

# Metals Week

Volume 82 / Issue 29 / July 18, 2011

## Chinese zinc TC/RCs fall; lead TC/RCs up on concs shifts

### LEAD & ZINC

**Hong Kong**—Treatment charges paid to Chinese zinc smelters by overseas mines for imported zinc concentrates have fallen to \$95-100/mt in July, from \$100-120/mt in June, amid tighter domestic zinc concentrate supply, market sources said last week.

"The mining reforms in key zinc mining zones of Sichuan, Yunnan and Hunan provinces, as well as delayed material delivery due to the rainy climate in south China, have tightened concentrate supply over the past months," a source with a subsidiary of a south China-based zinc producer said. "Local smelters got imported concentrate deals done at TC/RCs of \$95-100/mt in July, lower than the \$120/mt last month," she said. "The deals have been concluded with agreed upon prices, as well as escalator and de-escalator clauses," the south China producer said. "In south China,

smelters are short of funds due to the state's tighter monetary policy, so there have not been a lot of deals done this month," she added.

In northwestern China, a zinc concentrate importer said zinc TC/RC offers from overseas mines were at \$90-100/mt this month, "but smelters in our area got no deals." The importer added: "It is a seller's market now, so TC/RCs are getting poorer, weakening smelters' buying interest. Local smelters are not in a hurry to import as they still have sufficient material for one to two months of processing." Treatment charges — the fees paid to smelters by mines for converting the concentrates into refined zinc — are a key source of revenue for smelters.

Chinese zinc industry experts attributed the lackluster

(continued on page 9)

## PGM miner Stillwater diversifies further with Peregrine deal

### PRECIOUS METALS

**Washington**—In a move to diversify its mineral resources and geographical locations, US PGMs miner Stillwater Mining last week acquired Canadian copper explorer Peregrine Metals for a total of \$451 million in cash and shares.

The move will give Stillwater control of the Altar copper-gold deposit in the San Juan province of Argentina. Measured and indicated resources at the deposit include 7.4 billion lb of copper and 1.5 million oz of gold, both at a 0.3% cutoff grade. The inferred resource measures 4.32 billion lb of copper and 880,000 oz of gold, also at a 0.3% cutoff grade.

"Stillwater has long recognized the inherent risks of its concentration on a single commodity and geographical location," Stillwater Chairman and CEO Frank McAllister said

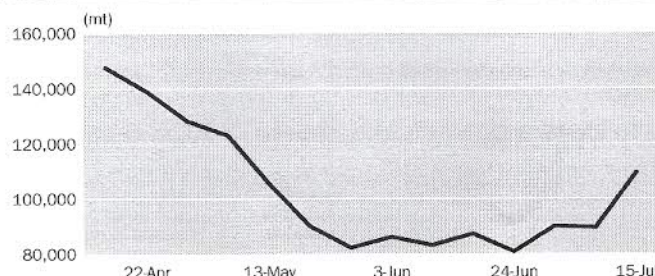
in a conference call with analysts and investors. McAllister noted that the company began to diversify its assets last September with the acquisition of Marathon PGM Corp., which owns the Marathon PGMs-gold project in Ontario, Canada.

"With the acquisition of Peregrine, we are taking that commodity class diversification one step further to create a leading mid-cap diversified mining company," McAllister added. "Stillwater achieves immediate scale in copper, with the potential to become one of the Americas' leading copper producers with an important gold component," he said. "We believe that the mix of PGMs, gold and copper provide Stillwater and its shareholders with a compelling investment proposition created by our unique exposure to commodity classes with strong underlying fundamentals."

Development of the Altar mine will occur over seven years at a projected cost of \$2 billion to \$2.5 billion, McAllister said. The mine is expected to ramp up production

(continued on page 16)

### SHFE copper stocks surge above 100,000 mt



Copper stocks in Shanghai Futures Exchange warehouses jumped 22% as import premiums fell in the face of higher LME prices, analysts with Barclays Capital said. Sellers typically lower their premiums in the face of higher prices, thereby narrowing nearby spreads. The higher prices have also prompted holders of material in private warehouses to sell into the market, BarCap analysts said.

Data Source: SHFE

### This Week in Metals

Applied Magnesium defends DOC, Timminco complaints	2
US aluminum premium pressured by weak sales	5
LME opts to stick with 3,000 mt/day load-out proposal	7
Japanese integrated steel mills destock ferrosilicon	11
China's copper premiums steady on strong demand	13
Miners, unions to meet to avert SA mine strike	16



## LIGHT METALS

### Applied Magnesium defends US DOC, Timminco complaints

Washington—Magnesium extruder and processor Applied Magnesium is battling challenges under both US federal trade law and in federal courts, but hoped last week to reach a settlement on at least one of the issues. Applied Magnesium was formed in 2009 through the merger of the magnesium activities of Canada's Timminco, China's Winca Tech and Tianjin Dongyi Magnesium Products, with its headquarters in Denver, Colorado, and production operations in Mexico and China.

The US Department of Commerce has made a preliminary ruling that magnesium being ground in Mexico by Applied Magnesium is within the scope of the antidumping duty order on Chinese pure magnesium, according to a Commerce Department memorandum released July 6 and obtained by Platts.

The ruling came after a request from US Magnesium in April to determine whether the "granular magnesium ground

in Mexico from pure magnesium ingots produced in [China]" would be within the scope of the pure magnesium duty order. This decision remains consistent with Commerce's 2002 scope ruling of the same nature, Commerce said.

US Magnesium argued that the product in question meets the characteristics covered by the antidumping order and is therefore subject to applicable laws. The order includes all imports of pure magnesium products, regardless of chemistry, including raspings, granules, turnings, chips, powder and briquettes.

"Pure magnesium" is determined as magnesium with more than 99.95% magnesium content between 99.8% and 99.95%, and magnesium where the content is 50% to 99.8%, but does not conform to an ASTM alloy specification. The order does not include mixtures where there is 90% or less pure magnesium content that is mixed with certain non-magnesium granular materials to make magnesium-based reagents.

Because Commerce has determined the pure magnesium ground in Mexico to be within the scope of the order, it said it would instruct US Customs and Border Protection to suspend liquidation and to require cash deposits at the required rate for each unliquidated entry of magnesium hereafter. Commerce is requesting comments from interested parties before making a final ruling because there is little information on record about the process in Mexico of grinding pure magnesium ingot.

Meanwhile, Applied Magnesium is also fighting a legal battle in US District Court in Denver. Timminco filed suit against Applied last month, seeking more than \$1.5 million in a breach of contract suit, claiming Applied failed to turn over proceeds from agreed-upon Timminco inventory sales and has

#### Metals Week price index

	Jul 14	Week Ago	Month Ago	Year ago
MW Base Metals	441.9	443.7	422.0	337.4
MW Precious Metals	471.1	461.6	462.5	313.6
MW Nonferrous Composite	453.6	450.9	438.2	327.9

**platts** Metals Week

Volume 82 / Issue 29 / July 18, 2011

ISSN:1076-3937

#### Director of Metals

Karen McBeth

**New York** — Anthony Poole (Managing Editor), Meghann McDonnell, Jackie Roche

**Washington** — Tina Allagh (Managing Editor), Sarah E. Baltic, Laura Gilcrest, Nick Jonson

**London** — Andy Blamey (Managing Editor), Jitendra Gill, Ben Kilbey, Greg Smart

**Singapore** — Yuen Cheng Mok (Managing Editor, Asia), Alvin Yee, Melvin Yeo

**Hong Kong** — Joshua Leung

**Tokyo** — Mayumi Watanabe

**Sydney** — Joanna Lim

#### Vice President, Editorial

Dan Tarr

#### Platts President

Larry Neal

#### Advertising

Tel: +1-720-548-5508

Manager, Advertisement Sales

Kacey Comstock

Prices quoted in tables published in Metals Week are obtained firsthand in confidential surveys of actual buyers and sellers. Platts makes no warranty and assumes no liability for subscribers' use of these prices. Corporate policy prohibits editorial personnel from holding any financial interest in companies they cover and from disclosing information prior to the publication date of an issue.

Metals Week is published weekly by Platts, a division of The McGraw-Hill Companies. Registered office Two Penn Plaza, 25th Floor, New York, NY 10121-2298.

Officers of the Corporation: Harold McGraw III, Chairman, President and Chief Executive Officer; Kenneth Vittor, Executive Vice President and General Counsel; Jack F. Callahan Jr., Executive Vice President and Chief Financial Officer; John Weisenfeld, Senior Vice President, Treasury Operations.

Copyright © 2011 by Platts, The McGraw-Hill Companies, Inc.

All rights reserved. No portion of this publication may be photocopied, reproduced, retransmitted, put into a computer system or otherwise redistributed without prior authorization from Platts.

Permission is granted for those registered with the Copyright Clearance Center (CCC) to photocopy material herein for internal reference or personal use only, provided that appropriate payment is made to the CCC, 222 Rosewood Drive, Danvers, MA 01923, phone (978) 750-8400. Reproduction in any other form, or for any other purpose, is forbidden without express permission of The McGraw-Hill Companies, Inc. For article reprints contact: The YGS Group, phone +1-717-505-9701 x105 Text only archives available on Dialog File 624, Data Star, Factiva, LexisNexis, and Westlaw. Platts is a trademark of The McGraw-Hill Companies, Inc.

#### To reach Platts

E-mail: support@platts.com

#### North America

Tel: 800-PLATTS 8 (toll-free)

+1-212-904-3070 (direct)

#### Latin America

Tel: +54-11-4804-1890

#### Europe & Middle East

Tel: +44-20-7176-6111

#### Asia Pacific

Tel: +65-6530-6430

#### To reach the editors

Email: metals@platts.com

**New York:** +1-212-904-4111

Fax: +1-212-904-2437

**London:** +44-20-7176-6140

**Tokyo:** +81-3-4550-8833

**Singapore:** +65-6530-6577

#### Chile Correspondent:

Tom Azzopardi: +56-2-326-56-9

The McGraw-Hill Companies



refused demands to return inventory.

