

## 公司研究：登海种业

Company Study: Shandong  
Denghai Seeds Co., Ltd.

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## Research on Shandong Denghai Seeds Co., Ltd.

Shandong Denghai Seeds Co., Ltd. is a listed high-tech agricultural company, founded by and named after Denghai Li, a well-known Chinese corn breeding and cultivation expert. The company that specializes in maize breeding ranked the third place among China's top 50 seed companies in 2006. Shandong Denghai with very strong strength in R&D is the only domestic company so far that does not need pay for seed use right. Its main products include Denghai No.9 and Denghai No.11. The company has also set up the Shandong Denghai-Pioneer Seeds Co., Ltd. together with the Pioneer Hi-Bred International, Inc. in the U.S. and holds 51% stake in the joint venture. The Denghai series of maize seeds developed by Denghai Li, the founder of Shandong Denghai, were once on the top of China's seed industry before 2005.

**Main Business Revenue and Operating Profit, 1H 2007**

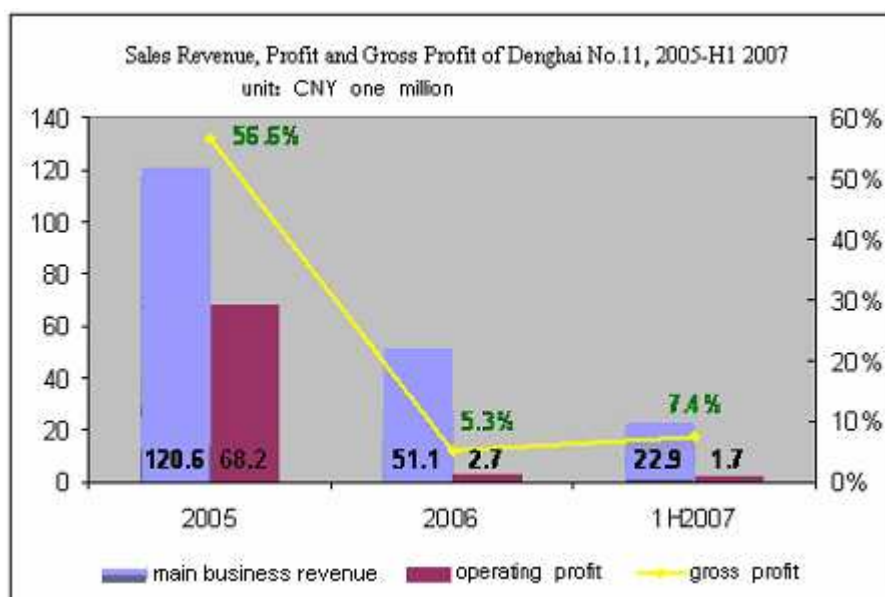
Products	Main business revenue (CNY one million)	Operating profit (CNY one million)	Gross profit rate
Xianyu No.335	55.47	37.74	68.05%
Denghai No.9	19.39	6.50	33.53%
Denghai No.11	22.97	1.67	7.28%

Source: ResearchInChina

The summer maize seed of Xianyu No.335 is marketed by its unit of Shandong Denghai-Pioneer Seeds Co., Ltd., whose marketing strategy totally differs from other domestic companies. Shandong Denghai-Pioneer Seeds Co. promotes the monoseeding concept and sells the bagged seed based on the amount of seed needed per mu, equal to 1/15 hectare. The selling price of the bagged seed is three times homegrown seeds and its gross profit margin has risen to 68% compared with 30% of homegrown seeds. Before that, domestic farmers used to plant seeds by 3-4 times the amount actually needed. The market share of the summer maize seed of Xianyu No.335 was less than 7% in 2007, so there still is big space for the growth of its market share.

From the above chart, we can see that Xianyu No.335 has already become the key profit source of the company. However, as the ownership of Xianyu No.335 is in the hands of the joint venture company, so Shandong Denghai has to pay huge for the seed use right. Therefore, though the profit of the joint venture totaled CNY38 million in 2007, Shandong Denghai only got net profit of CNY7.24 million from it, still resulting in a rise of its profit in 2007 by 26.85% year on year. But the sales of its former flagship product, Denghai No. 11 in 2007 were not satisfactory.

