

Tuesday

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Production halts after Chinese earthquake

SHANGHAI

Major Chinese steel, aluminium, zinc and lead producers have been forced to halt operations in the aftermath of Monday's earthquake, that centred on Sichuan province, leaving thousands dead and causing widespread destruction and reduced power supplies.

Sichuan Hongda Co, a major zinc and lead producer, has ceased production in the province, while steel plant Chengdu Iron & Steel has also halted operations to allow officials to assess any damage inflicted by the 7.8 magnitude earthquake.

"It is really hard to reach the company after the earthquake, as telephone and power networks across Wenchuan, the epicentre of the quake, were significantly destroyed," said a trader from Star Futures Co. "But a friend of mine, who lives nearby, told me the company has already stopped production."

Sichuan produced some 179,000 tonnes of zinc metal last year and around 95,000 tonnes of lead, according to statistics from the China Nonferrous Metal Assn.

"I've also heard Hongda has shut down its Sichuan-based zinc smelter, mostly due to power shortage problems. The electricity networks were destroyed by the quake," said a Xiamen-based trader. "But I still have no idea whether its buildings were damaged or not."

Although aluminium smelters in the province have largely escaped serious damage, at least one — Aba Aluminium,

based near the epicentre — has shut down, and others may face supply difficulties due to transport disruptions.

Chengdu Iron & Steel, a 3 million tpy steel producer and a subsidiary of Panzhihua Steel Group, has not sustained visible damage or casualties among workers, an official said by mobile phone, but key equipment needs to be inspected.

"Our workshop and equipment have not been damaged, but we have to check the facilities, including the blast furnaces and the converters, to see whether they can run normally again," the official said.

"We were supposed to go back to work this afternoon [Tuesday], but we have not received any notice yet," he added.

Aba Aluminium, a 10,000 tpy smelter based in Wenchuan county, could not be contacted, but an official from its parent group, Bosai Minerals, told MB that the smelter is out of action.

"The latest news we got is that no one from Aba Aluminium died in the incident, but the company has stopped production right now. We are still unsure how the facilities have been affected," said the official from Baosai.

MUMBAI

Antam and Jindal plan plants in Indonesia

Jindal Stainless, India's largest stainless steelmaker, and Antam TBK of Indonesia have signed a joint-venture agreement to set up a stainless steel plant and nickel smelter in Indonesia.

The nickel smelter will have capacity of around 20,000 tpy of contained nickel in ferro-nickel, while the stainless steel plant will have capacity of 250,000 tpy.

The complex will be located in North Konawe, South East Sulawesi, and construction is expected to start early next year. It is set to be commissioned by the middle of 2009.

[→Click here for full story](#)

LONDON

ENRC will not make formal bid for Kazakhmys

Eurasian Natural Resource Corp (ENRC) has decided not to make a formal bid for Kazakhmys, it said on Tuesday.

The announcement comes after Kazakhmys rejected a £7 billion (\$13.7 billion) takeover approach from ENRC at the end of last week, calling the proposal "derisory" (MB May12).

"Following a detailed evaluation of the potential combination, the board of ENRC, while concluding that the enlarged group would have certain strategic and financial merits, has decided not to make an offer for Kazakhmys at the current time," it said in a statement.

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Non-ferrous metals

Feasibility study continues on Alcoa Greenland smelter

NEW YORK
BY TOM JENNEMANN

Greenland intends to enter into a second phase of a joint study with Pittsburgh-based aluminium producer Alcoa to investigate the feasibility of establishing a new smelter and hydropower plant.

Greenland's parliament endorsed the Home Rule government's recommendation to study the viability of a proposed 340,000 tpy smelter and hydroelectric plant at Maniitsoq in western Greenland.

The study, which will extend through 2009, will look at the economic, social and

environmental aspects of the proposed facility. The parliament is expected to convene again in 2009 to consider Greenland's ownership in the project.

"It provides us with a great deal of comfort that our Greenlandic partners are firmly committed to the studies required to determine the feasibility of this proposed project," Bernt Reitan, Alcoa executive vp and group president, global primary products, said in a statement.

If the plan is eventually approved, production at the new smelter would begin in 2014 or 2015, Alcoa said.

FORT LAUDERDALE

Household inventory backlog keeps US copper players wary

US copper fabricators and manufacturers remain cautious as the backlog of housing inventory remains high and business capital spending remains low, according to Greg Miller, first vp and chief economist at SunTrust Bank Atlanta.

"Inventory and housing markets are sort of stuck at historically high levels," he said at the American Copper Council's annual meeting in Fort Lauderdale.