The suit relates to the sales agreement from two years ago that formed the company. As part of the sale agreement, Timminco received a 19.5% equity ownership interest in Applied International, along with a number of promissory notes and compensation for closing costs related to the transaction, according to Timminco's complaint.

Timminco also agreed to provide Applied with two magnesium alloys, referred to as AZ80 and ZK60, valued at \$1,354,748 and various raw materials, and work in progress and finished product inventory relating to water heater anode production valued at \$1,001,127, for a total value of about \$2,355,875, Timminco said. The inventory was transferred to Applied in July 2009, it added.

About a year ago, Timminco said it became concerned that Applied USA was not honoring its agreement by properly compensating Timminco for the sale of its inventory to third parties. In April of this year, Timminco sent a letter to Applied demanding the return of all alloy inventory in Applied's possession, as well as payment for any and all sales of the inventory, it said.

Toward the end of April, Applied returned 109,104 lb of the alloy inventory to Timminco, representing \$838,287 of the original value of the inventory Timminco transferred to Applied, Timminco said. As a result, Timminco said Applied still owed \$516,461 for the alloy inventory. On May 3, Applied sent an email to Timminco admitting it sold a total of \$380,193 worth of Timminco's alloy inventory, and that it was withholding an additional \$27,880 of alloy inventory to "fill current orders," according to the suit. Timminco said Applied still owes \$1,001,127 worth of anode inventory as well.

Applied "breached its agreement with Timminco by failing to turn over the proceeds of the Timminco inventory sales to Timminco, or by failing to return all of the unsold portion of the Timminco inventory to Timminco upon demand," the suit contends. "As a result of these breaches, Timminco has been damaged in the amount of

\$1,517,588 for its loss of the Timminco inventory, plus attorney's fees, and other costs."

Applied was facing a July 15 deadline to respond to the complaint, but US District Court Magistrate Judge Kristen Mix last week gave Applied until July 29 to formally respond.

Joel Laufer, Applied's attorney in Denver, told Platts July 15 he is in contact with Timminco lawyers in hopes of negotiating an out-of-court settlement. "That's the reason we asked for more time" to respond to Timminco's complaint, he said. "We should know a lot more by the 29th."

— Sarah Baltic, with Bob Matyi in Louisville, Kentucky

## Elsewhere in light metals...

### China's magnesium offers \$3,200-3,330:

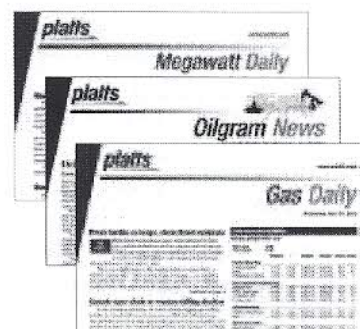
Chinese magnesium ingot export offers widened last week on the back of limited available stocks in China despite extremely weak overseas buying interest, industry sources said. Offers for magnesium ingot were heard in a wide range of \$3,200-3,330/mt FOB China, compared with \$3,200-3,280/mt the previous week. Chinese domestic offers were heard around Yuan 18,100-18,500/mt (\$2,799-2,861/mt) ex-works, compared with Yuan 18,000-18,500/mt a week ago. Sources said some plants had cut their production on limited electricity supply during summer, thereby tightening the supply in the market. "This week's situation is similar to last week. Stock supply is tight but overseas buyers are still not interested," said a northwest China-based producer who was offering at \$3,250-3,300/mt, up from \$3,250/mt the previous week. But a south China-based trader said the upper end of the \$3,250-3,300/mt range was too high. "I don't think there's any trade done around \$3,300/mt as demand is really weak. I reckon that \$3,200-3,250/mt will be appropriate," the south China-based trader added. The northwest China-based producer admitted that he had nothing concluded for the week in his range. A Western trader said he had heard offers at \$3,200/mt FOB China but

**Reach Key  
Decision Makers  
Worldwide**

**platts**

#### Advertise in Platts Newsletters

- Thousands of energy professionals around the globe rely on Platts for timely news, data and insight.
- Paid subscriptions mean that your ad is read by industry decision-makers.
- Deliver your message to the right person at the right time in the right place.



**Call today for more information**

**+1-720-548-5479 or <http://www.platts.com/Advertisers.aspx>**



also at \$3,200/mt in-warehouse Rotterdam, as there were stocks available there. On the cost side, Chinese domestic prices for the feedstock ferrosilicon were heard around Yuan 7,200/mt ex-works last week, down from Yuan 7,300/mt the previous week on weak demand from magnesium ingot plants. Meanwhile, spot demand for magnesium diecast alloy also reacted to the higher alloy prices, sending buyers to the sidelines, a north China-based magnesium alloy trader said. Platts increased the weekly magnesium ingot (minimum 99.8%) assessment to \$3,200-3,250/mt FOB China, up from \$3,190-3,240/mt the previous week. The magnesium diecast alloy assessment was revised accordingly to \$3,550-3,600/mt FOB China from \$3,540-3,590/mt.

### Timet extends Boeing deal through 2018:

Titanium Metals Corp. said last week it had extended its titanium supply agreement with aircraft maker Boeing to December 31, 2018. The extended deal, along with joint technology development agreements between the two companies, "will continue to provide for, among other things, mutual annual purchase and supply commitments, the extension of the global titanium scrap recycling program and the utilization of the Timet Global Service Center Network, and cooperative efforts on development of new titanium alloy and process capabilities," Timet said in a statement. The Texas-based titanium producer late last month narrowly averted a worker strike at its rolling mill in Toronto, Ohio, via a new three-year labor agreement.

### China's June Mg output 71,449 mt—NBS:

China produced 71,449 mt of magnesium in June, down 2.45% from the same month in 2010, according to data released last week by the National Bureau of Statistics. The June figure was, however, 10% higher than that recorded in May. Over January-June, the output totaled 382,787 mt, down 14.9% year on year.

## ALUMINUM

### Alcoa sees 2011 world aluminum surplus tighter at 115,000 mt

Washington—Alcoa is expecting the 2011 world aluminum surplus to tighten to 115,000 mt, with a surplus of 865,000 mt seen in the Western World and a deficit of 750,000 mt in China, according to Klaus Kleinfeld, chairman and CEO of the US aluminum major, speaking last week on a quarterly conference call.

In April, the company projected a world surplus of 245,000 mt, with a surplus of 945,000 mt in the Western World market in 2011 and a deficit of 700,000 mt in China.

Alcoa is expecting global growth in all market sectors this year, although North American beverage can packaging

and North American and European commercial building and construction remain laggards, he said during an earnings conference call with analysts and media July 11.

The global aerospace market is expected to see 7% sales growth, according to Kleinfeld. "The positive momentum is continuing," he said. "Volumes are up at Boeing and Airbus," with a 7,300 plane backlog. "The build rate is increasing for all aircraft in their portfolios over the next 12-36 months," Kleinfeld said. He added that the sector is nearing the end of its destocking phase in North America, with "real demand coming to us."

In automotive, there has been some softening in the US, attributable to delays in shipments of parts in the aftermath of the March 11 earthquake and tsunami in Japan. However, year-to-date automotive sales through June were up 13%. The Chinese automotive market has seen a staggering growth rate, although government incentives recently ended. The global market is expected to be up 4-8%.

Alcoa is having a "fantastic year" in the truck/trailer market, with North American demand up 60-65%. Global heavy truck and trailer is expected to be up 7-12%.

However, the US beverage can market is expected to see a 2-3% sales decline this year. Kleinfeld noted that China and Brazil are the "hot spots," and Kleinfeld said the Brazilian can market — currently at 20 billion cans — is expected to double over the next 10 years. On a global basis, the can packaging market is expected to see 2-3% sales growth.

Kleinfeld went on to note that Alcoa is seeing two different worlds in the commercial building and construction market, with the North American and European markets down 9-12% and 3-6% respectively, and the Chinese market up 10-12%. However, he said due to innovation in North America, Alcoa was able to "gain market share in a down market." The global commercial building and construction market is expected to see 1-3% sales growth.

Overall, Alcoa is still expecting 2011 global aluminum demand growth of 12% compared with 2010 volumes. Last year's global demand growth rate was 13%.

In the alumina segment, Alcoa is expecting energy, caustic soda and other raw materials' inflation to persist and for 20% of third-party alumina shipments to remain on a spot or prior-month indexed basis. Other alumina pricing will follow a two-month lag on the London Metal Exchange. Alcoa's alumina production is expected to increase by 85,000 mt in the third quarter. The market should be balanced this year, with a 100,000 mt Western World deficit and a 100,000 mt Chinese surplus, Alcoa forecast.

Kleinfeld said the switch last year to alumina index-based pricing was a "fairer way to conclude business" as pricing is now tied to alumina cost structures rather than aluminum. He said it will take five years to fully change all of its alumina contracts over to index-based pricing. He stressed that Alcoa has "signed contracts on an alumina index basis with end users."

In primary metals, Alcoa is expecting 30,000 mt of higher production volume, led by US restarts, and it sees continued



productivity benefits and the US restarts delivering full-quarter benefit. While Alcoa says there is continued strong demand from the automotive and transportation sector, coke and pitch price inflation persists. Alcoa is also facing \$33 million in additional energy costs largely due to a structural increase in European energy prices.

In flat-rolled products, aerospace and commercial transportation demand remains strong, with additional productivity gains expected. However, the sector is bracing for the seasonal impact from summer plant shutdowns, with the impact to volumes expected to be at levels similar to prior years. In Russia, demand is expected to remain strong, but China's growth is slowing.

Alcoa saw a 137% spike in its second-quarter net income, thanks to record quarterly alumina, mid- and downstream performance, the US aluminum major said July 11.

Alcoa's net income for the second quarter was \$322 million, or 28¢/share, compared with net income of \$136 million, or 13¢ per share a year earlier. For Q1 2010, Alcoa posted net income of \$308 million, or 27¢/share.