## Sales Revenue, Profit and Gross Profit of Denghai No.11, 2005-1H 2007

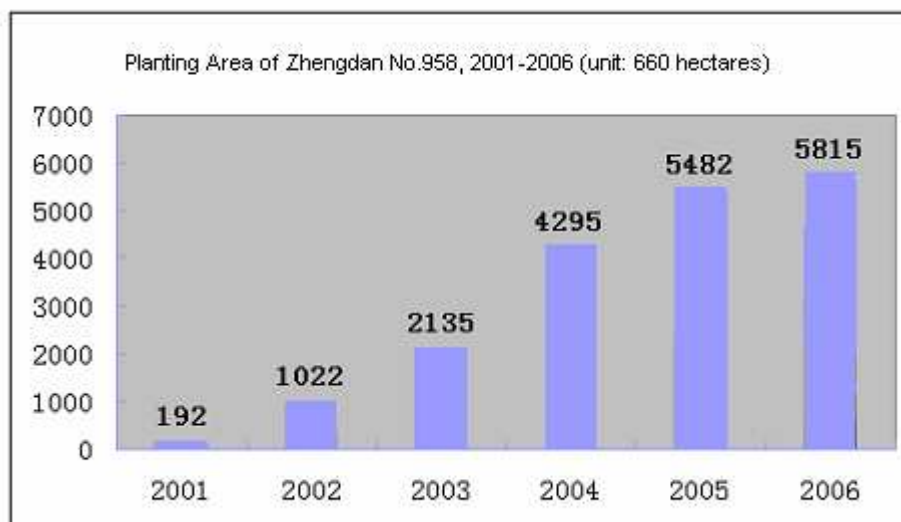


Source: ResearchInChina

The reason behind the sharp decline in sales volume and profit of Denghai No.11 is the rising popularity of Zhengdan No.958, which is a new species of crossbreeding maize with excellent quality and high yield, which was bred successfully by Henan Academy of Agricultural Science in 2000.

Henan Academy of Agricultural Science authorized four companies to market Zhengdan No.958 across the country through publicly bidding. Zhengdan No.958 became very popular, soon after it was put on the market and replaced Denghai No. 11 only in a few years. Zhengdan No. 958 has become the biggest maize species in China, taking up 25% market share across the country.

## Planting Areas of Zhengdan No.958, 2001-2006 (unit: 660 hectare)



Source: ResearchInChina

Among the four authorized companies, each of them has made great attempts to maximize its own benefit, but ignored the overall interest. In 2006, the planting areas of the four companies totaled 29,700 hectares and the unauthorized planting areas also reached 16,500 to 19,800 hectares, while the total yield was 300,000-400,000 tons, excluding a large amount of seeds in stock in 2006. Substantial amount of Zhengdan No.958 has penetrated the market and this has forced dealers to dump their maize at low prices, thus leading to a drastic decline in profitability of Denghai No.11.

### Domestic Maize Seed Market

At present, China's seed market is in chaos with the feature of oversupply. Seed production and sales follow seasons closely. As the production and sales are done in different period of time, so it often results in great blindness in seed production, which is the major reason behind it that China has a serious oversupply of seed. Meanwhile, as government policy to offer subsidies for quality seeds is of poor operability, this makes some local governments often take the side of local seed companies and real seed companies supplanted.

The maize seed market in 2007 is a typical example. China's planting area of crossbreeding maize reached 323,400 hectares in 2006, representing a rise of 46,200 hectares against 2005 and the yield amounted to 1.6 million tons, an increase of 400,000 tons against 2005. Given 300,000 tons of seed in stock in 2005, the total supply of crossbreeding maize seed in 2007 should reach 1.9 million tons. China's annual demand for crossbreeding maize seed is around one million tons based on the total planting areas of 26.4 million hectares in China, so the total supply of 1.9 million tons in 2007 should be almost enough for two years of usage.

