

SEP

# AMINO ACID MONTHLY REPORT



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## Amino Acid Monthly Report



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## 【Preface】

➤ **Amino Acid manufactures apply new competitive strategy.**

Starting from August, the price of corn raw materials is affected by the temporary storage auction policy and the concentration of imports, the price has weakened. However, the recent three typhoons have affected the corn yield in Northeast China. It is expected that the corn price will rise again. Until September, the storage of corn for the top Amino acid companies was exhausted, and most of them needed to be purchased from the market. The production cost of Lysine and Threonine manufacturers was under pressure.

Looking back, from the end of July to the beginning of August, the competitive strategy of Amino acid manufacturers has begun to change.

On July 17, Meihua required two products (Lysine Sulphate & Threonine) to be sold together in 4:1;

On August 3, Eppen (Lysine Sulphate and Threonine) required two products to be sold together in 3:1, and the price of Threonine sold separately was higher;

On August 5, Fufeng followed the quotations of the two factories.

This operation caused confusion in the market's perception of the price of these two products. Lysine Sulphate and Threonine were sold together, and there was a big gap between the two varieties of different manufacturers. As a purchasing department, especially the purchasing department of a large and medium-sized feed company. In this case, there is no choice. Such a model is just a sales strategy under the conditions of high corn raw material costs and market competition, and it is maintained at such a price difference of around \$15-\$30, coupled with the buffering effect of the market, the downstream still has a certain acceptance level. Therefore, purchases and sales in August were not greatly affected, and market price fluctuations were basically limited to cost and demand adjustments.

➤ **Analysis of freight surge**

Ships to the South American market will be difficult to find before Oct 1<sup>st</sup> or even before the end of October, and the freight cost are rising. The reasons are as follows:

1. Domestic(China) exports have increased steadily. Due to foreign epidemics, imports have shrunk, resulting in a shortage of exported containers.
2. Maersk, when the Mexico/Panama/South America West Direct Ship arrived at Ningbo Port on August 16, the ship was detained due to the detection of the Epidemic among three crews and missed Shanghai and Qingdao ports.
3. Cosco, in early September, the direct ships to South America are all small boats (less than 8000TEU), and the cabins can't even satisfy VIP guests.
4. The epidemic has caused people to stay at home and pay more attention to Christmas and pray for safety. It is the peak Christmas season, some freight charges must be paid no matter how high it is.
5. The old ship needs to transform the desulfurization tower, and the new ship has not been launched yet.
6. Due to the closure of the border due to the Epidemic, international crews cannot travel freely, resulting in a shortage of crews, and even an embarrassing situation where there are ships but insufficient crews...

To sum up many factors, the freight rate in South America will hit a record high. The more cabinets it needs, the more difficult it is to book. On the contrary, one or two cabinets are easier to get the space. This situation will intensify before Oct 1st.

The sharp increase in cost will cause to suspend or reduce shipments, or even change to bulk cargo. It is expected that the freight cost in first ten days of November will be calm down, and begin to adjust rationally.

## Lysine Sulphate

Market situation: The price of Lysine raw material corn has risen to a high level and the production cost is under pressure. However, due to the slight decline in demand, the current 70% Lysine is expected to be relatively stable, about \$560-580/mt. Due to the approaching National Day of China, the delivery time and shipment are tight.

Later forecast: The later market is expected to remain stable.

## Lysine Hcl

As the main raw material of Lysine, the corn's price will greatly affect the price of Amino acid products. Due to changes in supply and demand, corn prices increased a lot in the past weeks, corn traders have strong willingness to sell available products with higher prices, thus Lysine producers are facing serious pressure on production cost. As some earlier orders were signed with low prices by the factories, the supply was tight and the lead time is delayed. It is expected that the short-term market price will keep a stable level in September.

## Valine

At present, the mainstream price of Valine in the China market is \$2.4-2.45/kg. The actual transaction price of some manufacturers is slightly lower and there is some space for bargaining; the spot price in the European market is 3.95-4.05 Euro/kg, and the market price continues to weaken. The production capacity of the factory continues to be released, one new factory enters into the market and the market inventory remains sufficient. The price of Valine has gradually decreased and remained stable.

