

INTERNATIONAL
Fiber Journal

50 company profiles

China's Chemical Fiber Producers

The Changing Climate of an Industry



Chen Nan Yang
China Correspondent

China's Chemical Fiber Producers, 50 Company Profiles

China's Chemical Fiber Producers

50 Company Profiles

Fifty detailed reports examining China's global position,
defining production, and identifying
strategic challenges of today.

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By Chen Nan Yang

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About the author

Chen Nan Yang was born in Shantou, China. In 1990 he attended Shantou University where he completed his Bachelor's Degree in Architectural Engineering in 1994. His work experience includes the Shantou Branch of China's Foreign Trade Bureau between 1994 and 2002, where he worked as Vice Director of Foreign Enterprises Management Department, and as Vice Director of Foreign Investment Management Center.

His journalist career began in 2002 when he started working for Singapore's United Morning Post, China's Nanfang City News and Malaysia's Nanyang Siang Pau. He joined International Fiber Journal in 2002, becoming the publication's market researcher and reporter to the manmade fiber industry in China. In addition, he writes regularly for American publishers such as Composites Manufacturing, Vision Systems Design, Pesticide & Toxic Chemical News, and Linux.com. Furthermore, since 2008 he has covered environmental issues and events in Japan and China as Asian correspondent for Platts Emission Daily.

The publisher

International Media Group, Inc, has published International Fiber Journal since 1986. The bi-monthly publication is the global communicator to the manmade fiber industry and covers commercial news, innovations and business information pertaining to chemical fiber producers, nonwovens and technical textiles.

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The Outlook of The Chemical Fiber Industry In China

China has become the largest chemical fiber producing country in the world. It produced 60.7% of the world's chemical fibers in 2008 (Table A). By knowing and understanding the Chinese chemical fiber industry, one can reach more than half of the world's manmade fiber industry.

Although China's chemical fiber industry is vast, its scale – 24 million metric tons a year – is not the only thing of interest. The industry is colorful and changing, a large company can go from boom to bust within just a few months, while a small company can survive and do very well by focusing in on a narrow field. A fiber producer can thrive in the local market, but has to go international when the local market fails. Some investors loathe the low profits of the industry, while some pump large amounts of money into a business in hopes of a good return. Some go upstream to the petrochemical industry with large investments, while some go downstream and set up a garment brand to seek more profits in the long textile industrial chain. The recent financial crisis eliminated a number of companies, while others are surviving and some are doing very well, having shown better preparedness for the downturn. More stories like these can be found further into this report, and they show that China's chemical fiber industry is still developing and will have many opportunities to expand in the future.

Table A: Production of World Chemical Fiber in 2008 (thousand metric tons)

Area	Polyester		Total Polyester	Nylon	Acrylic	Cellulose	Total Chemical Fibers	Portion in the World
	PFY	PSF						
China	12,810	7,220	20,030	1,020	600	1,320	24,050	60.7%
India	1,310	770	2,070	90	80	320	2,560	6.5%
Taiwan	1,020	500	1,520	400	80	110	2,110	5.3%
USA	420	660	1,080	750	0	20	1,960	5.0%
Korea	680	490	1,180	130	50	10	1,370	3.4%
Japan	240	190	440	110	150	70	840	2.1%
ASEAN	1,190	880	2,070	130	90	400	2,700	6.8%
WE	460	470	930	460	650	440	2,510	6.3%
World	18,550	12,150	30,700	3,600	2,020	2,790	39,610	100%

*ASEAN: Association of South East Asian Nations *WE: Western Europe

Source: Japanese Chemical Fibers Association & Taiwan Man-Made Fiber Industries Association

Chapter 2: Problems and Tactics

I: Polyester fibers

The operating rate of polyester fibers, including filaments and staple fibers, decreased from 83% to 77% between 2007 and 2008.

Polyester industry: Pricing power and profit

1) Polyester fiber makes up a large portion of the Chinese chemical fiber market, but has a very small profit.

According to the CCFA, China produced 20.0 million metric tons of polyester fibers (12.8 million metric tons of polyester filaments and 7.2 million metric tons of polyester staple fibers) in 2008, an increase of 4.13% from 2007. In 2008 polyester fibers accounted for 83% of the total chemical fiber output in China.