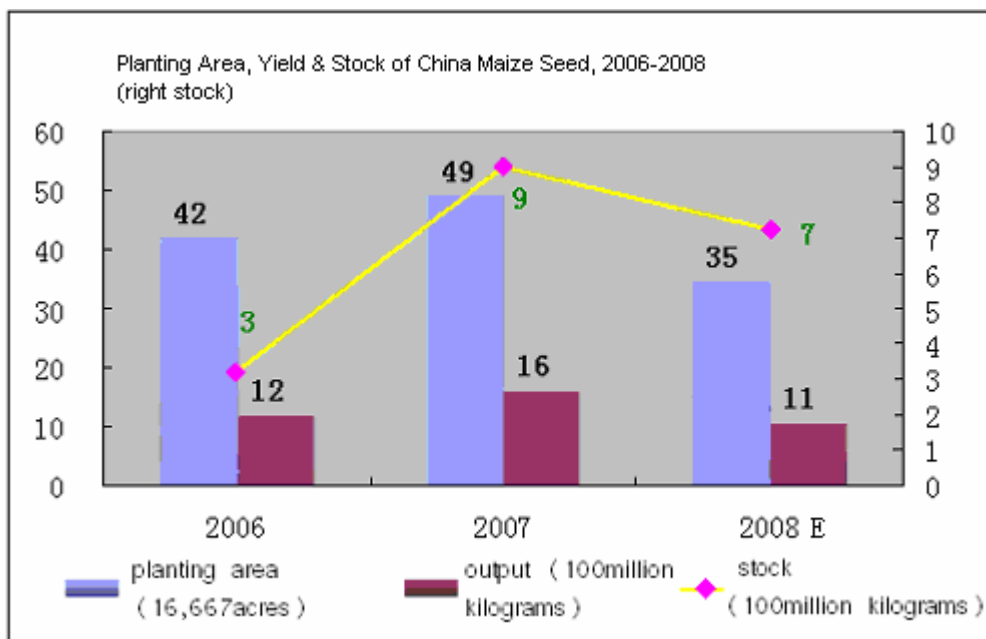
The supply and demand for maize seed will be improved in 2008, when the total supply will be reduced to 1.8 million tons from 1.9 million tons posted in 2007 and especially the total supply of the new seed will be reduced to 1.1 million tons from 1.62 million tons. The pressure of seed industry will be eased off greatly, due to poor competitive edge of seed in stock.

In fact, China's annual demand for maize seed remains basically around one million tons. From the perspective of the quantity, the yield of new seed each year is well able to meet the market demand. The oversupply of maize seed is a surplus in total amount and structure.

The disparity in variety is very big. For example, as for good quality seeds like Zhengdan No.958, Jundan No.20 and Xianyu No.335, their sales volume keep steady, while the sales of inferior species, like Denghai series of Shandong Denghai, are not satisfactory.

### **Planting Area, Yield and Stock of China Maize Seed, 2006-2008**

**(right: stock)**



Source: ResearchInChina

Generally speaking, the life cycle of a seed is around five years. But Zhengdan No.958 can still enjoy at least 2-3 years period of great prosperity in the maize seed market by virtue of its good performance. The promising Jundan No.20 is on an upward trend and may become a star seed in two or three years to replace Zhengdan No.958.

### Company Prospect

Good quality seed and marketing ability are the core competitiveness for a seed company. Shandong Denghai has a history of developing new products independently for its own production. Though its R&D ability is quite strong, the company, so far, still hasn't developed its new flagship products, which can compete with Zhengdan No.958.

In addition, the marketing ability of Shandong Denghai is not very good, which can be proved by its defeat since the launch of Zhengdan No.958. It has failed to perceive timely the market changes and make adjustments to its marketing

strategy accordingly. But, it just accepted the reality passively, leading to a continuous decline in sales of its flagship product and a heavy buildup in stock in the past two years. In the years, when Denghai series products were populous in the market, the selling prices were 10%-15% higher than its peers.

Before Shandong Denghai launches its new flagship products to compete with Zhengdan No.958, its profit source mainly comes from its subsidiary Shandong Denghai-Pioneer Seeds Co., Ltd. As we mentioned earlier, large part of profit of Denghai-Pioneer is seized by American Pioneer Hi-Bred International, Inc. and Shandong Denghai can only gain a small part of "commission". We would like to make a proposal that when Shandong Denghai has its new flagship product, the company should learn from the advanced marketing mode of Denghai-Pioneer for gaining good economic returns, but not adopt the vicious competitive mode like what Zhengdan No. 958 is doing.

In the long term, there must be a big restructuring in the industry to integrate the various sized maize seed companies in China. The companies, which have the advantages in brands and marketing channels, will expand their market share gradually. We cannot neglect foreign companies like American Pioneer Hi-Bred International, Inc., which created Dunhuang-Pioneer Seed Co., Ltd. in 2005 with the Gansu Dunhuang Seed Co., Ltd. The Dunhuang-Pioneer, which is producing the crossbreeding maize seed of Xianyu No. 335, is expected to gain profit starting from 2008.



