



Policy Headline

Sichuan and Chongqing are expected to become the second batch of natural gas price pilot area

It is reported, the Price Modification Pilot Scheme of the national natural gas has already been completed and areas of Chongqing, Sichuan province and others are expected to become the second batch of pilot scheme. The pricing mode will remain the "market net back method" piloted in Guangxi and Guangdong Provinces.

New Tariff Quotas Policy in 2013: First come, first served.

Recently, the ministry of commerce issued the Notice of the 2013 fertilizer import tariff quota amount, distribution principles and relevant procedure (hereinafter referred to as "notice"). The notice put forward, the total quotas is 13.65 million tons. Among them, 3.3 million tons of the urea, 6.9 million tons of Dap and 3.45 million tons of Compound fertilizer. It is applied in the principle of the first come, first served.

China will ban the NG-converted methanol project

On October 31, the website of the Development and Reform Commission released the Gas Utilization Policy, which is to take in effect since December 1, 2012. Based upon different features, natural gas users are divided into urban gas, industrial fuel, power generation, natural gas chemical and other users. According to the gas utilization sequence, it is divided into the prior, the permitted, restricted and prohibited categories. Among them, the newly-built or expanded projected with natural gas as raw material to produce methanol and its downstream products, has been listed as prohibited.

An year-on-year increase of 13.7% in the The first three quarters

The National Development and Reform Commission disclosed, the chemical industry has an growth of 11.7% in the first three quarters, 3.5% slower in year-on-year growth. The production totals 57.32 million tons, 13.7% up and 1.8% faster; Among them, the growth of 12.3% in nitrogen, 19% in phosphate fertilizer growth, 6.8% in potash fertilizer. In the first eight months, chemical industry achieved profit of 207.4 billion yuan, 18.1% drop on year-on-year basis. Among them, fertilizer manufacturing contributes to 28.4 billion yuan, 6.7% up.

Market Focus: GDP growth rate hit a new bottom in the first three quarters

The National Bureau of Statistics recently released, the gross domestic product (GDP) reached 35.348 trillion yuan in the first three quarters, a year-on-year increase of 7.7%. Among it, the growth of 7.4% was in the third quarter, 0.2% slower than the second quarter, and the new bottom in 14 consecutive quarters.

Market

Urea market

The domestic price continues to drop slightly. The agricultural market demand almost ends with small transactions. Manufacturers give priority to the export order and strive for more export before the end of low tariffs. Internationally, urea market is still weak. Another India's bidding has little impetus upon the market. In September China has urea exports of 1.256 million tons, an growth of 175.37%. 1-9 month has a total export of 2.598 million tons, 36% of on year-on-year growth. Generally, the domestic price remains to recover, subject to worrisomeness about new capacity and delayed light reserve.

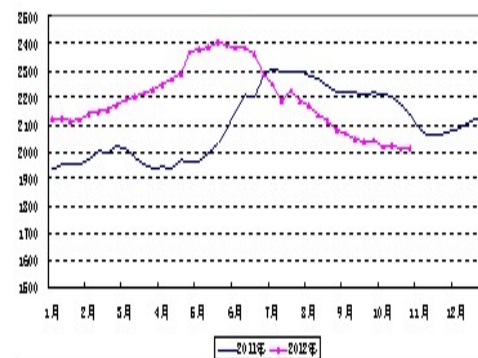
Liquid ammonia: Low price at lack of strong support

The market this month remains fluctuating in low price but slight rebound due to partial operation. It's estimated that the national production totals 4.492 million tons in September, 9.91% more on year-on-year basis. The national total ammonia production in the first 9 month reached 40.67 million tons, a year-on-year growth of 7.65%. Downstream chemical fertilizer market for fall fat has basically end but light reserve has not started and the market in the window period. Operating rate of phosphate & compound fertilizer enterprise fell to twenty percent and demand is blurring. Plagued by these factors, the market is expected to remain low until the limit gas in southwest, or fewer production.

Urea: Recovering domestic market and steady international market

monthly average ex-factory price: RMB 2002 / ton ↓ 1.1%

Average FOB price: \$382 / ton ↑ 2.7%



average ex-factory price: RMB 3150 / ton ↓ 1.5%