The company's revenues in the second quarter totaled \$6.6 billion, up 27% from the year-ago quarter and 11% from first-quarter 2011. Compared with Q1, end-market revenue increased in packaging (13%), aerospace (6%), building and construction (12%), commercial transportation (16%), industrial products (9%), industrial gas turbines (8%) and automotive (5%).

The company's aluminum shipments in the most recent quarter rose 7% to 1.27 million lb.

### **Alcoa results still leave some analysts bearish**

Analysts' expectations were largely in line with Alcoa's second-quarter reporting, although some maintain a more bearish outlook on aluminum, a perusal of published reports indicated July 12.

US investment bank Dahlman Rose maintained its full-year 2011 and 2012 earnings per share estimates for Alcoa stock of \$1.30 and \$1.80, respectively, because "the company is effectively managing an environment of rising raw material costs while expanding margins, and is well positioned to benefit from what we believe to be a bullish environment for aluminum."

Analysts with RBC Capital Markets, however, were not as certain about the aluminum market outlook: "Our analysis suggests that the aluminum market will continue to suffer from significant excess inventory and capacity, and we expect aluminum prices to be constrained as a result."

Based on supply/demand forecast and cost analysis, RBC analysts see a risk of aluminum prices falling to 95-100¢/lb compared with the current 111¢/lb.

Chuck Bradford, an analyst with Bradford Research, noted in June that he thought Alcoa's growth forecast of 12% was overstated. Some analysts have speculated a recent softening of aluminum prices may affect Alcoa's third-quarter results.

— Tina Allagh, Sarah Baltic

## **US aluminum premium pressured by weak sales, sleepy activity**

Washington—US aluminum premiums continued to see a steady decline over the past two weeks, as overstocked consumers reported lower bids and sellers had to trim their offers in the face of sleepy July activity. The Platts US aluminum Transaction premium fell to 8.3¢/lb plus LME cash, delivered Midwest, on July 15 from 8.35¢, and that was down from 8.4¢ on July 11 and 8.5¢ on July 6.

A billet remelter paid 8.25¢ into the Midwest and another said he had heard of deals at 8¢ but had not been in the market to buy material. A producer buyer said he had not tested the market but suspected he could buy as low as 8¢. "It's deader than a doornail," he said. "We are in the middle of the summer doldrums. And when things get quiet, there is the temptation [for sellers] to sell cheaper."

He said as premiums begin to weaken in Europe, Mexico and Brazil, "this is putting pressure here." He said, "I can buy better than 8.5¢," but admitted to not doing it yet. "If the sellers have a buyer, they will sharpen their pencils."

An extruder with remelt casthouses was offered 8.4¢ but was "holding out. I think with a little more time, that number could come off a bit. I think I could get 8.3¢ or 8.25¢."

A mill buyer previously said he resold excess inventory at well below 8¢ to a close-freight destination. "We're long," he said. "We dropped all July volumes to contractual minimums. There is a clear softness across the board. Scrap is readily available, and that should also put downward pressure on premiums since it will displace some prime in an already weakening demand market."

Several traders reported a 0.25-0.5¢ decline in offer levels, and one was offering metal at 8.25-8.35¢ and another at 8.35¢.

A mill official said he continued to have "plenty of people calling me trying to solicit business." Consumers said they believed the market would pick up in August/September, but an extruder said he thought premiums could soften further before then.

"We are right in the heart of July. It is normal for it to drop this time of year," the extruder said, though also reporting that his extrusion business was up. "Normally in July it would be horrible, but for some reason it's very good right now." He said the activity stems from restocking in addition to a pickup in the automotive and truck/trailer sectors.

On the higher end, one trader had a sale at 9¢ early last week but by week's end had sold at 8.5¢. Other traders were offering at 8.5-8.75¢. A producer was offering at 8.75¢ for August on limited quantities, saying, "We haven't sold much in the last few days, but we are still relatively tight."

Another producer who was selling at 8.5¢ last week said he was not sure "why there's pressure since the spreads [on the LME] have really widened nicely, allowing anyone to carry into January or next year. We are not pressured to sell."



A trader said early indications for August are for the market to improve: "Spot volumes are definitely quieter, but August looks good." Another trader who was offering at 8.5¢ said that "maybe from supply/demand fundamentals, [the premium] shouldn't be there, but the same fundamentals that got it to 8.5¢ still exist. Demand has been pretty steady all year. We are starting to hear orders come back a little."

Further out, a trader said some customers have indicated that Q3-Q4 needs are "out there, so it's just a matter of waiting for them to come into the market again." He said they are hoping to catch a dip in the market. "Once it drops, if it drops, they're just going to have to book it," he said. "Nobody is wanting to build inventories. We are waiting for demand to come back before we start building a long position." The trader was seeking 8.85-9¢ on sales for next year.

— Tina Allagh

### Elsewhere in aluminum...

#### Asia alumina rangebound at \$377-380/mt:

The alumina market closed July 15 at \$378.50/mt FOB Australia, unchanged from the previous day. Platts' Australian price benchmark slipped \$3/mt over the past week and \$14.50/mt from a month ago, dragged lower by unplaced cargoes and weak consumer demand for spot tonnage. The majority of smelters have been withdrawn from the spot market for weeks, having stocked up through September months back before the summer holiday season in the northern hemisphere. There was no shortage of cargoes but buyers have been harder to come by. Early last week the market centered around \$380/mt FOB Australia and by July 14 a consumer reported receiving an unsolicited offer at below \$380/mt FOB Australia, for shipment in the second half of August. The company said it was likely to knock back the offer as it was stocked up for the third quarter. A trader reported seeing August buying interest at \$377/mt FOB Australia, to which it was aiming to sell at \$380-381/mt. The \$377/mt buy rate was the most competitive to date. Other buy indications have ranged from \$365-375/mt FOB Australia. Rio Tinto warned July 14 that the floods in Queensland, Australia, between December 2010 and April 2011 would continue to have an impact on RTA's output and costs into the second half of 2011, although on a smaller scale than Q1. The floods caused steep cutbacks in alumina production, and increased costs in bauxite mining, refining and power generation during Q1. Rio Tinto's Q2 production report indicated that Queensland Alumina Ltd., in which RTA has an 80% share, produced 845,000 mt of alumina in Q2, compared with 987,000 mt in Q2 2010 and 745,000 mt in Q1 2011. A source close to QAL's plant operations told Platts earlier that the refinery was expected to operate at its full 3.95 million mt/year nameplate capacity in October. China's domestic spot market was stable July 15 at Yuan

2,750/mt (\$425/mt) ex-works Henan, unchanged from the previous day. Sources said the majority of July spot trades had been concluded and participants were awaiting fresh direction for August.

#### Japan producers fret over energy policy:

Japanese Prime Minister Naoto Kan's statement July 13 that the country should move toward a nuclear-free energy policy has sparked concerns in the aluminum rolling mill sector that end users will be negatively impacted, industry sources said July 14. Nuclear power accounts for 30% of Japan's total power supply source, according to the Japan Atomic Power Industrial Forum. "Japanese manufacturers will run away from Japan, which will affect the metal industries," said a former senior official at a Tokyo-headquartered aluminum rolling mill. The mill produces aluminum sheet and extrusions used for automobiles, beverage cans and other industrial machinery. "There is the possibility of power rate hikes, and the premier's policy [plan] raises questions if there will be enough power supply," the former official, who declined to be named, said. He added that the Japanese aluminum rolling mill sector mainly uses gas and fuel oil to directly generate energy at its plants and only 20-30% is from electricity supplied by public utilities, derived from oil and gas-fired plants and nuclear power plants. A Tokyo trading house official, who supplies aluminum ingot to the rolling mills, said the possible power hikes will squeeze profit margins for the mills nevertheless. Iwaki Diecast, an aluminum automotive components maker in the Miyagi prefecture in northeast Japan, deployed a solar-power system at its plant in 2009, in a bid to move to cleaner energy sources. But the cost of solar power generation is high and it will take decades to absorb initial deployment costs, said Hiroto Yokoyama, the company spokesman.

#### Credit Suisse lowers alumina forecasts:

Credit Suisse has lowered its alumina spot price forecasts for the third and fourth quarters by 5% and 1%, respectively, as production capacity increases in China have started to weigh on global markets, the bank said July 12. Credit Suisse also lowered its aluminum price forecast for Q3 by 3%. The bank is now projecting an average alumina price of \$390/mt for Q3 rather than \$410/mt, and an average of \$395/mt for Q4 instead of \$400/mt. Its previous forecasts were published in April. The bank has dropped by 1.5% its forecast average alumina spot price for 2011 to \$396/mt from \$402/mt. Platts' alumina price benchmark has averaged \$397.237/mt FOB Australia year to date. "A surge in alumina production in China, led by Shandong province, has led to oversupply, and as we warned last quarter has begun to affect the world markets," the report said. "Aluminum production in China has grown, but with possible summer power shortages looming and credit tightening, Chinese buyers have continued to run down stocks so the alumina inventory build has not been alleviated. Consequently, alu-



mina imports by China have been minimal this year and spot buyers have been thin on the ground." Credit Suisse's alumina price forecasts for 2012 were unchanged at \$395/mt for Q1, \$385/mt for Q2, \$375/mt for Q3 and \$365/mt for Q4. Its price forecasts for 2013 and 2014 were unchanged as well at \$385/mt and \$413/mt, respectively. The bank projected an average aluminum price of 117¢/lb for 2011 compared with its previous expectation of 120¢/lb. Its aluminum price forecasts for 2012-2014 were unchanged at 115¢/lb.