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## 登海种业公司研究

山东登海种业公司是由中国著名玉米育种和栽培专家李登海研究员为首创建的农业高科技上市企业，2006 年位居中国种业五十强第三位。公司主要经营玉米种业。登海种业具有很强的研发实力，是国内唯一一家不需要购买种子使用权的企业，其主要产品为登海 9 号、登海 11 号。并且和美国先锋海外公司合资成立了登海先锋公司。公司创建人李登海培育出“登海”系列的玉米种子，在 2005 年前曾高居行业榜首。

表：2007 年上半年登海种业主营业务收入及营业利润分产品构成

产品	主营收入(百万元)	经营利润(百万元)	毛利率
先玉 335	55.47	37.74	68.05%
登海 9 号	19.39	6.50	33.53%
登海 11 号	22.97	1.67	7.28%

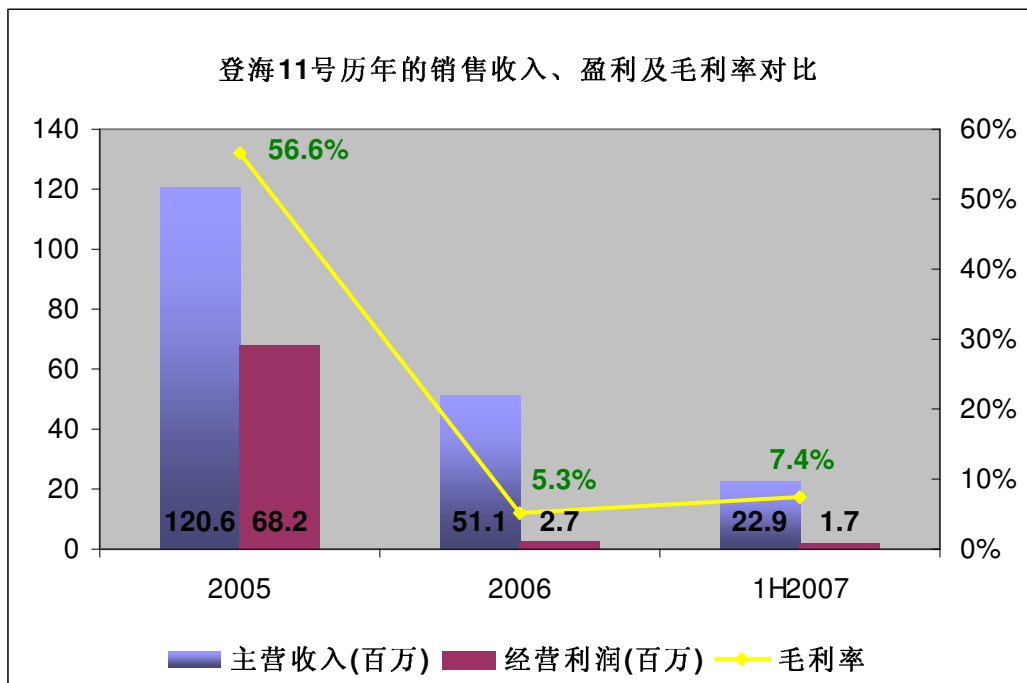
整理：水清木华研究中心

先玉 335 号夏玉米种子由子公司登海先锋销售。先锋的营销策略完全不同于国内企业，推广单粒播种理念，采用按每亩需种量装袋销售。其袋装销售后售价是国产种子的 3 倍，由此毛利率从国产的 30% 提高到 68%。而以前国内农民常常按需种量的 3-4 倍播种。先玉 335 号夏玉米种子 2007 年的市场份额小于 7%，还有较大提升空间。

由上表可以看出，先玉 335 号已成为公司的主要盈利产品。但由于该产品的所有权在合资方美国先锋海外公司手里，登海公司为此支付了不菲的费用。因此，虽然 2007 年全年的利润总额达到 3800 万，归属于登海公司的净利润却只有 724 万。尽管如此，登海公司 2007 年的盈利仍然同比增长 26.85%。

