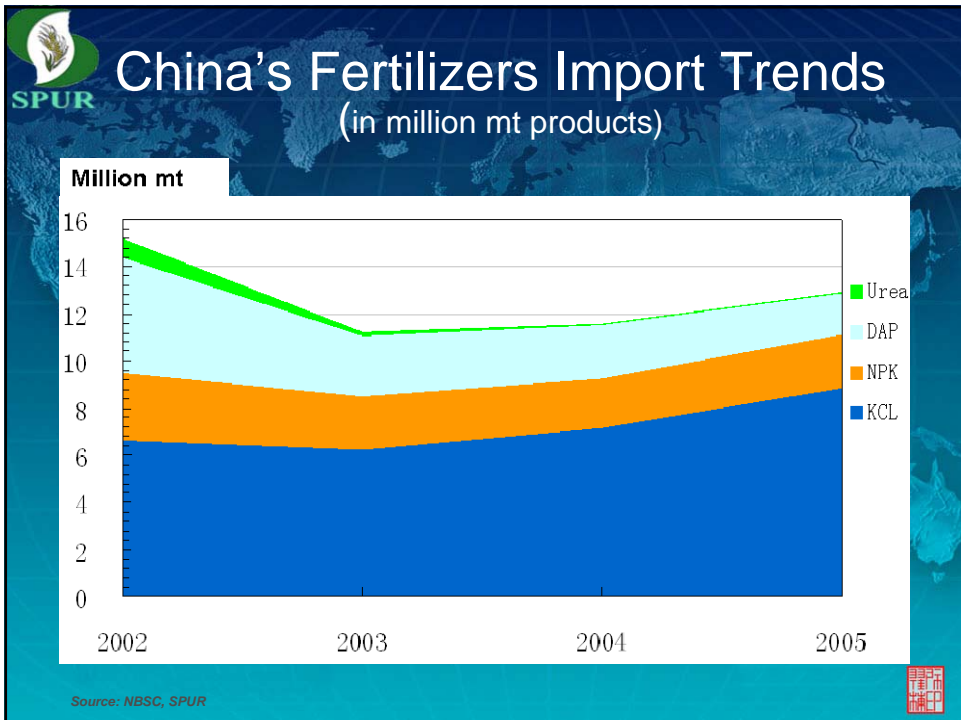




**Production**  
Domestic Supply









# III

## China's New Policy for Fertilizer Industry 11<sup>th</sup> 5-year Plan



## The Key Points of the New Industrial Policy

化肥工业产业政策调整主要目标



**Secure supply for farmers.** Set up rules and regulations to keep fertilizer industry value chain normal, stable and healthy.



**Promote Industry Centralization and Competitiveness.** Encourage private & foreign investor as well as international cooperation for China's fertilizer industrial structure and consolidation.



**Open fertilizers market.** Encourage services for agriculture and farmers and abolish all subsidy policies and directly pay subsidies to farmers.



**Control market access and fertilizer projects.** Projects under US\$ 100 million should be approved by provincial DRC. Projects over US\$ 100 million must get the approval from SDRC; NH3 projects must be above 200,000 tonnes annual capacity, PA projects must be above 100,000 tonnes P2O5 per annum.