While being a large-scale industry, polyester fibers showed fairly small profits during the last few years. For example, the industry made a profit of 4.823 billion yuan (\$707 million) between January and November 2007, accounting for only 35.6% of the Chinese chemical fiber industry.

2) Differential rate is not the crucial factor that decides the profit.

The question of why the Chinese chemical fiber and polyester industries had such low profits is always intriguing. Some experts ascribe it to the differential rate. In the last decade, the Chinese chemical fiber industry tried to increase profit by increasing the differential rate. But the fact is that while the differential rate of the Chinese polyester filament industry increased from 23% to 49.86% between 2000 and 2008, the operating rate was kept at approximately 80%, and profit rate at below 3%. The differential rate is no doubt crucial to a chemical fiber company for making a good profit, but is not a decisive factor to the profit of the whole industry.

3) Pricing power decides profit.

Mr. Luo Guanghai, president of the Zhejiang Xinda Chemical Fiber Co., Ltd. (Xinda) gives the following response to explain the low profit:

Xinda is a polyester producer based in Yiwu City. Mr. Luo states that the pricing power of the chemical fiber producers in Yiwu weakened as the number of local producers

China's Chemical Fiber Producers

50 Company Profiles



Wanwei

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Products: PVA, HSHM (high strength and high modulus) PVA fiber, polyester chips, polyvinyl acetate emulsion

Wanwei is the largest PVA and HSHM PVA fiber producer in China with an annual capacity of 100,000 metric tons of PVA, accounting for 18% of the Chinese market. PVA is the important raw material of vinylon and PVA fibers such as PVA HSHM fibers.

Wanwei can also produce 15,000 metric tons of HSHM PVA fibers, 15,000 metric tons of polyvinyl acetate emulsion, and 60,000 metric tons of polyester chips per year.

Wanwei specializes in recycle production and produces 2 million metric tons of cement per year by using its industrial waste residues such as coal ashes. In 2008, it consumed approximately 600,000 metric tons of industrial waste residues as the raw materials for its products.

Investment relationship

The state-owned Anhui Wanwei Group Co., Ltd. is the largest shareholder of Wanwei, holding 38.4% of shares.

Wanwei has two subsidiary companies specializing in the production of chemical fibers and chemical materials.

- Anhui Dawei New Materials Co., Ltd., in which Wanwei holds 57.6% of shares, has an annual capacity of 6,000 metric tons of high-quality HSHM PVA fibers. These fibers are all produced for export purposes.

- Anhui Wanwei Huashan New Materials Co., Ltd., owned by Wanwei, is currently under construction and will produce rubber powders.

Brief history

Anhui Wanwei Group Co., Ltd. was originally the Anhui Vinylon Plant (AVP) founded in 1969.

In the 1970s, China consumed more than 100,000 metric tons of PVA to produce vinylon. As one of the largest vinylon producers in China, Wanwei began to invest in the production of PVA.

In the early 1980s, new fibers such as polyester fibers, polyacrylonitrile fibers and polypropylene fibers took the market share from vinylon fibers. The demand of vinylon and PVA decreased 75% in the Chinese market, resulting in large losses for AVP.

With new usages of PVA, demand and output recovered since the late 1980s. China's annual capacity of PVA increased largely from 25,000 metric tons to 347,000 metric tons between the mid 1980s and 2000, while the output grew to 321,000 metric tons.

AVP took a risk and heavily invested in the industry, becoming the largest PVA producer in China.

In 1996, partly using its assets, AVP raised capital to begin Wanwei, which entered the Chinese stock market in 1997 and was listed in the Shanghai Stock Exchange under stock code 600063.

By 2008 China's annual capacity and output of PVA had reached 600,000 metric tons and 500,000 metric tons, respectively. Wanwei kept increasing its investment and remained the leading company of the industry.

Fiber produced range

The products of Wanwei include:

1) PVA

Wanwei produces more than 30 types of PVA with degrees of polymerization from 300 to 2,650 and degrees of alcoholysis from 86.0% to 100%.

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