One executive from a copper fabricator said his solution to the slowdown has been to cut inventories to ensure that he is not "holding the bag when and if metal drops. I think you can get a 50-cent move really quick, so you don't want to be caught holding a lot of copper".

[→Click here for full story](#)

LONDON

Codelco secures Chilean Supreme Court ruling

Chile's Supreme Court has overruled the decision by the state's labour office that obliged Codelco to hire some contract workers as regular staff.

According to the Supreme Court, last year's order by the labour office in favour of subcontract workers was illegal and arbitrary.

Codelco welcomed the findings.

LONDON

Tin breaches \$25,000 as zinc continues surge in LME officials

Tin hit an all-time high in the official session at the London Metal Exchange on Tuesday, breaching \$25,000 per tonne for the first time, on the back of further fund buying.

Meanwhile, zinc continued to be buoyed by supply concerns following the earthquake on Monday.

The rest of the base metals all increased, due to continued uncertainty over the damage caused by the earthquake in China as zinc overtook lead for the first time in the official session since August 2007.

Tin recorded an official price of \$25,250/300 per tonne on a three-month basis, after closing on Monday at \$24,950 per tonne.

[→Click here for further prices](#)

LONDON

GM to stop Windsor output in 2010

General Motors said it will stop production at its transmission plant in Windsor, Ontario, in the second quarter of 2010.

The news comes in the middle of labour negotiations with the Canadian Auto Workers (CAW) union. The CAW had hoped to seal a deal with GM by Wednesday evening, but the disclosure appears to have the potential to derail those plans.

LME Stocks (tonnes)

Copper	rose	125	to	121,775
Tin	fell	160	to	7,545
Lead	rose	2,475	to	61,075
Zinc	fell	700	to	124,775
Aluminium	fell	1,825	to	1,033,800
Aluminium Alloy	rose	40	to	36,840
Nickel	fell	378	to	49,734
NASAAAC	rose	1,260	to	117,260
Comex Gold Jun		\$872.50		
Comex Silver Jul		\$17.10		
Nymex Platinum Jul		\$2,080.00		
Nymex Palladium Jun		\$438.00		

London Precious Metals

Gold am	\$877.00 per oz
Spot Silver midday	\$17.08 per oz
Platinum am	\$2,073.00
Palladium am	\$439.00

Barclays Bank

\$/£	1.9487-1.9488
\$/£ 3 months	1.9349-1.9352
£/¥EN	202.18-202.22
€/£	1.5484-1.5485

YPSILANTI, MICHIGAN

Weak US market delays Toyota's plans

Toyota Motor Corp has delayed the launch of production at a Mississippi assembly plant until May 2010 because of weak market conditions in the USA, a company spokeswoman said on Monday.

The plant, near Tupelo, was initially set to begin production in late 2009 or early 2010.

LONDON

Phelps Dodge withdraws from Zambian project

African Eagle will consider looking for a new partner for its Ndola project in Zambia's Copperbelt after Phelps Dodge Mining (Zambia)'s withdrawal from the venture.

Phelps Dodge Mining (Zambia), which has been funding exploration at Ndola, has notified African Eagle that it will not exercise its earn-in right and the Ndola project.

[→Click here for full story](#)

LONDON

Glencore signs off-take deal for zinc deposit

Glencore International has signed an off-take agreement to sell the concentrates produced at Overland Resources' Andrew zinc deposit in Canada and to take a stake in the company.

A full off-take agreement for the mine's predicted 678,000 tpy, 4.5-year life will be finalised in the near future, Overland Resources said in a statement.

Non-ferrous metals

Kluchevsky cuts FeTi output to make way for FeCr

LONDON
BY CLEMENTINE WALLOP

Russia's Kluchevsky Ferro-alloy Plant has increased production of low-carbon ferro-chrome and cut ferro-titanium output, a sales executive for the company confirmed.

Ferro-chrome production will increase by between 8,000 and 10,000 tpy this year, while ferro-titanium production will drop by around 1,000 tpy, Johann Ekkert of Ruschrome Trading, which markets Kluchevsky's ferro-chrome, told MB.

The company has cut production of 30% grade ferro-titanium in response to weakness in the market and is instead using its furnace capacity for ferro-chrome production, Ekkert said.

"We have practically stopped [production of] ferro-titanium 30%. We do a little bit to fulfil our obligations. We produce between 250 and 300 tonnes monthly for the domestic market," Ekkert told MB.

This year's production will total around 3,000 tonnes compared with 4,000 tonnes last year when prices for ferro-titanium 70% peaked at \$15.10 per kg. Ferro-titanium 70% weakened substantially last year,

although prices have since stabilised at around \$8.50 per kg.