**Improve standards of environmental protection, energy saving, production technology and contaminations releases.**





## Significant Effects on the Fertilizers Industry in China

新产业政策的实施将对行业产生重大影响

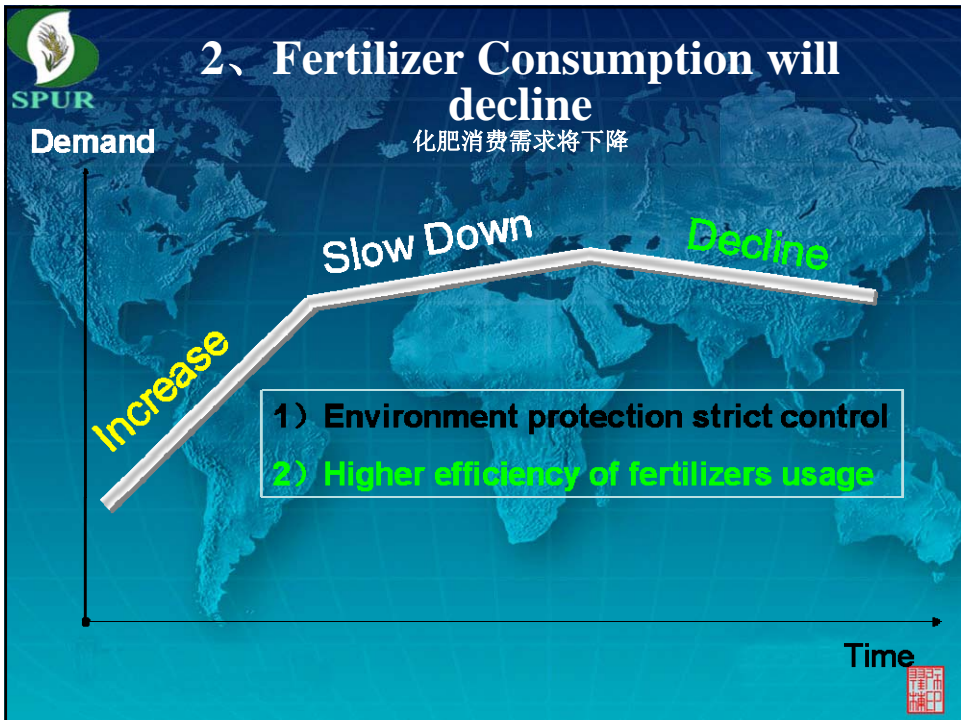
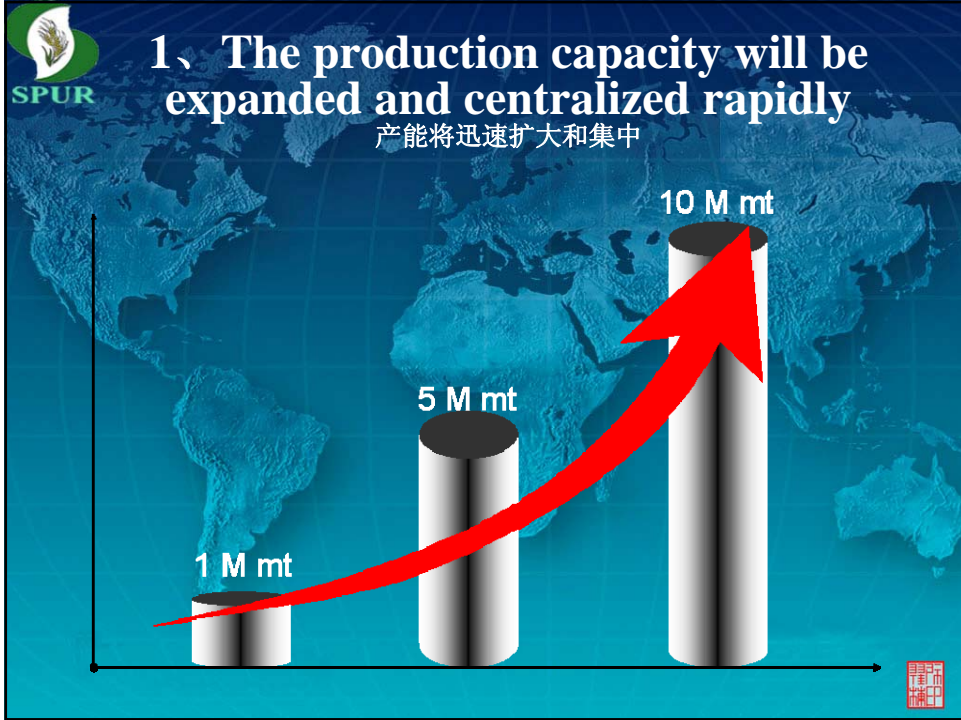
- I. Removing VAT vacation, the average price of NPK will increase 6%;
- II. Removing fertilizers transportation subsidies will change the fertilizers market distribution structure;
- III. Removing coal, natural gas and electricity subsidies the medium and small fertilizers producers will be washed out;
- IV. To smoothly carry out direct payment to the farmers of the subsidies is the key issue to guarantee the success of the new policy.



# IV

## Impact on China's Fertilizer Industry and the Trend





**3、Environment requirement higher and higher**  
 环保要求将会越来越高

**Today** **Tomorrow**

The diagram illustrates the shift in environmental requirements. On the left, under 'Today', there is an illustration of a factory with smokestacks emitting red smoke, a globe, and a pile of grey waste. A large white arrow points from this scene to the right. On the right, under 'Tomorrow', there is an illustration of a peaceful landscape with a white house, a green tree, and a body of water. The background of the slide is a world map.

**4、The Preferential policies will be gradually removed**  
 各项优惠政策将会逐步被取消

- Tax Vacation
- Preferential electricity price
- Preferential transportation expense
- Fertilizer subsidy

↓

- Policy applied equally to all industry
- Direct subsidy to farmers

The diagram shows a list of preferential policies being removed. A large white arrow points downwards from the top list to the bottom list. The background of the slide is a world map.



## 5、 The investment decision system will gradually apply to the market

投资决策机制逐步走向市场化

- Today China is changing from a planned to a market system
  - Investment decisions are mainly made by the government
  - unavoidable for the local protectionism and officials' being after political achievements.
- As China's economic growth continues using the concept of scientific development, the investment decisions and the resource allocations will gradually become more market oriented.



## 6、 The Challenge: End Of Cost Competition

挑战：低成本竞争战略的终结