### Premier Tool & Die expanding capacity:

Premier Tool & Die Cast Corp., an aluminum diecaster based in Berrien Springs, Michigan, plans to increase aluminum capacity in 2012 at a facility in Dowagiac, Michigan, company officials said last week. The \$3.2 million expansion is being fueled by an estimated 10% growth in the company's business, which is centered on the automotive, appliance, farming and trucking industries, Paul Brancalion, Premier CEO, said in an interview. "We're seeing a shift in demand, some coming from overseas, some coming from domestic growth, both automotive and non-automotive," he said. Premier supplies metal castings to major auto manufacturers including General Motors, Ford, Toyota and Nissan, he said. Automotive accounts for 49% of Premier's business. Premier operates aluminum diecasters in Berrien Springs and Lakewood, all in the western part of the state. Those plants cast a variety of aluminum alloys, including A383, 518, 390 and 360, among others. The company also intends to relocate a zinc line from a plant in Benton Harbor, Michigan, to Dowagiac, said Duane Stover, the Dowagiac plant manager. The relocation is targeted for completion in 2012 or 2013. The Benton Harbor facility eventually will close.

### Outotec to deliver calciners to Ma'aden:

Outotec has agreed with Ma'aden Bauxite Alumina Co., a joint venture between Saudi Arabian Mining Company (Ma'aden) and US aluminum producer Alcoa in Saudi Arabia, on the delivery of two calciners to the joint venture's integrated aluminum complex at Ras Al Khair, the Finnish engineering group said last week. The overall investment cost for the calciners is approximately Eur62 million (\$88 million), the company said. Outotec's scope of delivery includes process technology and design, civil work, detail engineering and construction as well as spare parts for the two alumina calciners, each with a capacity of 3,500 mt/day of alumina. The project is scheduled to be completed at the end of 2013. In its initial phases, the Alcoa-Ma'aden joint venture will develop a bauxite mine with an initial capacity of 4 million mt/year, an alumina refinery with a capacity of 1.8 million-2 million mt/year, an aluminum smelter with a capacity of 740,000 mt/year and a rolling mill with a capacity of 380,000 mt/year. First commercial production from the smelter and mill is scheduled for 2013, and output from the mine and refinery is set for 2014. Alcoa will supply alumina

to the smelter in the interim period. The joint venture is owned 74.9% by Ma'aden and 25.1% by Alcoa, with Alcoa having the right to expand to 40%.

**New RTA aluminum sales manager:** Alexandre Chabot has returned to the North American offices of aluminum producer Rio Tinto Alcan, replacing Darren Colwell as manager for North American remelt ingot sales and marketing, a company official said last week 13. Chabot began his new job on July 1, Jean Marchand, director of global remelt ingot management sales and marketing for the company, said in an e-mail. Chabot — who was previously in RTA's Singapore office and is now reporting to Marchand — will be responsible for the sale and purchase of primary remelt ingot and scrap in the North American market. Colwell has been promoted to leader, strategic supply chain solutions, commercial, energy and carbon products, Marchand said.

---

## COMMODITIES

---

### LME opts to stick with 3,000 mt/day load-out rate proposal

*London*—The London Metal Exchange's board has opted to accept recommendations put before it with respect to changes to loading-out rates at LME-approved warehouses, the LME said last week.

This includes a recommendation that minimum load-out rates where more than 900,000 mt of metal is stored by a warehouse company in a location be raised to 3,000 mt/day from the current 1,500 mt/day. The current regulation has a sliding scale of load-out minimum rates, rising to an upper level of 1,500 mt/day, based on the total storage capacity that the company has in the location.

The new recommendations establish a link between the amount of metal stored in a company's warehouses at a location and the minimum load-out rate. The recommendations set the rate at a minimum of 1,500 mt/day for up to 300,000 mt stored; 2,000 mt/day for 300,000-600,000 mt; 2,500 mt/day for 600,000-900,000 mt; and 3,000 mt/day for more than 900,000 mt, effective April 1, 2012.

"Warehouse companies operate on an agreement which is reviewed annually," Martin Abbott, the LME's chief executive, told a press briefing in London on July 15. "It would not be appropriate to make significant changes to that contract within a contract period." Warehouse companies have been asked to comment on the proposed amendments by not later than September 30.

The recommendations for changes for up to 900,000 mt/day were approved at the LME's June board meeting, but at that point the exchange's board opted to "give further consideration" to the proposed load-out rates where more than 900,000 mt of metals is stored. At last week's board



meeting it was decided to accept the initial recommendation in this case as well, the LME said.

The effectiveness of these changes will be kept under constant review, the LME said.

The exchange said in a notice to members July 15 that it "recognizes that the current concern about queues to receive metal from warehouses relates to primary aluminium, which represents the largest volume of metal stored in LME-listed warehouses." Stocks of primary aluminum in Detroit stood at 1,132,875 mt, according to exchange data issued July 15.

While the LME has received no information that deliveries out of other smaller-volume metals have been affected by these queues for primary aluminum, it will "keep under review the possible effect on other metals of the queues for primary aluminium," it added.

The recommendations were made in response to a report on warehouse load-out rates by Europe Economics. The LME commissioned the report in response to industry concerns over the existence of long waiting times, stretching out to several months, for the delivery of aluminum out of LME-listed warehouses in North America.

The LME approves and licenses a network of over 600 warehouses and storage facilities around the world. It does not, however, own or operate warehouses, nor does it own the material they contain.

In its initial summary of the report's recommendations in May, the LME stressed that it does not see any systemic issue with its warehousing system, attributing the current backlogs in Detroit to a series of "extraordinary factors."

Abbott reiterated this view last week. "We regard the current situation as being driven by a unique set of circumstances," he told the briefing. "An enormous amount of cheap money has been made available ... and there's also a large amount of surplus metal. When you put the two together what you get is financing opportunities."

The LME has received no official complaints from consumers about being stuck in a queue to get metal out of an LME warehouse, Abbott said, though he added that the LME had noted concerns raised by consumers in the media. Novelis officials previously told Platts that they had written to the LME about the issue driving up premiums, but acknowledged they had not actually tried to get aluminum out of warehouses. Coca-Cola told the Wall Street Journal it also complained to the LME.

The initial response to the 3,000 mt/day proposal from the some quarters was that the move did not go far enough to address the hefty backlogs, but Abbott pointed out that setting the minimum out rate at a higher level, even if it were logistically possible, could well have consequences in the form of higher rents and FOT charges — the cost to get the metal out of the warehouses and onto a truck — as warehouse companies moved to cover the increased cost incurred. The LME has "absolutely no jurisdiction over the rents and the FOT charges at the warehouses," he noted.

The majority of the metal sitting in a queue to be moved is not owned by end users wanting to take it and consume it but by financial institutions wanting to take it and store it elsewhere, he said: "If it was just consumers canceling 1,500 mt a day, there would be no queue."

He also rejected suggestions that the warehousing system as it stands is causing a distortion in the market, suggesting that the option of placing metal on-warrant in the LME system had given aluminum smelters an outlet for their metal in the 2008 economic downturn which might otherwise have seen them shutting down production.

Had that not been the case, "we could see higher prices and higher premiums now in North America because that metal wouldn't exist," Abbott suggested.

Ultimately, he said, "the key to the load-out queue isn't the load-out rates, and it isn't customer demand. It's when Mr. Bernanke raises interest rates and the metal becomes less financeable." Abbott added: "The entrenched nature of the queue is a feature of the market. The LME doesn't change markets; we reflect what's happening in markets."

— Andy Blamey

## China metal capacity shutdowns seen having little market impact

Hong Kong—Chinese metal industry analysts said last week they see minimal impact from a July 11 announcement from the Ministry of Industry and Information Technology mandating the shuttering of capacity across a number of metals.

China will close down around 63.313 million mt/year of outdated metal capacity by the end of 2011, keeping in line with the state council's goals of cutting pollution and saving energy, as well as better resource allocation, the ministry said. The outdated smelting capacities to be shut before year's end are: 425,000 mt/year of copper, 661,000 mt/year of lead, 338,000 mt/year of zinc, 619,000 mt/year of aluminum, 2.11 million mt/year of ferroalloys, 27.94 million mt/year of steel and 31.22 million mt/year of iron.

"This kind of metals capacity elimination news is not fresh, as much was already talked about earlier this year," a commodity analyst with China Securities in Sichuan province said. "We don't see any obvious immediate or long-term impact on the lead, zinc, copper and aluminum sectors due to metals' market surpluses."

"Take for instance, that current domestic demand for lead has been poor due to lackluster consumption by the downstream battery industry, so the capacity elimination won't have any impact on the market," the CSC analyst said.

Noted another commodity analyst with a securities company in Shenzhen City in southern China: "The smelters to be shut are mainly the smaller ones, and the key producers won't be affected. Also, the capacities to be eliminated will only account for a small proportion of



national capacities, so generally speaking, we don't see any significant impact from the state move on the metals markets."

In Zhejiang Province, a source with a key Chinese steel producer said: "The over 20 million mt of steel capacity to be eliminated will only account for around 5% of China's national steel capacity, so we see little impact from the move on the steel market."

"We are unsure if the required outdated steel capacity elimination can be done as scheduled, and doubt if it will really have an impact on overall national steel operations," he added.

— Joshua Leung

### Elsewhere in commodities...

#### China to open metals trade center 2013: A

new metals trade center is expected to start operating in Xian city in northwestern China's Shaanxi province by mid-2013, a source with its key investor Xian-based Maiké Metals Group said last week. "Construction of the trade center began at the end of June. We expect to formally begin operations by June 2013," the Maiké source said. "There will be both spot and futures metals trade contracts, including those of copper, aluminum, lead and zinc," he said. An estimated Yuan 3 billion (\$464 million) will be invested in the new center, which will encompass trade, storage, logistics and information services for both nonferrous and ferrous metals. The center will consist of 1,000 trade members, including Sinosteel Corp, Aluminum Corp of China and Minmetals, the source said. Maiké is one of China's key nonferrous metals traders and a leading copper trader.

## LEAD & ZINC

### Chinese zinc TCs fall

...from page 1

imported zinc concentrate trade this month to poor TC/RCs as well to as some producers' gloomy views about near-term domestic zinc consumption. A commodity analyst with a UK-funded securities company in north China said: "Although [international] zinc prices rebounded in June and July from May, encouraging some smelters' operations, others don't have a rosy outlook about the domestic zinc market in the second half of this year; thus they do not have the urge to import materials." The south China-based source said: "The state's outdated zinc capacity elimination plans for this year have also lowered the need for imported zinc concentrates."

