Tier 1 Polysilicon Producers Rationalize Supply to Photovoltaic Industry, According to NPD Solarbuzz

01.30.2013

Substantial Reductions in Plant Utilization Rates Necessary to Stabilize Polysilicon Prices

Santa Clara, Calif., January 30, 2013? Polysilicon suppliers to the solar photovoltaic (PV) industry have been significantly lowering plant utilization rates during the past six months, with average quarterly utilization rates falling below 70%, as released in the latest NPD Solarbuzz Q4?12 *Polysilicon and Wafer Supply Chain Quarterly Report* [1].

This contrasts with historic plant utilization rates at above 90% typically provided by the leading polysilicon suppliers to the solar PV industry. Even when polysilicon spot prices declined 70% between Q1?11 and Q2?12, Tier 1 polysilicon suppliers maintained these high utilization rates.

?Polysilicon makers strive to run plants at optimal capacity levels, where maximizing production offers the lowest cost structures by spreading depreciation costs over a larger volume. This often results in the highest yields, avoids shutdown/start-up costs, and enables volume purchases of raw materials,? stated Charles Annis [2], Vice President at NPD Solarbuzz.

Accordingly, polysilicon suppliers maintained high utilization rates while prices remained above cash costs. When average spot prices fell below $20/Kg in Q3?12, and continued down to $16/Kg in Q4?12, even Tier 1 makers with best-of-class cost structures were forced to adjust production levels.

China, the world?s largest end-market, consumed approximately 188,000 tons of polysilicon for PV applications between Q1?11 and Q3?12. However, during the same time period, 262,000 tons of materials were provided to the Chinese market from a combination of domestic production and foreign imports.

In particular, foreign imports grew to record highs during most of 2012. As a result, the 74,000 tons of excess supply contributed to a strong inventory buildup and, combined with weaker than hoped end-market PV demand during 2H?12, ultimately led to the recent utilization corrections.

Figure 1: Tier 1 Polysilicon Maker Plant Utilization

Source: NPD Solarbuzz Q4?12 *Polysilicon and Wafer Supply Chain Quarterly Report* [1]

The reduced utilization rates have also had a profound impact on the previously aggressive capacity expansion plans of PV polysilicon suppliers. In fact, several Tier 1 polysilicon manufacturers, including Wacker, Hemlock, OCI, and Tokuyama, have now decided to delay ramping up and building new polysilicon plants.

?The rationalization of supply finally started stabilizing polysilicon prices towards the end of Q4?12, and this trend continues into early Q1?13,? added Annis. ?Even so, price pressure is expected to remain strong with polysilicon makers hoping to increase utilization rates as early as possible. Moreover, several polysilicon plants are still currently scheduled for completion, but this new capacity is likely to remain idle until end-market PV demand increases.?

For more information about the NPD Solarbuzz?s *Polysilicon and Wafer Supply Chain Quarterly Report* [1], contact us at one of our seven global locations [3], email us at contact@solarbuzz.com [4], or call Charles Camaroto at 1.516.625.2452 for more information.

About NPD Solarbuzz
NPD Solarbuzz is a globally recognized market research business focused on solar energy and photovoltaic industries. Since 2001, NPD Solarbuzz has grown its client base to include many of the largest global PV manufacturers, major investment banks, equipment manufacturers, materials suppliers, hedge fund companies, and a vast range of other multi-nationals. NPD Solarbuzz offers a wide array of reports, including *Marketbuzz* [5], an annual global PV industry report, and *Solarbuzz Quarterly* [6], which details both historical and forecast data on the global PV supply chain. The company?s research also provides annual downstream PV market reports by region for Europe, Asia Pacific and US markets. In addition, Solarbuzz.com is a recognized and respected online resource within the solar industry. For more information, visit www.solarbuzz.com [7] or follow us on Twitter at @Solarbuzz [8].

About The NPD Group, Inc.
The NPD Group provides global information and advisory services to drive better business decisions. By combining unique data assets with unmatched industry expertise, we help our clients track their markets, understand consumers, and drive profitable growth. Sectors covered include automotive, beauty, entertainment, fashion, food/foodservice, home, office supplies, sports, technology, toys, video games, and wireless. For more information, visit npd.com [9] and npdgroupblog.com [10]. Follow us on Twitter: @npdtech [11] and @npdgroup [12].

NPD Solarbuzz and Marketbuzz are registered trademarks of The NPD Group.

© 2014 NPD Solarbuzz. All rights reserved.

Source URL: http://www.solarbuzz.com/node/4676

Links:
[1] http://www.solarbuzz.com/reports/polysilicon-and-wafer-supply-chain-quarterly
[2] http://www.solarbuzz.com/analysts/charles-annis
[3] http://www.solarbuzz.com/about-solarbuzz/contact-us
[4] mailto:contact@solarbuzz.com
[5] http://www.solarbuzz.com/reports/marketbuzz
[6] http://www.solarbuzz.com/reports/solarbuzz-quarterly
[7] http://www.solarbuzz.com/
[8] http://www.twitter.com/solarbuzz
[9] https://www.npd.com/wps/portal/npd/us/home
[10] http://www.npdgroupblog.com/
[11] http://www.twitter.com/npdtech
[12] http://www.twitter.com/npdgroup