This year, four of the company's five furnaces are being used for low-carbon ferro-chrome production compared with three last year, leaving just one furnace for ferro-titanium production, Ekkert said.

Kluchevsky will consider increasing ferro-titanium production again once the market has recovered, although there is no indication of when that might be, he said.

Abundant supply of titanium scrap in the market for production of ferro-titanium 70% and delays to the Boeing Dreamliner and the Airbus A380 could cap prices in the short term, Ekkert said.

"We will continue to [produce] a small amount until the market recovers, but I do not know when that will be. There are lots of sources of scrap to make [ferro-titanium] 70% and there are the delays at Boeing and at Airbus...all of this is not good for the market," he said.

Kluchevsky, which is based in the Sverdlovsk region of Russia, produces a range of ferro-alloys including 0.01-0.10% low-carbon ferro-chrome.

furnaces that feeds the refinery last week, sources told MB, but Norilsk confirmed that this has not affected output at Harjavalta.

"There was no fire at our refining facility at Harjavalta," said a Norilsk representative.

Harjavalta is fed by several furnaces from different operations unrelated to Norilsk, the spokesman said. It is not known which of these operations was affected by the fire, he said.

LONDON

Talvivaara eyes Mn output

Finland's Talvivaara is looking to produce manganese at its metals processing plant as part of its plans to expand its product range.

The move to recover manganese at the Sotkamo facility by upgrading equipment will be financed by a planned bond issue worth €85 million (\$131.6 million), it said.

"This [bond] offering gives Talvivaara a great opportunity to invest in a broadening of our processing capabilities at Sotkamo, which could allow us to recover additional and highly sought-after metals such as manganese," ceo Pekka Perä said in a statement.

LONDON

Norilsk denies fire reports

Norilsk Nickel has denied reports of a fire at its Harjavalta refinery in Finland following rumours in the European market that the refinery's production had been affected.

There was a small fire at one of the

LONDON

Manganese flake gains; market fears supply disruptions

The European manganese flake market gathered strength this week with buyers appearing more willing to accept higher prices, as concerns mounted that the earthquake in China may cause delays in shipments.

The minor metal climbed to \$4,250-4,450 per tonne in-warehouse Rotterdam from \$4,000-4,100 per tonne previously, market participants reported.

"We've been buying material over the past couple of weeks, and we've had to pay higher prices every time," said a trader.

Another trader agreed: "I'm a bit bullish. Yesterday was Monday and more or less the whole [of Europe] was closed – and yet we had demand coming in."

Some market sources suggested the recent price increase for manganese flake was anticipated given that prices for manganese alloys have recorded significant gains on the manganese ore shortages and production problems in South Africa.

LONDON

AngloPlats appoints ceo

AngloPlatinum (AngloPlats), one of South Africa's largest platinum producers, has appointed Neville Nicolau as ceo with effect from June 1, as parent company Anglo American named a new copper division head.

Nicolau replaces Norman Mbazima and Duncan Wanblad, who shared the position of acting ceo since Ralph Havenstein stepped down last August.

Wanblad has been appointed ceo of copper in the base metals division of Anglo American from July 1. Mbazima will become ceo of Scaw Metals, Anglo American's international diversified steel products business, but will continue as cfo for AngloPlats until a successor is found.

LONDON

Platinum remains high

Platinum prices remained high on Tuesday afternoon, despite falling from the morning fix, on a drop in South African precious metals production.

Platinum fixed at \$2,062 per oz on Tuesday afternoon, down from \$2,073 per oz in the morning. This compares with \$2,054 per oz on Monday afternoon.

→Click here for more prices

Iron and steel

Persian Gulf billet import prices increase by \$40

LONDON
BY STACY IRISH

Imported billet into the Middle East has increased by \$40 per tonne for July shipment.

One trader told MB he had heard of a 30,000 tonne billet booking from Malaysia at \$1,050 per tonne fob Malaysia for July shipment.

The latest billet import booking is at \$1,080–1,100 per tonne cfr main Gulf port, up \$40 per tonne from \$1,050–1,060 per tonne cfr last week.

"Billet sourced from the Far East used to be cheaper than Turkish material, but now prices are \$1,050 per tonne fob, so with the

freight cost they're at similar levels to Turkish import prices," said a billet trader based in Dubai.

On the London Metal Exchange Far East contract the official three-month price set at the second morning ring was \$1,050/60 per tonne and the 15-month price was \$1,045/55 per tonne.

On the Mediterranean contract the three-month price is \$1,090/1,100 per tonne and \$1,080/90 per tonne for the 15-month delivery date.

