

— Series of Reports on Agricultural Investment Research —

Fertilizer Investment Research

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BOABC Focal Viewpoints

1. The prosperity index of the fertilizer industry was 47.3 in 2008, falling to 33.8 in Q4, hitting the bottom of 29.4 in Q1 2009, and 30.7 is expected for the whole year of 2009 and a rally to 39 in 2010.

2. Factors Conducive to Development of the Fertilizer Industry (Opportunities):

- The Government raised comprehensive subsidy from 63.8 billion yuan in 2008 to 71.6 billion yuan in 2009 for agricultural raw materials in order to support agricultural development;
- Fertilizer price fell significantly from same period last year, and the substantial growth of the ratio between grain and fertilizer is conducive to mobilize farmers to purchase more fertilizer;
- As the largest producer of coal in the world, China has abundant supply of coal and natural gas, and global surplus of sulphur provides affluent raw material for domestic fertilizer production.

3. Negative Factors to the Development of the Fertilizer Industry (Threats):

- The growth of grain production in 2008 was faster than previous estimate, and the slowing down of the growth of grain production in 2009 would result to slowing down of the growth of fertilizer demand;
- The growth of fertilizer production is faster than the growth of consumption, hence there is threat from climbing stock;
- Threat of insufficient raw material supply due to reduction of production of pyrite and phosphorus ore;
- Threat of resource waste and abandoning of outdated capacity due to surplus production capacity of fertilizer;
- Decline of growth of fertilizer sales revenue from same period last year;
- Falling of gross profit margin due to decline of fertilizer price and slowing down of growth of

total profit.

4. Potash fertilizer among the fertilizers enjoys the best prosperity index, and as the domestic largest producer of potash fertilizer, Qinghai Salt Lake Potash Co., Ltd. witnesses around 70% of gross profit and enjoys a bright prospect.

Introduction to the Series of Reports on Agricultural Investment Research

Main Features

- **BOABC is the first company launching the prosperity index in China based on industrial chains.** The index takes key indicators out of the entire industrial chain, bearing in mind material supply and market application to set up a supply-demand model for the predication of future trends. The index can facilitate investors to make comparisons between various industries and capture goods opportunities for investment.
- **Long-term follow-up research of the industries.** BOABC has dozens of analysts with the background of dedicated long-term research of grains, cotton, oil crops, sugar, fruit, aquatic products, fruits and vegetables, animal products, dairy products, logging, animal feeds, pesticide, fertilizers and other break-down industries. They have accumulated extensive data sets and experiences of relevant industries over the past more than one decade.
- **Emphasis on analysis of the fundamentals.** Analyze the value of a given industry from the perspective of the fundamentals and recommend key companies.
- **Policy analysis and predictions of policy trend.** Analyze impacts on industries of the latest relevant policies and predict future policies.
- **Predictions of industrial development.** Our authoritative analysts predict development trend of industrial demands, supplies, prices, sales volume, profits, etc.

Report Orientation

- The report is oriented towards various investment institutions and industrial organizations, including domestic stock companies, funds, investment banks, future companies, agricultural product enterprises, etc., facilitating the clients in the identification of investment values and evasion of investment risks.

Price

Dairy products – 30,000 yuan/year - updated in February, May, August and November.

Fertilizer – 30,000 yuan/year - updated in March, June, September and December.

Pesticide – 30,000 yuan/year - updated in January, April, July and October.

Grain and oil – 30,000 yuan/year - updated in January, April, July and October.

About BOABC

- The first consultancy company in China engaged in agricultural product research;
- One of the largest agricultural investment consultancy companies in China;
- The inventor of China's first ever demand-supply balance table for agricultural products;
- The first company in China to launch the prosperity index based on industrial chains.

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