

AMINO ACID MONTHLY REPORT

Report Date. May 31,2024

One stop solution supplier





VEGA



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BETTER LIFE***

Amino Acid monthly report

Report Date. Jan 01,2024

***ONE STOP
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PREFACE

BREEDING SITUATION

Since the middle to the end of May, the pig farming industry has entered a full profit period.

From the production end, under the joint action of market guidance and capacity regulation, the national inventory of breeding sows has been continuously declining since last year. According to data from the National Bureau of Statistics, at the end of the first quarter, the national pig inventory was 408.5 million heads, down 5.9% month-on-month and 5.2% year-on-year. In the first quarter, the national pig output was 194.55 million heads, down 2.2%; pork output was 15.83 million tons, down 0.4%. In the first four months, the scaled-up pig slaughtering enterprises slaughtered 109.38 million heads, up 2.3%. From the outlet weight, although higher than the same period last year, it decreased slightly on a monthly basis, indicating that the inventory of medium and large pigs has decreased. The decline in the inventory of breeding sows has led to an adaptive reduction in pig production, and the excess supply of pigs has basically been reversed, achieving a balance between supply and demand. From the import of pork, from January to April, meat and offal imports were 2.22 million tons, down 12.6%. Of which, pork imports were 340,000 tons, down 48.4%, and the monthly pork import fell to the lowest level since 2016. The sharp decline in pork imports has also led to a gradual reduction in frozen product inventories. The national pork supply and demand relationship began to improve significantly in May, driving the pig price to rebound significantly in the middle and lower part of May.

"From October last year to March this year, the number of newborn piglets decreased by 4.9% during this period. Combining the 6-month fattening cycle and the seasonal increase in pork consumption, it is expected that the pig market will enter a state of supply and demand balance in the second half of the year, and the pig price in the latter half of the year will mainly rise seasonally." The market expects that the national pig price will enter the seasonal upward channel in the second half of the year. As the effect of pig capacity reduction gradually shows up, the supply and demand relationship in the pig market will further improve in the third quarter, and pig farming will continue to maintain profitability.

RAW MATERIALS

The corn market has continued to rise in recent weeks, with a weekly increase of 0.71%. The remaining grain stocks in the main production areas are gradually being used up, and the cost of holding grain has increased for trading companies, leading to a stronger desire to hold prices. The supply of circulating grain in the market has decreased, and some companies have increased their acquisition intentions, driving up prices.

In May, China's corn inventory will continue to decline, and the import of corn and alternative feed ingredients has also decreased. The monthly consumption demand for corn and alternative feed ingredients from the livestock and feed production demand end will continue to grow in May, but the monthly combined breeding volume of pigs will continue to decline, limiting the increase in corn consumption. Overall, the supply of corn and corn substitute products in China in May will remain abundant, but the signs of a gradually tightening supply of corn are slightly apparent.

The support from both the supply side and the demand side for the price has gradually become more prominent. It is predicted that the daily average transaction price of corn in the production areas will generally remain stable and slightly weak in most of the period during the first half of May,

with some local markets having short-term countertrend adjustment opportunities. The chances of the price falling gradually and then gradually transitioning to a stop and rise will gradually increase in the latter half of May and the latter half of June. The chances of the corn price falling month-on-month in May are still relatively high. Looking further ahead, the chances of a corn price rise in June to September are still relatively high.

FREIGHT SITUATION

Recently freight cost in China are experiencing huge volatility. The main reasons for this can be summarized as follows:

01.The impact of the Red Sea crisis.

the Houthi armed conflict in the Red Sea has led to a significant increase in ship rerouting, resulting in higher port fees, congested shipping routes, and an imbalance in container supply and demand.