而公司原有的主打产品登海 11 号的表现却依然差强人意。

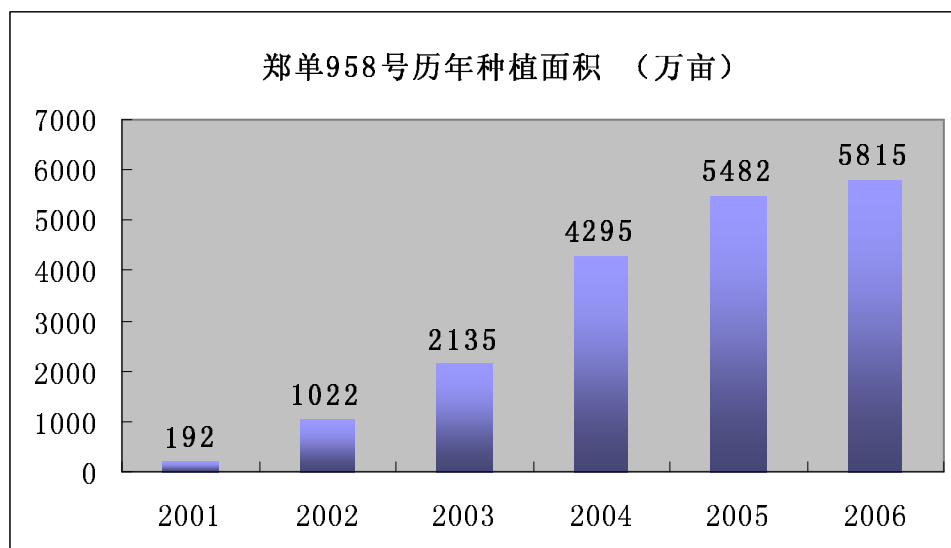
图：登海 11 号历年的销售收入，盈利及毛利率对比



整理：水清木华研究中心

登海 11 号产品销量和利润率急剧下滑的主要原因是郑单 958 号种子的推广。郑单 958 号由河南省农业科学院于 2000 年培育成功，属于优质高产兼用型玉米杂交新品种。河南省农业科学院采用公开拍卖品种经营权的方式，在全国授权了四家公司生产经营郑单 958 号。郑单 958 号一经推出就受到了市场的欢迎，仅用了数年的时间就取代了登海公司的产品，成为目前中国第一大玉米品种，占全国玉米种子 25% 的市场份额。

图：郑单 958 号历年种植面积（万亩）



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郑单 958 由四家产权公司经营, 直接的结果是各方拼命制种以使自身利益最大化而忽略整体利益。06 年的四家公司的总制种面积达到 45 万亩以上, 私自繁殖面积也有 25 万~30 万亩, 产种量在 3 亿~4 亿公斤, 还不包括 06 年积压的大量库存种子。大量的郑单 958 进入市场, 经销商被迫进行低价倾销, 登海 11 号的盈利能力也随之一落千丈。

### 国内玉米制种市场

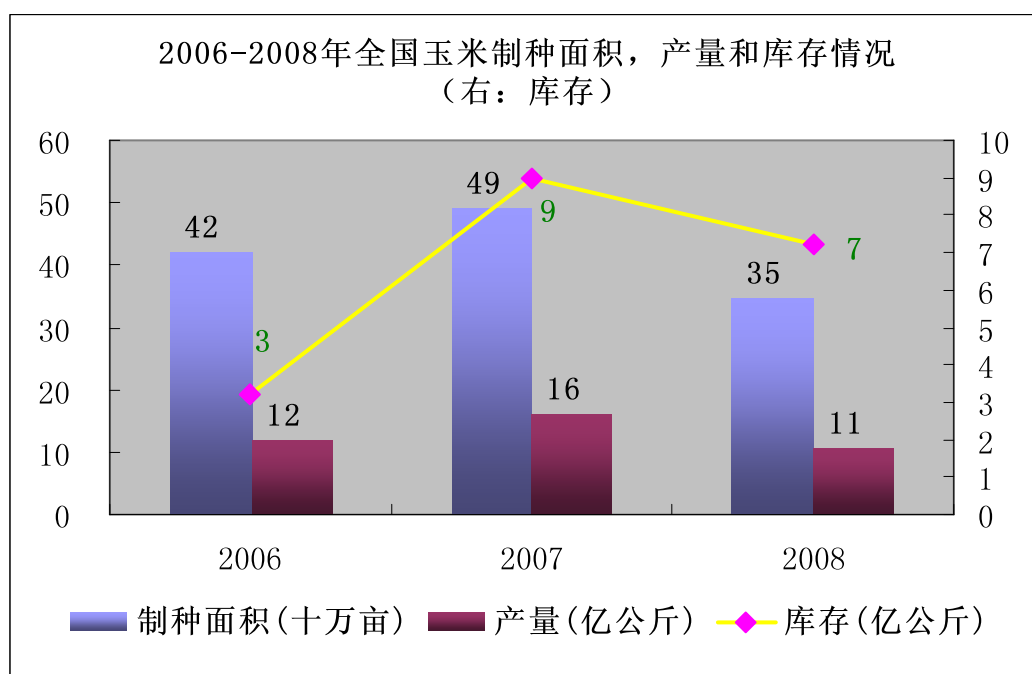
目前中国种子市场的总体状况是供大于求且市场秩序混乱。种子生产和销售具有明显的季节性, 生产和销售在不同时段进行, 由此造成了生产中存在很大的盲目性, 这是导致现在中国种子供应量严重过剩一个重要原因。同时, 中国政府制定的“良种补贴”政策由于缺乏明确的操作规范, 某些地方政府在实际操作中照顾了当地所属的种子公司, 而一些真正的良种反而受到排挤。