China said July 11 it would cut outdated zinc smelting capacity of 338,000 mt/year before the end of 2011, as part of the government's goal of protecting resources, lowering pollution and saving energy. China imported 1.191 million mt

of zinc concentrate in the first five months of this year, down 8% year on year, customs data showed, while it produced 1.479 million zinc concentrate in the same period, up 11% year on year.

On the other hand, China's TC/RCs for spot lead concentrates have risen to \$150-160/mt this month, up from \$100-140/mt in June, Chinese market sources said last week, citing higher London Metal Exchange prices, along with a increased supply of lead concentrates. Because the lead supply has grown in China, smelters can charge more to process the material, sources said. Lead ingot supply is now in surplus due to poorer demand by the local lead-acid battery sector on the back of the state's newly instituted environmental reforms of the battery sector, they said. China produced 902,000 mt of refined lead in the first five months of this year, up 32% year on year, state statistics showed. The LME three-months official offer price for lead ingot was \$2,663.50/mt on July 15, up from about \$2,500/mt in early June.

Although Chinese lead concentrate dealers reported overseas spot TC/RC offers as high as \$170-190/mt this month, a source with a lead concentrate importer in Zhejiang province said, "Actual deals have been concluded at \$150-160/mt." He added: "Last month, we inked deals at TCs of \$140/mt. But this month, we got no deals, as we'd rather wait until when TCs rise further." He added, "The recent lackluster demand for lead [ingot] by the [domestic] battery sector has made it less difficult to source domestic lead concentrates, so we don't have the need to import for the time being."

In Shaanxi province, another concentrate importer said despite the higher spot TC/RCs this month, "Smelters in our area reported no deals as they have enough material for use for one to two months." In Henan province, a lead smelter source said he had heard spot TC/RCs for imported lead concentrate as high as \$200/mt this month "but this should refer to materials with higher silver contents."

He added, "Since we have already sourced enough concentrates for our current year's lead processing through our annual term contract, so far this year we haven't imported material on a spot basis." He did not elaborate on details of the 2011 term contracts. The Henan producer said his company's lead concentrate import volume in 2011 would be just 100,000 mt, half of the 200,000 mt imported last year. "We'd rather source more material from the domestic market this year as it's more economically efficient," he said.

China imported only 83,800 mt of lead concentrate in May this year, down 38% from April, customs figures showed. China imported 572,300 mt of lead concentrate in the first five months of this year, up 19% year on year. China produced 902,000 mt of lead concentrate over January-May this year, up 32% year on year, data from the National Bureau of Statistics showed.

— Joshua Leung



## Elsewhere in lead & zinc...

**Xstrata Zinc Canada buys property:** Xstrata Zinc Canada last week said it has agreed to buy the 23.6% of the Pallas Green property in Ireland that it does not already own from development partner Minco, for C\$19.4 million (\$20 million). The deal, which is subject to Minco shareholder approval, would make Xstrata the sole owner of the Limerick County site. Xstrata said the property's Pallas Green section, which is at the prefeasibility study stage, contains "significant zinc mineralization," at inferred resources of about 25.9 million mt, grading 7.51% zinc and 1.38% lead at a 4% cutoff. "If developed, Pallas Green would be well positioned to supply our European smelters based in Spain and Germany," said Xstrata Zinc CEO Santiago Zaldumbide.

**US lead scrap selling under 40¢/lb:** While London Metal Exchange lead prices have recently rallied, US buyers of used lead automotive batteries say they are still managing to keep the price tag for most deals in the used commodities below 40¢/lb. Market sources interviewed recently by Platts put the price range on 50% lead, starter-lighter ignition automotive batteries, picked up, in a range of 36-40¢/lb. One buyer said he recently paid 36-38¢ for used batteries, adding that lead scrap supply appears abundant. "We seem to be getting all of the scrap we want," he said. "We see scrap being very plentiful out there still, even with the LME lead price picking up." Typically, sellers of metal scrap sell off material to cash in on a higher LME price, which in turn tightens supply. The buyer added, "Some of our competitors have bounced the price back to 40¢ with the market moving up again." LME three-months lead eased off somewhat last week, closing on July 15 at \$2,663.50/mt, but had broken through \$2,700/mt the previous week. "Prices are all over the place," another used battery consumer said, but added that he recently paid in a range at 38-40¢. "I have a suspicion the scrap [sellers] will try to push things up but it's a slow time of year," he said.

## Connect to Your Market Through Ours Platts' Readers Circle the Globe

Turn to Platts' newsletters for the most targeted ad buy in the industry. Leverage the power of Platts Gas Daily, Oilgram News, Petrochemical Report, International Coal Report, Energy Economist, and other top-of-the-line energy newsletters.

RFPs • RFQs • Job Listings



**platts**

Reserve your ad space today!

+720-548-5479 or [advertising@platts.com](mailto:advertising@platts.com)

## Horsehead in \$10 million hedge plan:

Zinc producer Horsehead said last week it expects to record non-cash mark-to-market charges totaling \$10 million for the quarter ended June 30, related to the company's recently announced hedging transactions for 2012 and 2013. Horsehead's latest and previous hedges were done to provide liquidity needed to build an advanced-technology zinc plant, the location for which the company said it has not yet determined. The mark-to-market adjustment amount of \$10 million is after taxes and is the equivalent of \$0.23 per diluted share, resulting mainly from a higher zinc price on June 30, compared with the average market price during the period that the hedges were put in place. Horsehead said such mark-to-market adjustments, made at zinc prices that fall within the range of the "cashless collar" that the company announced previously, will net to zero over the term of the hedges if held until maturity. The Pittsburgh-based zinc maker said its previously announced hedges will provide it a minimum zinc price of \$0.85/lb and a maximum zinc price of \$1.20/lb for no cash out of pocket, adding that the hedges cover roughly 8,800 mt/month. The company added that the hedges represent about 75% of Horsehead's anticipated shipments made from January 2012 until June 2013.

**Kagara's zinc output jumps:** Australia-listed Kagara last week reported more than doubling zinc output during the April-June quarter to 15,709 mt, after suffering weather-related production disruptions in the previous quarter. The 121% quarter-on-quarter increase took zinc production for the full financial year ended June 30 to 40,125 mt, which was 8.7% lower than the previous year and also below an announced target of 42,000 mt, Kagara said. Its January-March output had been hit by the combined impact of weather disruptions and the commissioning of a new mill. But zinc output in April-June recovered to an annualized run rate of approximately 62,000 mt for the quarter and reached 120,000 mt in June. "This confirms the potential of the company's assets to significantly ramp up zinc production in the future," said Kagara. Its cash operating margin was \$0.26/lb for zinc in the quarter, from \$0.25/lb a year ago. Kagara said \$23 million would go toward zinc and copper exploration in the coming year.

## N. American May battery shipments up:

The number of replacement automotive lead batteries shipped in North America rose nearly 6% in May, compared with April shipments, according to new data released last week by the Battery Council International. According to the BCI data, 8,477,065 batteries were shipped in May, a 5.8% increase over 8,011,995 batteries shipped in April. May's total also represented a roughly 1.1% rise over the 8,382,497 batteries shipped in May 2010, the data showed. The BCI numbers also showed a 6.2% year-on-year jump for the first five months of the year, with 43,562,146 batteries shipped in the January-May period, compared with



41,022,430 units shipped in the same period in 2010. Meanwhile, battery shipments in the 12 months ending May 30 rose about 7.2% compared with the year-ago period, the data said, with 108,228,191 batteries shipped in North America in June 2010 through May, compared with 100,984,712 batteries shipped from June 2009 to May 2010.

## STEEL & FERROALLOYS

### Japanese integrated steel mills destock ferrosilicon

*Tokyo*—Three out of five Japanese integrated steelmakers have managed to destock their ferrosilicon inventories to regular levels, after piling up material on shortage fears in September last year, sources close to the steelmakers said last week.

These three mills together produce 50 million mt/year of crude steel.

Japanese mills typically hold stocks equivalent to two months' consumption, but in the third quarter of last year some mills more than doubled their inventories as they were expecting a drop in supply from China, sources added.

In the third quarter of 2010, the Chinese government ordered ferrosilicon producers to stop or cut production at their plants to meet the national carbon emission reduction goal. This led Japanese mills to increase purchases from the spot market and switch to other supply sources, the sources said.

An electric arc furnace operator in western Japan, which in the past typically sourced ferrosilicon from China, signed an annual contract with a Russian producer for October 2010 through September 2011.

Since the start of this year, Chinese ferrosilicon producers have resumed normal production levels, easing fears of a shortage among Japanese buyers. But the destocking process has been slow until recently due to a drop in the use of ferrosilicon after the March 11 earthquake. The pace of destocking has picked up since the end of June thanks to increased steel demand from automakers, sources said.

Of the three mills, only one is expected to buy from the spot market, while sources close to the other two mills said they would have sufficient supply from long-term supply contracts with Chinese and Russian producers.

Meanwhile, at least two trading houses did not participate in a purchase tender for ferrosilicon issued by Tokyo Steel, which closed July 12, as they wanted to keep their supply for future deals, company sources said.

Tokyo Steel, Japan's largest electric arc furnace operator, sought to buy 250 mt of standard-grade 75% Si ferrosilicon for mid-August delivery to its four plants in the country. Two

trading house sources confirmed having participated in the tender, while sources at two other trading houses said they opted not to take part.

Tokyo Steel declined to comment on the tender, but company sources estimated the awarded price at Yen 120,000-140,000/mt (\$1463.41-1707.32) on a delivered basis, including Yen 6,000-8,000/mt of freight, customs processing fees and other charges. Japan imports all of its ferrosilicon requirements and the import costs would be \$1,380-1,600/mt on the basis of the US dollar at Yen 82.