## Threonine

There is sufficient supply in the European market, and the market spot price is operating steadily; China manufacturers' long-term export orders are stable, but manufacturers' production costs are under greater pressure and their quotations have become stronger. Manufacturers' quotations have been raised frequently, and the transaction price is \$1080-1110/mt. The market transaction price is basically stable, and attention needs to be paid to the production and delivery of manufacturers and the export situation.

## Tryptophan

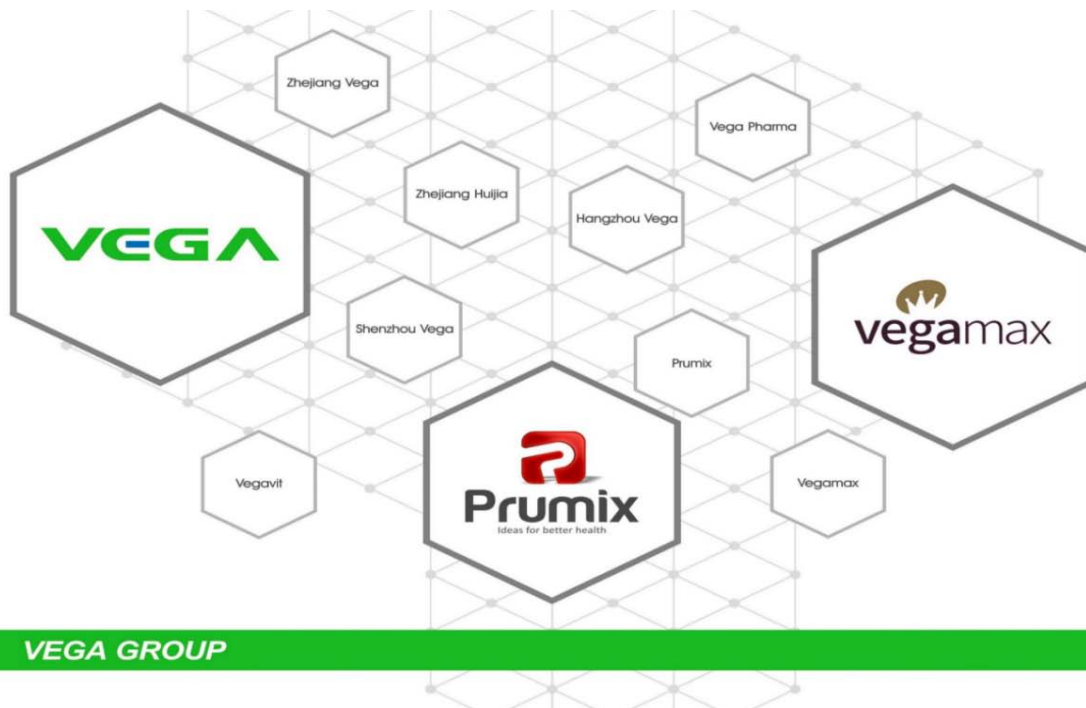
Recently, soybean meal has fallen a little bit from before high level, and overseas demand is kind of weak, which has brought certain pressure on the strong operation of domestic Tryptophan. Due to the price of Tryptophan is still in the bottom range, so it is barely possible for decline anymore. At present, downstream end users mainly purchased for short-term usage. The market price of Tryptophan is expected to stabilize in the short term and have trend to increase. Current market price is around \$6.1/KG-\$6.2KG.

## Methionine

Recently the supply of Methionine is sufficient, the market price is around USD 2.25-2.35/KG, and some transaction prices are slightly lower. Due to the decline of market demand and the centralized replenishment of inventory by downstream uses in the early stage, the market transaction is weak. With the new production line of Chinese domestic manufacturers put into operation, the supply increases, and the market price will be keep stable and weak in the short term.



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