



## **China Eases Restrictions on Fertilizer Distribution Businesses**

On August 28, 2009, China's State Council issued the "Circular on Further Deepening Reform of the Fertilizer Distribution System," which lifts restrictions on fertilizer distribution and marketing in China. On September 9, 2009, a National Development and Reform Commission (NDRC) official explained that the decision to remove the restrictions did not imply a laissez-faire policy. While the circular removes the ownership restriction on fertilizer distributors—previously only SOEs could market and distribute chemical fertilizers—it at the same time increases requirements for market access and sets forth administrative rules for local governments and certain government entities to increase market supervision.

The new policy is aimed at increasing the market access "threshold" for fertilizer marketing above other commodities. The circular mandates that distributors planning to enter the chemical fertilizer circulation business have appropriate premises for operation; enterprises and individual industrial and commercial households must also have minimum registered funds of RMB 30,000 in order to guarantee ability to operate and to compensate any losses that farmers may incur after using the distributors' fertilizer.

According to the circular, enterprises with branch offices in the same province where their businesses are registered and enterprises that have branch offices in other provinces must have a minimum registered capital of RMB 10 million and RMB 30 million respectively. This provision is to ensure that the business operators have corresponding capital strength and that the government can guide the fertilizer enterprises in enlarging their operating scales. Before granting business operation certificates to fertilizer distributors, the Industrial and Commercial Administration must inspect the business operation premises as well as verify the registered capital. If a business applicant meets the provisions, it is then allowed to carry out its chemical fertilizer business without needing additional approval.

The circular also defines the relevant departments for oversight and their corresponding responsibilities, which include making joint efforts to strengthen market supervision and safeguarding market stability.

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