



Corn Products China News

Vol.3 Issue 7, 2010

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Supply & Demand

Furfural supply intensifies

Furfural supply has started to be intensified since this July, due to short supply of corn cob, low yield of furfural production under high temperature and the sales reluctance of producers who expect a higher price. Current furfural price stays at a high level, supported by the high production cost of this product at present.

Many furfural producers claim that intense supply of corn cob is the main reason for the downtrend of operating rate of many furfural producers. Some furfural producers are even forced to suspend production due to the lack of corn cob. Mr. Yang, Sales Manager in Xinxiang Yuyuan Chemical Co., Ltd. (Xixiang Yuyuan), said that Xinxiang Yuyuan can only arrange production for previous orders, and now it can not manage for new orders because of tight supply of corn cob.

Furfural supply in Hebei Furan International Co., Ltd. (Hebei Furan), one of the leading furfural producers in China, is tightly stable currently, and the company plans to raise furfural price in the short run as corn cob price is too high. Corn cob price has been up to USD103/t currently from USD51/t in early 2010.

Corn cob is the main raw material to produce furfural, which accounts for 85% of total unit production cost of furfural. Currently, it is the slack reason for corn cob supply, and corn cob in circulation is quite tight. Usually, October to next April is the marketing season for corn cob.

Many furfural producers estimate furfural price will continue its uptrend in the near future, so they are

reluctant to sell their furfural currently, which, to some extent, tightens current furfural supply. In fact, furfural production enjoys a small profit margin despite its price has reached as high as USD1,742/t this July. According to current corn cob price of USD103/t, unit production cost of furfural is USD1,329/t.

Moreover, furfural yield is low while the temperature is over 40°C, which also negatively impacts furfural supply in the market. As temperature rises, furfural's production yield will decline.

As a high pollution industry, furfural production has been strictly controlled by Chinese government currently, which tightens furfural supply to some extent. If the sewage discharged can not reach national standard, furfural producers will be forced to suspend production by local government.

The high price of furfural currently is not supported by robust market demand, but the high production cost of this product, disclosed by Ms. Lao, an expert from www.furfurals.com.

In China, furfural producers are widely distributed with small capacity. According to Ms. Lao, all the furfural producer's capacity can't reach 50,000t/a, and most of them is lower than 10,000t/a currently. It is to say that no furfural producers can dominate the product price in the market, which is determined by the supply/demand in the market.

Chinese citric acid to US increases

Though under the double high duties of anti-dumping duty and countervailing duty (CVD) for Chinese citric acid in the US, China still enjoyed remarkable increase in exports of citric acid to the US in the first five months of 2010, aided by the recovery of the US's economy from 2010 and the way many Chinese producers adopt to cope with these two duties, that is, many Chinese producers first transferred their products to the third countries with no duties imposed by the US and then accomplished their transactions.

The anti-dumping duty and CVD in the US on Chinese citric acid initiated in May 2009. The US Department of Commerce (USDC) announced its final determination in the countervailing duty (CVD) and anti-dumping duty investigation into Chinese citric acid and citrate salts on May 29th, 2009, with the result of imposing CVD ranging from 3.60%-118.95% and anti-dumping duty ranging from 94.61%-156.87% on Chinese citric acid (TABLE 1).

Under the impact of anti-dumping duty and CVD, Chinese citric acid to

the US has shrunk largely in 2009. According to the data from China Customs, China totally exported 9,612 tonnes citric acid to the US in 2009, slumping by 86.60% over 2008.

But entering 2010, exports of China's citric acid to the US skyrocketed. According to the data from China Customs, China totally exported 8,765 tonnes citric acid with the value of USD6 million to the US in the first five months of 2010, respectively soaring by 85% and 187% year on year. The actual export volume of Chinese citric acid to the US was

more than the data as the data just reflected the amount directly exported to the US and that exported through the third countries was not included.

As the whole economy of the US has been recovering since 2010, driven by the USD800 billion capitals supported by President Obama to stimulate the economy in January 2009, demand for citric acid, a common additive widely used in beverage, food, scrubbing, etc., has been increasing. In the US, there are three large-scale citric acid producers, but the total output of these three producers still can't satisfy the demand for citric acid. And the US has to depend on imported citric acid annually. As the world's largest citric acid exporter, Chinese citric acid producers took this chance.

In order to avoid anti-dumping duty and CVD in the US, Chinese citric acid producers usually make use of overseas traders with no anti-dumping or CVD cases in the US to export citric acid to the US, disclosed by Mr. Yuan, Securities Consultant from Anhui BBKA Biochemical Co., Ltd. (Anhui BBKA), one of the leading citric acid producers in China.

It is said that Chinese citric acid producers usually choose

Brazil and other Asia-Pacific countries as transshipment station for exports to the US. And Anhui BBKA also adopts this method, revealed by Mr. Yuan.

Many experts think this method isn't reasonable, but it indeed is an effective way to cope with the US's anti-dumping duty and CVD on Chinese citric acid. In fact, all Chinese citric acid producers estimate the final determination in anti-dumping and CVD investigation on Chinese citric acid is too severe, and appeal against the final determination to cut down the duties. No determination has been made for the re-appeal as of present, disclosed by Mr. Pang from citric acid association of China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCCMC).

Fortunately, on Jun. 30th, 2010, USDC announced to investigate Administrative Review of anti-dumping and CVD on Chinese citric acid, signifying USDC will reconsider the duties for the responded Chinese citric acid producers, which means the duties might be cut down in the near future. The final determination for this reinvestigation for Administrative Review will be made before May 31st, 2011.

TABLE 1: US's CVD and anti-dumping duty determination on Chinese citric acid producers

Producer	Preliminary determination		Final determination	
	CVD (%)	Anti-dumping duty (%)	CVD (%)	Anti-dumping duty (%)
Anhui BBKA	97.72	134.75	118.95	111.85
Shandong TTCA	1.41	150.09	12.68	129.08
Yixing Union	3.92	119.41	3.60	94.61
Enterprises with separate rates	2.67	134.75	8.14	111.85
Others enterprises	2.67	156.87	8.14	156.87

Source: CCM International

Note: Enterprises with separate rates refer to enterprises who have applied for exporting citric acid products under one of HS code 29181400.00, 29181510.00 and 29181550.00. Others indicate Chinese citric acid products exporters except Anhui BBKA, Shandong TTCA, Yixing Union and enterprises with separate rates above-mentioned.



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