One trader said he decided to skip the tender as he was expecting strong competition. July is the quietest month of the year for demand and competitors may be hungry for deals, he said. "Traders don't have high inventories, so better to keep it for future business," the trader said. Other traders added that selling interest was low. "The tenders in the past weeks were settling at market levels with no aggressive selloffs," explained a second trader.

Traders are eyeing sales to specialty steelmakers in central Japan who are enjoying high run rates thanks to automotive demand, a third trader said. In contrast, some electric arc furnace operators making bars for construction applications are suffering run rates as low as 60%, said a fourth trader.

Because of the summer lull, traders said they were not expecting spot import trades to be active until the third week of August, but because of low stock levels, import prices are expected to trend up once buying starts. Spot prices for Chinese ferrosilicon on an FOB basis ended a three-week slide last week as the market stabilized, Chinese market sources said.

Platts assessed spot ferrosilicon (75% silicon) at \$1,510-1,530/mt FOB China July 14, unchanged from \$1,510-1,530/mt FOB a week earlier. The FOB China price, however, was expected to start retreating as supply builds up with many ferrosilicon producers in Inner Mongolia, Qinghai and Ningxia producing near full capacity.

Most discussion remained at \$1,510-1,530/mt FOB China last week, unchanged from the previous week, and more than 100 mt of spot ferrosilicon was heard sold at \$1,530/mt FOB China by a producer in Inner Mongolia.

"The market is quiet this week, but some foreign buyers are buying ferrosilicon and this helps to keep the price firm," a producer said. But a major ferrosilicon producer in Inner Mongolia, Baotou Daqingshan, said that price of ferroalloys may be pressured lower within the next two weeks due to a supply glut.

"There is no announcement on power cuts so far, so many ferrosilicon producers are producing at full capacity, churning out as much supply as possible," the producer said. "I'm afraid this will exert downward pressure on the price of ferrosilicon, even if overseas demand stays stable for the next two weeks," he added.

— Mayumi Watanabe, with Melvin Yeo in Singapore



## Murrin Murrin nickel outage costs 2,000 mt of production

*Singapore*—Australia's Minara Resources has resumed normal operations at its Murrin Murrin nickel-cobalt project in the state of Western Australia, after suffering a 14-day disruption which resulted in lost nickel production of about 2,000 mt due to the shutdown of an acid plant, a company official told Platts.

The affected acid plant returned to normal operations on July 13 with a replacement heat exchanger unit installed, the official said.

Minara in late June announced that a heat exchanger failure had forced the closure of the acid plant and resulted in reduced operating rates. On July 5, the company said metal production was halted pending the replacement of the unit.

The company has revised its 2011 production guidance down to 29,000-32,000 mt of packaged nickel. In April, Minara had said it was targeting a 2011 output of 33,000-37,000 mt of packaged nickel.

"Guidance has been revised as a consequence of the expected production losses from the heat exchanger failure," Minara's managing director, Peter Johnston, said last week in a management discussion of the company's quarterly results. "In addition to these losses, there were smaller losses due to several unrelated maintenance issues in the second quarter, and the operation suffered production losses in the first quarter as a result of extreme weather conditions and flooding," he added.

Production at Murrin Murrin had already been hit by flooding in February, with the company resuming normal operations in early March after two weeks of flood-related disruptions that resulted in lost output of approximately 900 mt of nickel.

Murrin Murrin produced 7,157 mt of packaged nickel for the April-June quarter, slightly down from the 7,468 mt achieved in the previous quarter. Output for the first half of 2011 was 14,625 mt, marginally higher than the year-ago figure of 14,512 mt. Output of packaged cobalt reached 457 mt, down from 488 mt the previous quarter.

Nickel production is set to improve in the second half of this year to reflect "increased plant availability and increased processed ore-grade following the ramp-up to full production from the Murrin Murrin East orebody," said Johnston.

Direct cash costs were \$9.06/lb of nickel for the June quarter, up from \$6.97/lb in the previous quarter because of the relatively strong Australian dollar, higher-than-expected maintenance costs and the production losses.

The London Metal Exchange cash settlement price for nickel was \$24,060/mt (\$10.91/lb) on July 15.

The Australian dollar averaged \$1.0618 in April-June, adding around \$1.12/lb of nickel cash costs compared with the position that the 2010 average exchange rate of \$0.9208 had applied, said Minara. "The resumption of full production, including the benefit of a higher proportion of Murrin Murrin East

ore processed, is expected to drive costs lower in future periods, subject to the prevailing exchange rate," the company added.

Minara, which is 72% owned by commodities trader Glencore, is the operator and 60% owner of the Murrin Murrin facility. It produced 28,378 mt of nickel and 1,976 mt of cobalt in 2010. Glencore International holds the remaining 40% in Murrin Murrin.

— Kimfeng Wong

### Elsewhere in steel & ferroalloys...

**Q3 ferrochrome prices down 15¢:** The European benchmark ferrochrome price has been settled at \$1.20/lb for the third quarter of 2011, a decrease of 11% from the \$1.35/lb price in the second quarter, South Africa's Merafe Resources said last week. In Japan, stainless steelmaker Nippon Steel & Sumikin Stainless Steel settled the third-quarter contract price for high-carbon charge ferrochrome at 128¢/lb CIF Japan with South African ferrochrome producer Xstrata Alloys and other producers, a company official last week. The price was also down 15¢ from 143¢ CIF for the previous quarter. "Chinese steelmakers are reducing stainless steel output, and the overall market condition is bearish, which was reflected in the Q3 settlement," said Hirokazu Ajima, an official in the corporate planning division at NSSC. The NSSC settlement is used as a benchmark by other Japanese stainless steelmakers importing charge ferrochrome, as well as for setting sales prices of stainless steel products that contain chrome.

**Korvan to double ferromoly runs:** South Korea's largest ferromolybdenum producer Korvan plans to ramp up production at its plant in Gimpo, Gyeonggi province, to 50 mt/day last week, after cutting output to less than half of that last month due to slowing demand, a company official said. Korvan's Gimpo plant produces ferromoly and ferrovanadium. If there is no ferrovanadium production, the plant can produce up to 100 mt/day of ferromoly. The company's senior manager, Aaron Lee, said the plant's ferromoly production for this month has already been sold, with the market bottoming out from the recent downturn. Ferromoly prices for exports to Europe were at an average of \$42-44/kg in warehouse Rotterdam, duty-paid basis, in February but fell to around \$36/kg in June due to oversupply. Platts assessed the price on July 14 at \$36.70-37.20/kg in warehouse Rotterdam, duty-paid basis. Europe is the major export destination for South Korean ferromoly.

### MDM gets manganese project contract:

MDM Engineering has been awarded the engineering, design, project and construction management contract for the crushing and screening plant for Kalagadi Manganese's Umtu project, MDM said last week. The plant, in the Northern Cape Province of South Africa, is set to produce 2.4 million mt/year of high-grade sinter. A smelter located in



the Coega Industrial Development Zone in the Eastern Cape Province will produce 320,000 mt/year of high-carbon ferromanganese. MDM Engineering was awarded the bankable feasibility study for the project in 2007. The current EPDCM is an extension of an existing contract that was awarded in November 2010. Kalagadi Manganese is 50% owned by the world's largest steel producer, ArcelorMittal. Kalahari Resources owns 40% of the company and Industrial Development Corporation 10%. The plant's commissioning is set for 2012.

**China moly concs output up in June:** China produced 22,925 mt of molybdenum concentrate (with a 45% Mo content) in June, up 8.6% year on year, according to data released last week by the National Bureau of Statistics. The June figure was up 13.3% from May. For the first half of the year, production totaled 115,833 mt, up 10.6% year on year.

**Ukraine ferroalloys down on 2010:** Ukraine produced 106,100 mt of ferroalloys in June, up 8.7% from 97,600 mt in May, but down 9.6% from 117,400 mt produced in June 2010, UkrRudProm, an association of major metal producers, said last week. Ukraine last month produced 70,900 mt of silicomanganese, up from 65,100 mt in May, but down from 72,200 mt in June 2010. Also in June, output of ferromanganese rose to 21,500 mt from 18,000 mt a month earlier, but was down from 28,700 mt a year earlier. Production of ferrosilicon fell to 12,500 mt in June from 13,700 mt in May and from 15,300 mt in June 2010, the group said. In the first six months of 2011, Ukraine's ferroalloys output fell to 621,200 mt, 19.6% below the 772,400 mt produced in same period of last year. The country produced 432,700 mt of silicomanganese in the first six months of the year, down 15.9% from 514,300 mt in first-half 2010, while ferromanganese output fell 32.1% to 100,500 mt from 148,100 mt a year ago, and production of ferrosilicon fell 19.9% to 82,300 mt from 102,800 mt.

**China's June nickel output jumps:** China's nickel production in June jumped 51.8% year on year to 27,014 mt, according to data released last week by the National Bureau of Statistics. The June figure was 19.9% higher than the previous month. Over January-June, the output totaled 135,321 mt, up 44% year on year.

## TIN

**Indonesian tin exports rise 55%:** Indonesian refined tin exports in June increased by 55% to 10,875.25 mt with a total value of \$268.70 million compared with 7,013.28 mt in May, with a total value of \$197.61 million, due to better weather conditions, a government official said last. The figure is a 35.4% increase year on year from

8,029.94 mt, an official at the Industry Ministry said. Singapore was the biggest importer at 9,004.67 mt, followed by Malaysia which imported 780.96 mt of refined tin in June. Indonesia failed to meet its 2010 tin production target of 105,000 mt by producing only 78,965 mt. The country is forecast to produce only about 90,000-95,000 mt of tin throughout this year, the former coal and mineral director general at the Energy and Mines Ministry Bambang Setiawan said last year. The country has tin reserves of 338,115 mt, based on 2009 data. Separately, China produced 13,248 mt of tin in June, down 3.8% from June 2010, and down 0.4% from May, according to Chinese data released last week. In the first half of the year, China's tin production totaled 77,068 mt, up 6.6% year on year.

