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Rare Earth Prices Double on China, Industrial Minerals Says (1)  
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(Updates to add comments from analyst in fourth, 12th paragraphs.)

By Jason Scott

June 17 (Bloomberg) -- Prices of the rare earths used in lasers and plasma televisions more than doubled in the past two weeks as China tightens control of mining, production and exports, according to market researcher Industrial Minerals.

The cost of dysprosium oxide, used in magnets, lasers and nuclear reactors, has risen to about \$1,470 a kilogram from \$700 to \$740 at the start of the month, Industrial Minerals said in an e-mailed statement. Europium oxide, used in plasma TVs and energy-saving light bulbs, has more than doubled.

China, supplier of 95 percent of the 17 elements known as rare earths, has clamped down on rare-earth mining and cut export quotas, boosting prices and sparking concern among overseas users such as Japan about access to supplies. The government may further reduce export quotas, pushing prices higher, Goldman Sachs & Partners Australia Pty said last month.

"China has long said it will consolidate the industry but it's moving more rapidly than many observers anticipated," said Dudley Kingsnorth, a former rare earths project manager and now chief executive officer of Perth-based advisory Industrial Minerals Co. of Australia. "There might be an element of speculation but I think the price rises have been driven by people who are desperate for the product."

The world's most populous nation will raise standards for exporters and won't approve new project expansions in an effort to curb overcapacity, illegal mining and sales, the government said last month. The Ministry of Land and Resources said yesterday it wants to set aside some rare earth deposits.

#### Turbines, Missiles

Rare earths are used in wind turbines, hybrid cars and defense applications such as guided missiles. The market for the minerals may double to as much as \$6 billion by the middle of the decade, according to an April 21 report by Ernst & Young LLP analyst Michel Nestour.

China's Inner Mongolia Baotou region produces so-called light rare earths such as lanthanum, cerium and samarium. Heavy rare-earth production, concentrated in the south of China such as Ganzhou, includes the elements dysprosium, gadolinium and terbium.

#### TVs, Bulbs

The price of europium oxide, used for its phosphorescent properties found in plasma TVs and light bulbs, has risen to as much as

\$3,400 a kilogram from between \$1,260 and \$1,300, Industrial Minerals said.

Hitachi Metals Ltd., Japan's largest rare-earth magnet-maker, said it will pass on the increases to its customers, which include makers of motors used in hybrid cars.

"We adopted a price system to pass on increased costs to buyers," Toshinori Hata, a spokesman for Hitachi Metals, said in an interview. "Still, the pace of price increase is rapid, and we expect there will be a time-lag" to absorb the rising costs, he said.

China's land ministry in February prohibited non-government entities from exploring or mining for rare earths in an area covering 11 mining zones near the southern city of Ganzhou in Jiangxi province.

Such restrictions may apply to other mining areas, and the ministry will select part of these areas as its strategic reserves, Wang Min, a deputy minister, said at a meeting in Beijing, according to the ministry's own newspaper published on its website.

"One of the clear objectives of the consolidation is to get better co-ordination of price and marketing of rare earths, so it's inevitable prices will go up," said Kingsnorth, who managed Australia's Mount Weld rare earths project for Ashton Mining of Canada Inc. for 10 years. "They are also clamping down on illegal mining with a lot of vigor. Chinese export quotas are less than world demand."

#### Biggest Producer

Delays in rare earths projects coming on stream from the U.S. and Australia will ensure that China continues to be biggest producer until at least 2013, Sang Yongliang, a metals and mining analyst with Guotai Junan Securities Co., wrote in a June 3 report.

Companies such as Molycorp Inc. and Lynas Corp. are rushing to restart mothballed projects to meet the gap in supply. Greenwood Village, Colorado-based Molycorp plans to bring its Californian mine into production in the second half of 2012 and double the mine's annual capacity to 40,000 metric tons by the end of 2013.

#### Mount Weld

Sydney-based Lynas is building a \$220 million refinery in Malaysia's Pahang state that will process ores including neodymium and yttrium from Mount Weld, which it now owns.

"Until such time as Lynas and Molycorp are on-stream in the next two or three years, I don't see much relief" from high prices, Kingsnorth said. "Chinese export quotas are less than world demand."

A table on the website of Lynas shows the composite price of eight rare earths found at Mount Weld project has surged to \$203.60 a kilogram on June 13, from \$92.84 on March 31 and \$11.59 in 2007.

"Demand for rare-earth elements is increasing in applications that are less esoteric than say, 20 years ago," Watts said. "China, which is the world's main commercially developed rare-earth elements source of supply, is reducing exports and increasing its consumption."

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