On one hand, this extended detour increases travel time by 7-14 days. Transportation costs such as fuel, personnel expenses, container fees, insurance premiums, and port fees in Africa have all risen, causing major shipping companies to pass on these costs to us. On the other hand, the Red Sea serves as a crucial route through the Suez Canal, where 22% of global containers, 20% of car carriers, 15% of oil tankers, and 6% of bulk carriers pass through the Red Sea-Suez Canal route.

Many cargo ships have diverted their routes, disrupting the original balance, and opted to navigate around Africa instead. This has caused congestion in African routes, which were already limited in capacity.

02.Impact of price increase on South American routes.

The trade between China and South America is continuously growing, driven by the strong demand for emerging market orders.

The South America route has achieved double-digit growth for three consecutive weeks, with an increase of 6.0%.

According to the survey, the reason for the increase is that emerging markets such as Brazil and Mexico, as highly populated countries, are becoming important springboards for China's expansion into the South American and North American markets through regional free trade agreements.

In addition, Brazil's future increase in tariffs on Chinese new energy vehicles in July, as well as the lack of actual orders, has led many automotive companies to desperately ship to these areas, resulting in insufficient capacity. As a result, COSCO's withdrawal of ships running to West Africa and redirecting them to South America has caused a general increase in freight rates in West Africa. At the same time, the storage yards in the destination ports for these new energy vehicles are almost full, further exacerbating the transportation pressure.

03.The US election claims to impose tariffs on China.

The 2024 US presidential election has garnered widespread international attention, with former President Trump making a comeback. He has stated that if elected, he will raise tariffs on Chinese goods to 60% and target China's automobile industry for future tariff increases. As a result, some importers have started stocking up in advance, causing the peak season to arrive earlier.

04.The shipping company takes advantage to increase prices.

As the global economy gradually recovers, the strong growth in import and export trade has also supported the recovery of the shipping market. A number of shipping companies including HPL, MSC, Maersk, HMM, and ONE have announced a price increase plan.

Threonine

Mainstream enterprises have seen a decline in factory quotations, with trade market prices dropping to USD1300/MT around, and slightly lower market transaction prices. The end user replenishment sentiment is average, actual transactions are not high, industry starts are high, market supply changes are not significant, and enterprise exports may decrease. Pay attention to the export situation, and it is expected that the price of threonine will remain stable in the short term.

Lysine Hcl

Lysine HCL 98.5% is slightly stable because the a flat and weak purchase demands in May. The end user purchase on demands and clients' purchase based on stock consumption situation .

However, due to the increase of sea freight cost in May, the final CIF price may increased. Considering a shortage of sea containers, the sea freight will continue to rise in June, which needs close attention.

Currently, the Lysine HCL 98.5% price is about FOB \$1330~\$1340/MT with the lead time is around end of June to begin of July. Need to pay attention to market situation and factories delivery situation at following .

Lysine Sulphate

This month, the overall market transactions tended to be flat, prices is a bit weak, and end-users mainly purchase for urgent demand. It is expected the market will be stable with a bit weak trend in the future.

However, the export market is affected by the continued sharp increase of sea freight, and Lysine Sulphate's CIF prices are still on an upward trend.

The current market price is about USD705/MT (FOB), with lead time around end June to July.

Valine

At present, the mainstream quotation of the domestic valine market is 1.9-2usd/kg. The market is weak in the context of current oversupply, downstream demand is light, Prices are expected to fall slightly in the short term.

European market valine price 3.00-3.50 euros /kg. The overall market is quiet at the moment, with only light spot buying activity.

Tryptophan

In May, the Chinese tryptophan market keep stable and weak, and the mainstream price is USD7.9/kg. At present, the market is still oversupply, the terminal mainly wait-and-see, and purchase according to the just demand.

Methionine

In May, the factories offering are still stable, market price is around USD 2.9-3.0/KG, and the actual deal price maybe a lillte lower. End users are still have some stocks thus weak for new demands, and less deal in the market. Some factories has facility maintenance plan but has no big influence for the market now, the delivery time still needs to attention next.

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