2007 年的玉米种子市场尤其如此。2006 年中国杂交玉米制种面积 490 万亩, 比 05 年增加近 70 万亩; 产种量 16 亿公斤, 较 05 年增加 4 亿公斤。如果再加上 2005 年度剩余的 3 亿多公斤, 那么, 2007 年度杂交玉米种子的供应总量达 19 亿公斤。而按全国杂交玉米种植面积 4 亿亩计算, 年需种量约 10 亿公斤, 剩余 9 亿公斤, 几乎够全国两年使用。

2008 年的玉米种子供求关系会有所好转。08 年玉米种子供给将从 19.2 亿公斤下降到 18 亿公斤，尤其是新制种子量从 16.2 亿公斤下降至 10.5 亿公斤。由于存货的竞争力普遍不足，行业供给的压力将大为减轻。

事实上，全国每年所需的玉米种子数量基本稳定在 10 亿斤左右。从数量上看，每年的新制种子量完全可以满足市场的需求。玉米种业过剩是总量过剩，也就是结构性过剩。品种间的差异非常大，好的品种比如郑单 958、浚单 20、先玉 335 等销量稳定，而差的品种则销售不理想，如登海公司的登海系列。

图：2006-2008 年全国玉米制种面积，产量和库存情况（右：库存）



整理：水清木华研究中心

通常，一个种子产品会有 5 年左右的生命周期。而郑单 958 号优良的性能使得它在玉米种业市场至少还能再有 2-3 年的鼎盛期。而后起之秀浚单 20 号处于上升期，有可能在两三年后取代郑单 958 号成为明星种子。

公司前景

良种和销售推广能力是种业公司的核心竞争力。登海公司的传统是自己研发新产品，自己生产。尽管历史上公司的研发能力很强，但到目前为止，登海公司还未能培育出可以抗衡郑单 958 的主打产品。同时，登海公司自身的营销能力也不佳，从郑单 958 号面市后对公司的冲击中可见一斑。登海公司没有敏锐地觉察到市场的变化，调整营销策略，只是被动地承受，造成这两年主打产品销售连续滑坡，产生大量积压库存。在登海系列受市场追捧的前几年，公司的销售价格始终高于同类产品的 10%—15%。

在登海公司推出可以抗衡郑单 958 等的主打产品之前，公司盈利主要依靠登海先锋子公司。而正如我们前面所述，登海先锋子公司盈利的大部分被美国海外先锋公司拿走，登海公司只能获得小部分的“辛苦费”。此外，即使登海公司拥有了类似的产品之后，我们也建议公司学习先锋公司先进的营销模式来获得良好的经济回报，而不要采取如“郑单 958”那样的恶性竞争方式。

从长期来看，目前中国市场上大大小小的玉米种业公司将来一定会有大的整合。拥有品牌和渠道优势的企业会逐步扩大市场份额。其中就不能忽视美国先锋海外公司这样的外资公司。美国先锋海外公司还和敦煌种业公司在 2005 年组建了敦煌先锋种业有限公司，生产先玉 335 春玉米高产杂交良种，预计 2008 年开始盈利。

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