Two lots were traded in the official ring and the pre-market saw ten lots traded.

MONTE CARLO

Chinese steel output to break 1 billion tpy by 2015

Chinese crude steel production is expected to break the 1 billion tpy mark in 2015, up from 493 million tonnes in 2007, according to forecasts by Macquarie Research.

To feed this growth, Chinese demand for seaborne iron ore is expected to reach 1.13 billion tonnes in 2015, up from 378 million tonnes in 2007. Total global seaborne demand is expected to increase to 1.6 billion tpy by 2015, compared to 787 million tonnes in 2007.

Threats of an oversupply of iron ore as new projects come online can be dismissed as there will be an even greater need for Chinese steel exports and production in future, Macquarie Research analyst Jim Lennon said at MB's International Iron Ore Symposium in Monte Carlo.

The three big global exporters – Vale, BHP Billiton and Rio Tinto – share of the seaborne market is expected to fall from around 90% currently to 60% in six to eight years as other players come online, Lennon said.

While China's steel production will grow significantly, growth in domestic iron ore production is expected to stagnate in 2009 and start declining in 2011, driving the increased demand for seaborne ore.

China is currently mining resources with a Fe content as low as 5–10%, resulting in high costs, Lennon said. "The fact that they are mining such low grade rubbish indicates that they're scraping the bottom of the barrel as far as resources are concerned."

MONTE CARLO

Vale plans 52% increase in capacity by 2013

Vale, the world's biggest iron ore miner, is planning to ramp up production by 52% to produce 450 million tonnes of iron ore by 2013 in an attempt to meet global demand.

It believes global crude steel production will increase from 1.34 billion tonnes in 2007 to more than 1.7 billion tonnes in 2012, reflecting an annual compound growth rate of 5.2% over this period.

China is expected to increase its contribution to global steel production from 489 million tonnes in 2007 to 720 million tonnes in 2012, Vale's international iron sales director Fidel Blanco told delegates at the MB Iron Ore Symposium in Monte Carlo.

In order to feed demand Vale expects seaborne iron ore trade to rise to 1.13 billion tonnes by 2012, up from 780 million tonnes in 2007.

The company will invest \$4.4 billion in its iron ore business this year, focusing on a range of greenfields and expansion projects, mainly in Brazil, Blanco said.

Vale produced 296 million tonnes of iron ore in 2007 and expects production to reach 325 million tonnes this year.

In order to reach a capacity of 450 million tpy, it will focus on expanding its capacity at Fazendao by 14 million tonnes, and add 30 million tonnes at Carajás by the second half of 2009. Another \$10 billion will be spent to reach capacity levels of 90 million tonnes at Carajás Serra Sul by the first half of 2012.

LONDON

MB to launch new iron ore index

Metal Bulletin plans to publish a new index for the iron ore market, which offers the potential for derivative contracts to be offered on a widespread basis.

The index would be developed using the foundation of the existing widely used Metal Bulletin iron ore price series.

Metal Bulletin, published since 1913, is the world's leading publication for news and pricing information on the seaborne iron ore trade.

It has closely followed developments in the annual rounds of negotiations and reported on the benchmark settlement prices in Asia and Europe as each supplier's negotiations were concluded.

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LONDON

Nucor pays \$655M for stake in JV with Duferco

Nucor announced on Tuesday it has agreed to pay approximately \$655 million to acquire a 50% stake in Duferdofin-Nucor Srl, a new joint venture created with Duferco.

The joint venture will make beams in Italy and distribute them to markets in Europe and North Africa, the steelmaker said.

The deal includes Duferco Group's Italian long products production facilities and distribution companies, Nucor said.

LONDON

Venezuela's Chávez signs law for Sidor nationalisation

Venezuelan President Hugo Chávez has signed a law nationalising Ternium Sidor, the country's largest steel producer, according to Venezuela's state news agency ABN.

The government of Venezuela and workers at Ternium Sidor already have a 40% stake in Sidor, with Argentinian conglomerate Techint, owned by the Rocca family, controlling the remaining 60%.

A committee was installed in April to conduct the process of transferring the majority stake of the steel producer to the Venezuelan government. The minister of mining and basic industries, Rodolfo Sanz, previously said that the stake owned by Techint at Sidor would be worth some \$800 million.

Iron and steel

Southeast Asia 'supportive' of LME steel futures

BANGKOK
BY DIONNE THOMPSON

Southeast Asia's response to LME's steel billet futures has been encouraging, with Malaysia in particular "very, very supportive", said Martin Evans, LME business manager, analytics.