## COPPER

### China's premiums steady on strong demand, despite higher LME

*Singapore*—China's import premiums for London Metal Exchange-registered brands of copper cathode on a CFR basis remained steady last week on strong buying interest from end users despite rising prices, industry sources said. Sellers tend to lower premiums to balance out higher prices.

Import premiums were generally heard at \$100-120/mt CFR China last week, similar to levels the previous week. "I have sold at CIF China premiums of \$85/mt, but this is lower than the market level [around \$100/mt] as it is sold to a regular customer [an end user] and the brand is not so popular," a southeast Asia-based trader said.

Said a north China-based analyst: "Many Chinese end users such as the tube and pipe producers have not been buying. They are probably importing now to restock for their requirements in the second half of the year."

On the other hand, a southeast Asian trader added, "Speculators are still staying away from the market as the arbitrage opportunity remains missing as the price gap between LME and Shanghai prices is very narrow."

Sources said Chinese domestic copper prices had been tracking rising prices on the LME amid renewed concerns over the global economy in view of negative factors such as a weak euro, weak US job data and China's high inflation rate.

"The euro is not doing well due [to] Spain and Italy's debt woes. Funds are moving out [of] the equity markets into commodities, thereby lifting LME prices," a south China-based trader said. A southwest China-based trader also pointed to the fact that US employment data have likewise been disappointing. The US Labor Department said July 15 that the economy created just 18,000 jobs in June, dashing hopes that the economic recovery might be gathering speed.

"China's inflation remains high and this might mean a



further rate hike," the north Chinese analyst said. China said inflation surged to a three-year high of 6.4% in June despite five interest rate hikes by leaders struggling to rein in soaring food costs. The figure is up from May's 5.5% and above government targets of 4%.

The Chinese spot domestic copper cathode price was around Yuan 71,480/mt (\$11,058/mt) ex-works July 13, when CFR premiums were assessed, compared with about Yuan 71,030/mt July 12 and Yuan 70,650/mt July 6. Chinese copper futures for the front-month July contract closed at Yuan 72,100/mt on the Shanghai Futures Exchange that same day, compared with Yuan 71,080/mt the previous day and Yuan 70,750/mt the previous week. The July contract ended the week July 15 at Yuan 71,450/mt.

LME three-months copper was \$9,707-9,710/mt on July 13, when premiums were assessed, up from \$9,651/mt the previous day and \$9,521/mt the week prior.

Platts kept the assessment for the weekly CFR China copper premiums steady at \$100-120/mt last week, unchanged from the previous week.

### China's June imports up 10% on month

China imported 280,009 mt of unwrought copper and products in June, up 10% on May, data from the General Administration of Customs showed early last week. The June figure, however, was down 14.7% year on year. Over January-June, imports totaled 1.7 million mt, down 23.8% from the same period in 2010.

"Imports of wrought copper and products were down in April and May as Chinese domestic end users still have stocks on hand or they source domestically," the southwest Chinese trader said. "In June, they needed to replenish."

In April and May, China's unwrought copper and product imports stood at 262,676 mt and 254,738 mt, respectively.

Meanwhile, China's copper stocks in SHFE-approved warehouses trended downward in April and May, weekly data from the exchange showed. On April 1, stocks stood at 161,916 mt, but slipped to 128,268 mt on April 29. Stocks totaled 123,042 mt on May 6 and fell to 82,309 on May 27. SHFE stocks rose last week by 19,963 mt to 109,461 mt.

— Alvin Yee

## Grupo Mexico aims for revival of Peru's Tia Maria project: official

*Mexico City*—In an effort to revive its stalled \$1 billion Tia Maria project in Peru, Grupo Mexico aims to launch talks soon with Peru's new government, Juan Rebolledo, the company's vice president, said last week.

Peruvian President-elect Ollanta Humala is due to be inaugurated July 28. He is not expected to publish

the names of his cabinet until the eve of the ceremony. But once he does, Grupo Mexico and its Peruvian unit, Southern Copper, "will be getting in touch with the person who is named as the new minister of Mines and Energy," Rebolledo said.

"We'd want to get to know the people that will want to point us to the appropriate steps that we'll need to take in order to get the project underway again," he added.

Rebolledo emphasized the importance of Tia Maria to Grupo Mexico. "It's a very good deposit; it's high grade, and it's got several characteristics that make it attractive to us," he said.

The project will not only be attractive to Grupo Mexico, the company insists, noting that Peru will also benefit substantially as the \$1 billion investment will create 4,000 jobs during the construction of the project, and more still — directly and indirectly — once operations have begun. In addition, taxes and mining royalties will be received, and there will be a boost in Peru's exports.

Tia Maria would have a production capacity of 120,000 mt/year of copper cathode by leaching, Grupo Mexico said in its first-quarter report this year.

Earlier this year, negotiations with the current government stalled following a wave of protests led by activists opposed to mining on environmental grounds. The company has said those claims are without merit. For example, plans for Tia Maria propose an aqueduct to bring seawater from the ocean. Protesters have claimed that local farmers will be robbed of freshwater supplies.

Rebolledo acknowledged that Grupo Mexico has some convincing to do. "We're not only going to have to persuade the new government, but also the local communities. We have to do a lot of work with the communities," he said.

Grupo Mexico has taken care to nurture its relationship with Peru's incoming administration. As support for Humala surged in opinion polls ahead of his election, shares plunged on Lima's stock exchange on the basis of his reputation as a left-wing firebrand.

Since then, Humala has insisted that he aims to follow the brand of market-friendly socialism pioneered in Latin America by former Brazilian president Lula da Silva.

And in a public pronouncement on Humala's election, Grupo Mexico and Southern Copper said they were "convinced that Peru will continue to register major economic growth under democracy and with greater social justice."

Peru accounts for about 30% of Grupo Mexico's revenues, Rebolledo said. But the proportion is higher when only mining is included in the calculation. Not least, Grupo Mexico has an important railroad operation in Mexico in addition to its mines there and the US, as well as in Peru.

And its non-mining activities are growing. On July 11, Grupo Mexico was given permission by regulators to acquire 100% of the stock of GAP, an operator of 12 Mexican airports.

— Ron Buchanan



## Elsewhere in copper...

**Freeport Indonesian strike ends:** Workers at the Indonesian unit of US gold and copper company Freeport McMoran returned to work July 13, ending a strike that last more than a week, workers' union spokeswoman Juli Pororrongan said. "We return to work today [July 13], as the management has agreed to our demands," Pororrongan said. The strike, which began July 4, disrupted production at the mine in the Papua region, Pororrongan said. Freeport could not be reached for a comment. The union had asked for a review of workers' wages and welfare and also the cancellation of a plan to fire some union members from the company's board, Pororrongan said. Freeport Indonesia's copper production rose to 284 million lb in the January-March quarter from 279 million lb a year earlier. Gold output increased to 441,000 oz from 429,000 oz last year. Freeport has estimated its 2011 sales to hit 1 billion lb of copper and 1.3 million troy oz of gold. The Papua region is rich in resources and includes Grasberg, the world's largest reserve of copper and gold.

**Mitsubishi reroutes Canadian concs:** Japan's Mitsubishi Materials Corp. will process and refine copper concentrates from the Copper Mountain mine in British Columbia at its Naoshima smelter, rather than the Onahama smelter as initially planned, Copper Mountain Mining spokeswoman Galina Meleger told Platt last week by email. Copper Mountain Mining owns 75% of the mine, with Mitsubishi Materials owning the remaining 25%. Mitsubishi Materials has contracted to purchase 100% of the copper concentrate produced by the project, though in May the Japanese company issued a force majeure notice relating to its copper concentrates agreement after the closure of the 258,000 mt/year Onahama smelter following the March earthquake and tsunami. "In this particular case, our concentrate will now be treated and refined at the Naoshima smelter, a bit more inland, instead of the Onahama smelter, which was closer to the origin of the tsunami," Meleger said. The change "will not affect our startup in any shape or form. It will just be shipped to a different smelter that Mitsubishi operates. Mitsubishi still has the offtake for 100% of the concentrate," she added. The Copper Mountain mine produced its first filtered copper concentrate June 30. At full production, the mine is expected to produce 100 million lb/year (45,359 mt/year) of copper.

**Codelco hit by one-day strike:** Production at the operations of Chile's Codelco resumed July 12 following a 24-hour stoppage by unionized workers, the state-owned mining firm said last week. Emergency shifts and other contingency measures implemented in agreement with the unions which organized the stoppage allowed operations to resume normally, said Codelco. The company has estimated the cost of the stoppage by members of the Copper Workers Federation, plus some supervisors and subcontractors, at \$41 million and around 4,900 mt in lost copper output.

In 2010, the company produced 1.688 million mt of copper from its own operations. Workers returned to work at the company's main operating divisions at the start of the morning shift, except at the Gabriela Mistral mine where a blockade by union leaders delayed the start of production by around 90 minutes, Codelco said. Union leaders organized the one-day strike in protest over possible job losses as the company restructures its divisions and over alleged partial privatization of Codelco mines. Mine official Laurence Golborne denied July 11 that the government had any plans to sell state-owned mines. "There is no intention to privatize Codelco. It is not one of our priorities," the minister told reporters.

## EC seeks comments on Aurubis, Luvata:

The European Commission is seeking comments on the proposed acquisition by German copper producer Aurubis of the rolled products division of Finnish engineering group Luvata, the EC said last week. Aurubis is one of the main copper producers in Europe, the EC noted. Its core business is the production of marketable copper cathodes from copper concentrates, copper scrap and recycled raw materials. These are processed into wire rod and shapes, as well as rolled products. Luvata is a manufacturer of thin copper and copper alloy rolled products for industrial use. "On preliminary examination, the Commission finds that the notified transaction could fall within the scope the EC Merger Regulation. However, the final decision on this point is reserved," the EC said. Interested third parties are invited to submit their possible observations on the proposed deal to the EC, to arrive not later than 10 days after the July 11 publication of the notice in the EC official journal. The deal's price is expected to be Eur200 million to Eur250 million (\$293 million to \$354 million), the company said. Luvata's rolled products division produced roughly 160,000 mt of copper and copper-alloy sheets, strips and plates in 2010, and saw sales of about Eur1 billion.

