China Sulfur Market Report, 2008

Currently, global sulfur production is mainly concentrated in Canada, Russia and the Middle East. The global trade volume of sulfur in 2006 reached 27.7 million tons and meanwhile, China imported 8.81 million tons, accounting for 31.8% of the world's total. According to the statistics, China consumed about 10 million tons of sulfur in 2006, while its output was only 1-2 million tons, which made China's reliance on sulfur imports exceed 90% and become the largest sulfur importer in the world. Sulfur sourced from Canada in 2006 accounted for 52% of China's total imports. China's sulfur imports in January to November, 2007 rose 12% year on year to 8.91 million tons and the whole year's imports would likely reach 10 million tons. According to the statistics from the General Administration of Customs of China, the average CIF price of imported sulfur in November, 2007 was US$201.1 per ton, 2.7 times the figure in the same period of the previous year.

According to the information from the China Sulfuric Acid Industry Association, the cash transaction price (from the Middle East) in December of 2007 reached USD525 per ton actually, more than US$300/ton higher than the end of November. Some buyers have signed the purchase contracts with Saudi Arabia for the first quarter of 2008, of which agreement prices were US$480-US$500 per ton (CIF). Agreement prices offered by Canada's suppliers to the long-term customers also exceed US$420 per ton.

Downstream companies in China have all taken the response measures to deal with increasingly unbearable pressure of soaring sulfur prices. Some sulfur manufacturers have started to produce acid by using sulfurous iron ore to replace sulfur. Furthermore, the successive rises in sulfur price have made potassium sulfate companies have no other choices except price hikes and made the price of potassium sulfate compound fertilizer also raised, hitting the new record high.

At present, the global annual output of sulfur is about 40 million tons and it is expected to reach 55 million tons in 2011. The world's sulfur consumption growth has been lower than the output growth in recent years, so there exists oversupply. It is expected that the global sulfur supply surplus will amount to 5.9 million tons in 2011 and 12 million tons in 2015. In 2016, the apparent supply of sulfur will increase, and that rise will be mainly from North America, the Middle East and former Soviet Union region. Meanwhile, Canada will continue to remain the largest sulfur export country in the world.

Presently, China has more than 100 sulfur recovery units. The large-scale sulfur recovery units of petrochemical industry have been put into operation successively in recent years. It is expected that China's sulfur output recovered from petroleum refining and natural gas purification will break 2 million tons in 2008, and will exceed 2.5 million tons in 2010.

If 50% of sulfur in all raw material coal at home could be recovered, then China would recover more than one million tons of sulfur each year. Plus sulfur recovered from natural sulfur, power plants and coking plants, China's actual output of sulfur in 2008 will exceed 3.5 million tons, making China's sulfur self-sufficiency rate rise to more than 30% in the year from current 14%.

During the 11th Five-year Plan period (2006-2010), China will build new oil refinery projects with a total annual capacity of about 91 million tons, of which 75% will use crude oil from the Middle East. In 2010, China's sulfur recovery capacity and exhaust gas processing capacity will total 2.8 million tons.

China's phosphoric compound fertilizer industry will maintain a rapid development in the following several years. China's demand for sulfur will be further enlarged. Therefore, the following issues in China's sulfur industry requires urgent solution that how to use sulfur resources reasonably, control vicious price hikes, decrease the dependence on sulfur import and promote a healthy development of the market.

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