Steelmakers Ann Joo Prai and Perwaja Kemaman have registered their billet brands with the LME, just two of four companies in Asia that have done so.

The others are World Best Kaohsiung and Wei Chih Kuan Tien, both from Taiwan.

"It's a good idea and it will be good for the market," said a Malaysia-based regional sales official at a major metals company.

"Of course it is good to have price transparency and more hedging options," said a Vietnam-based ferrous market observer.

Market participants and observers were generally cautiously optimistic about the billet futures contract, although there was some confusion among small

producers and traders about the concept of hedging.

"The concept of hedging is not alien to producers here. If they have foreign currency, they hedge it, they hedge their zinc if they are producing galvanized, their aluminium, their non-ferrous raw materials," Evans told MB on the sidelines of the 2008 SEAISI conference and exhibition in Bangkok.

However, he acknowledged that there have been challenges in educating the local press and media, as well as the smaller local companies.

The lack of registered brands from Vietnam, a significant billet producer in the region, is also a glaring omission.

"Vietnam is a very exciting place and it has attracted a lot of attention from investors. There is certainly an increasing appetite among our members, which are among some of the biggest financial and banking companies in the world, to engage the market," Evans told MB.

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SINGAPORE

Shaoguan Steel to expand to 8m tpy

Shaoguan Steel's capacity is expected to expand to 8 million tpy by 2010 — around 3 million tpy more than today — once outdated facilities are replaced.

The 5 million tpy mill, based in Guangdong province, is planning to do away with three coke batteries, two sintering plants, one converter, two rolling mills, and some smaller blast furnaces, according to details from the company's application with the provincial environmental protection bureau.

This equipment will be replaced with newer facilities of larger capacity, and Shaoguan will also add H-beams, and higher grades of wire rod and sheet into its present product mix.

"[The project] is in accordance with Beijing's steel policy on replacing outdated equipment and upgrading technology," said an official from Shaoguan Steel.

The official did not reveal costs, and the project awaits environmental approval and review.

SHANGHAI

Changzhou Zenith aims for 5m tpy through Longxiang takeover

Zenith Group, a privately-owned Chinese steelmaker, plans to buy smaller steelmaker Longxiang Steel to expand its output of special steels.

"Longxiang Steel has performed badly in the last two years, and last year their sales revenue was only just over 100 million yuan [\$14.28 million]. We are targeting a bankrupt mill in order to create a high-quality special steel production base in future," an official from Zenith told MB.

Zenith, based in Changzhou province, will pay 350 million yuan for the smaller company, according to an agreement signed on May 5.

"Longxiang Steel has good technical staff, but all the management staff will be dispatched from Zenith," the official added.

Longxiang Steel is a 400,000 tpy private steelmaker based in western part of Changzhou city, which produces mainly alloy steels and special steels.

MANGALORE

Sail issues tender for stainless slabs and HRC

Steel Authority of India's (Sail's) Salem Stainless Steel plant has issued a global tender for the import of stainless steel slabs and hot rolled coils.

The tender is for 10,250 tonnes of stainless slabs and Indian and overseas manufacturers and their authorised agents can quote. The due date for submission of offers is May 20.

A separate tender for 4,000 tonnes of stainless slab and 5,000 tonnes of stainless hot rolled coils, which is only open to overseas steelmakers or their agents, has a due date for submission of offers of May 21.

Salem Stainless has a capacity of 60,000 tpy at its cold rolling mill and 180,000 tpy at its hot rolling mill.

SINGAPORE

China's Shougang starts up 1.5m tpy Shunyi CR mill

Shougang Group, China's seventh-biggest steelmaker, has commissioned a 1.5 million tpy cold rolling and galvanizing facility in the Shunyi County at the outskirts of Beijing.

The mill, with an investment of 6.4 billion yuan (\$917 million), will be the only plant that Shougang operates in Beijing after its relocation to Caofeidian, Hebei province, is completed by 2010.

The facility will produce 1.5 million tpy of CRC of 10.3–2.5mm thickness and 900–1,870mm width, and the galv line will have capacity of 800,000 tpy.

The plant will source hot rolled feedstock from Shougang Qian'an Iron & Steel in Qian'an city, Hebei, and it will sell mostly to the domestic electrical appliance and automobile manufacturers, including Beijing Hyundai Motor Company.

MANGALORE

Indian steel industry braced for power shortage

Coal reserves at India's coal-based thermal power plants have fallen to critical levels, threatening the country's ferrous and non-ferrous metals production.

According to reports, around 25 out of 77 thermal stations had 'critical stocks' as of May 5, while 13 of these were at 'super critical' levels. Coal-based power plants provide two-thirds of India's energy requirements.

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