## Rio Tinto's output falls, China's rises:

Rio Tinto mined 127,200 mt of copper concentrates in the second quarter of 2011, declining 24% from Q2 2010 and 13% from Q1 2011, the company said last week. The decreases were attributed to lower grades at Escondida in Chile and Kennecott Utah Copper in Utah. Escondida is Rio Tinto's largest mined copper contributor, accounting for almost half, or 303,300 mt, of the company's total mined copper output during 2010. Production of refined copper came in at 89,900 mt, down 1% from Q2 2010 and 6% below Q1 2011, the company said. Rio Tinto said it was expecting its share of mined and refined copper production to reach 539,000 mt and 350,000 mt, respectively, for full-year 2011. The miner's refined copper production for 2010 was 392,800 mt. Separately, China's copper concentrate production in June rose 13.9% year



on year to 480,070 mt, according to data released last week by the National Bureau of Statistics. The June figure was 10.1% higher than that recorded in May. Over January-June, the output totaled 2.6 million mt, up 13.8% year on year. Meanwhile, the country produced 1.1 million mt of copper products in June, up 4.6% year on year and up 7.6% month on month. In the first six months, the output reached 5.2 million mt, down 0.3% from the same period in 2010.

### Metorex recommends Jinchuan offer:

The board of South African copper and cobalt company Metorex has recommended last week that shareholders accept the \$1.36 billion takeover offer from Chinese nickel miner Jinchuan Group. On July 5, Jinchuan offered Rand 8.90 (\$1.30) for each Metorex share and this is 21% more than Brazilian iron ore miner Vale's offer of Rand 7.35/share on April 8. Vale withdrew its bid on July 11. Metorex will pay a break-fee to Vale of Rand 75.2 million. The majority of Metorex's assets are located near two of Vale's central African copper projects — Konkola North, under development in Zambia, and Kalumines in the Democratic Republic of Congo, for which a feasibility study is being undertaken, the company added. The two projects are being developed as part of a joint venture with African Rainbow Minerals. Based in Jinchuan city, Gansu province, Jinchuan is China's largest producer of nickel, cobalt and platinum-group metals, as well as one of the top three producers of refined copper. Globally, Jinchuan is the fourth largest producer of nickel and the second largest for cobalt.

## PRECIOUS METALS

### Stillwater buying Peregrine

...from page 1

as the Marathon project comes into online, he added. Altar has the potential to produce 280 million lb/year of copper and about 24,000 oz/year of gold over its projected 36-year mine life.

"We see ongoing structural undersupply even under the most conservative set of growth assumptions," McAllister said of copper supply. "Demand is being driven by growth in the BRIC countries, led by China, with India yet to become a significant copper consumer," he said. "At the same time, supply remains constrained as existing mines either face disruptions or lack the ability to increase throughput while key development projects face long delays."

If supply remained constant, and demand grew at an average of 3% per year, one mine the size of the Grasberg mine in Indonesia would need to come online annually to meet incremental demand, McAllister added. Grasberg, majority owned by US-based Freeport-McMoRan Copper & Gold, is the

second-largest copper mine in the world and produces about 600,000 mt/year of copper.

Turning to PGMs production, McAllister said he expects 2011 production to reach 515,000 PGM oz at a cash cost of \$430 per PGM oz from the company's Stillwater and East Boulder mines in the state of Montana.

McAllister noted that there is a projected long-term supply deficit in PGMs, and that as the only large-scale PGMs producer in the Americas, Stillwater is in a unique position to capitalize on the deficit.

Automobile production is expected to reach 100 million units by 2015, and many countries are implementing stricter emissions standards, he noted. Platinum and palladium are used in catalytic converters to reduce emissions from gasoline- and diesel-powered engines. "The supply of both platinum and palladium cannot keep pace with demand, insofar as PGMs are rare commodities with limited geological and geographical opportunities," McAllister said. "We expect that this net supply deficit will only grow over the next decade."

Credit ratings agency Standard & Poor's Ratings Services maintained its B rating and stable ratings outlook on Stillwater following the announcement. "Our decision to maintain the 'B' rating reflects the expectation that obtaining the necessary permits and completing mine development on the Altar property will take several years," S&P said in a report. "We believe that Stillwater can fund the initial cash portion of the acquisition through existing cash balances, which totaled about \$215 million as of March 31, 2011." Stillwater's adjusted earnings before interest, taxes, depreciation and amortization are expected to be about \$250 million this year, based on the assumption that light-vehicle sales will increase by about 13%, S&P said. S&P, like Platts, is a unit of The McGraw-Hill Companies.

— Nick Jonson

### Miners, unions to meet arbitrators to avert SA mine strike

Johannesburg—South Africa's National Union of Mineworkers will meet with gold mining companies and arbitrators on July 18 in a last-ditch attempt to head off strike action across the industry, both sides said last week.

Three unions representing more than 200,000 gold miners want a 14% pay rise as part of a new one-year deal, but are angry that, after weeks of negotiations, producers have failed to offer even half of that. The old wage deal ran out on July 1. Talks broke down at the Chamber of Mines in Johannesburg July 13 after AngloGold Ashanti and Gold Fields offered 5.5% to the lowest paid workers and 5% to the grades above that. Harmony offered 5.3% to the lowest paid workers and 4.8% to the higher-grade workers.

"We plan to meet them on Monday [July 18] at the CCMA



(the independent arbitration body) for more talks," said Frans Baleni, the general secretary of the NUM — the most powerful union of the three. But, he added, "we will also consult our members about strike action to get some feedback. The feeling we are getting is that our members are getting very impatient. ... Today we wasted our time; the employers held a very long caucus and then came back with nothing."

But it is a sign of troubled times in South Africa that the gold arbitration on July 18 may be under threat. Unions and the Chamber of Mines confirmed to Platts last week that the CCMA was struggling to find a facilitator for the negotiations, simply because there were so many strikes on. The metalworkers union, NUMSA, is engaged in a violent strike and there is a fuel strike, among many other disputes.

The NUM on July 13 also formally declared an internal wage dispute with the world's second-largest platinum miner, Impala Platinum. The union is demanding a wage increment of 14% for the lowest-category workers and 13.5% for the highest categories, while the company has offered 6.5% for the lowest categories and 6% for the highest categories in a three-year deal, the NUM said. The NUM is pushing for a one-year deal. The previous day the union declared an internal dispute with platinum miner Northam Platinum over what it described as the company's reluctance to bargain.

Insiders in the employers' caucus said the gold mining companies were waiting for the unions to drop hefty demands for housing and living-out allowances before they would make an improved wage offer.

Elize Strydom, the chief negotiator for the employers, confirmed that the employers would be meeting unions on July 18. She said: "The unions greeted us with a song before we began talks today and the negotiations are still fairly cordial. We do not have people glaring at each other or shaking their fists over the table ... we have also made some progress by getting agreements to the demands made around women miners and youth development."

Coal mine workers are already officially in dispute with employers and are due to meet them at the CCMA on July 20.

— Chris Bishop

### Elsewhere in precious metals...

**Price adjustments:** Platts has made the following adjustments to its NY dealer PGM prices: platinum, \$1,715-1,780/oz; palladium, \$750-790/oz; and rhodium, \$1,900-2,000/oz.

**China Jan-May gold output up 3.7%:** China produced 132.02 mt of gold for the first five months of 2011, up 3.67% on the same period last year, the official Xinhua news agency reported last week, using figures from the Ministry of Industry and Information Technology. China became the world's largest gold producer in 2007. Its gold output reached 340.876 mt in 2010. The output was 8.57% higher than that produced in 2009. Shandong, Henan, Jiangxi, Yunnan and

Fujian were the top five gold-producing provinces in 2010, contributing 59.82% of the 2010 output.

**Sunshine Silver to go public:** New owners of the Sunshine silver mine in northern Idaho plan an initial public offering to raise \$250 million, according to sources. The new company, which precious metals magnate Tom Kaplan heads, will be called Sunshine Silver Mines and will trade under the NYSE symbol AGS. Wrapped into the offering will be the Los Gatos project in Chihuahua, Mexico, within which Sunshine says it holds a 81,607-hectare land position. The Sunshine mine produced about 5 million oz/year of silver from the early 1930s until 2001, eventually producing a total of 360 million oz before Sunshine Precious Metals Inc. shut it in the wake of low silver prices and corporate misadventures in South America in 2001. Since 1960, the silver producer had been beset by labor difficulties and then, in 1972, an underground fire killed 91 of its 400 employees. Sterling Mining Co. briefly returned the mine to production in 2008, but the operation was shut down by a federal bankruptcy court in Coeur d'Alene, Idaho, the following year.

### Bear Creek files claim over concession:

Canadian-based silver explorer Bear Creek told Lima financial authorities last week it had started legal action against the Peruvian government over the abrupt cancellation of the company's rights to the Santa Ana concession after deadly riots. According to filings with stock authority Conasev, the company wants Peruvian constitutional authorities to declare that the cancellation ordered last month to quell deadly protests was unconstitutional. "The objective of the legal actions [is] to seek injunctive relief against the cancellation of the company's rights to its Santa Ana mineral concession until a court determines whether the Peruvian government violated constitutional rights when it issued a presidential decree in June 2011 that resulted in the cancellation," the statement said. The company claims to have held over 100 meetings with nearby townsfolk who have shown support for the project, the statement said. It did not make any reference to the violence and destruction which occurred just before the cancellation when thousands of farmers from the area of Puno had staged protests for nearly a month to oppose all mining around Lake Titicaca.

**platts**

### The Barrel

A lame duck on the CFTC could still make some noise

As Platts' Brian Scheid reports, Michael Dunn may be leaving the CFTC, but he's still got lots of clout as the agency's key initiatives move forward.

Visit [bit.ly/dunncftc](http://bit.ly/dunncftc) now!