

News pFlash™ – Chinese chemical industry experiences unusual price hikes

May 9, 2008 - The Chinese chemical industry has recently experienced unprecedented price hikes, sending shock waves along the whole supply chain.

Out of the approximate 120 chemical products available in the Chinese market, more than 70 have increased by 20% or higher since this time in 2007, with some reaching historical heights, due to the rising cost of raw materials and basic chemicals.

The cost of sulphur has jumped by 600%-700% since January 2007. As a result, the derivative, sulphuric acid has also gone up by 500%-600% over the same period. Other sulphur derivatives include sulphates, such as manganese sulphate and sulphamic acid.



Prices of soda ash, methanol, urea and other basic chemical materials have risen 30% to 50% over 2007.

Even formaldehyde and aniline, which are historically the least volatile products in the market, have shot up by 20% to 45% within April 2008 alone.

Nitric acid and phosphoric acid have increased by over 215% since 2007 and recently have been going up on a daily basis. Nitrates and phosphates, such as the fertilizers ammonium nitrate and diammonium phosphate (DAP), are affected by the price hikes.

In an attempt to curb exports of fertilizers, the National Development and Reform Commission in China approved a 100% export tax increase on all fertilizers from April 20, 2008 through September 30, 2008.

Chinese DAP producers indicate that due to the export taxes and rising fertilizer feedstock costs (nitrates, phosphates and urea), they may reduce production. The global supply of phosphate fertilizers is expected to be reduced by as much as 20%.

Most manufacturers blame the ever-increasing price of coal and crude oil as the driving force behind the unusual price hikes. The upcoming Beijing Olympic Games and the potential interruption to production and logistics, only exacerbate the situation.