5 December 2011/ Number 9230.1

Metal Bulletin Daily

Cobalt conc suppliers say 'floor price to China is a fact'

LONDON & SHANGHAI
BY METAL BULLETIN STAFF

Suppliers of African cobalt concentrates to China maintain they are confident that a floor price will be established for 2012 shipments, even as many of their customers argue vehemently against it.

Cobalt concentrate suppliers contend that, without a floor price, they cannot guarantee supply to their customers in China.

The argument is going their way, they claim, with some quarterly and six-monthly deals for 2012 signed with a floor price of $12.25 per lb for cobalt concentrates, one veteran cobalt trader said.

"The floor price is a fact for annual contracts and the idea is accepted. We did not go to six-month contracts," a supplier source said.

But major Chinese refineries polled by Metal Bulletin, which have seen the margin between their costs and their sales revenues eroded as cobalt prices have fallen, have been urging their suppliers to abandon floor prices for concentrates, which were about $12–13 per lb in 2011.

The struggle to survive has driven Chinese smelters to attempt to come together to reject floor prices.

"Such floor pricing is hard for most Chinese smelters to accept [...] and the coming year will be a matter of life or death for many Chinese smelters," a smelter source in China said, noting that overcapacity and a tightening in the supply of credit were stalking the industry.

➔Click here for full story

LONDON

Cargill shuts Hong Kong steel trading desk

US-based commodities trader Cargill has shut its Hong Kong steel trading desk and cut back steel trading activities in Geneva, Cargill spokeswoman Corinne Holtshausen confirmed to Metal Bulletin on Friday.

Cargill's Hong Kong energy, transport and metals trading desks will be shut down and consolidated into Singapore. "We have also streamlined our steel activities in Geneva," Holtshausen said in an emailed statement.

A market source told Metal Bulletin on December 1 that several staff, including senior management, had left the trading house's ferrous team in Geneva.

Cargill said that there had been "some personnel changes" as part of the restructuring but did not reveal how many people had left the company.

"Cargill remains committed to our activities in coal, iron ore, metallurgical coal, pig iron, scrap and steel products on a global level. [...] these markets continue to evolve and Cargill is positioning itself to ensure we can change successfully with them," Cargill said.

LONDON

LME cancels Select trades after copper prices crash at 11:46 GMT

The London Metal Exchange cancelled all Select trades between 11:46 hours and 12:03 GMT on Friday after copper prices lost $500 per tonne in fewer than 15 seconds.

Copper prices plummeted $7,435.50 at 11:46 hours and 31 seconds from $7,935.25 per tonne 14 seconds earlier on electronic trading platform Select.

"It was some kind of flash crash… An order came in that spanked the market down, and it was chaotic for 14 minutes. Stops were being hit but the market continued trading," the broker said.

By 12:02 GMT, prices were back up to $7,922, at which point the LME shut down trading, and cancelled all trades after the $7,923.25 per tonne business at 11:46 and 17 seconds. "The problems with Select trading are being investigated, but we don't officially know what the problem is," a spokesman for the LME said.

Traders were left at a loss while the problem remained unresolved, but Select trading resumed at about 13:00 GMT.

"The systems were down, so that's why there were some strange prices showing. The tom-next was getting rolled from the first ring to the second. It's all a bit messy. It has crashed periodically in the past, but never for this long," a physical trader said.

It is understood that a network connection issue caused the failure, rather than an inherent problem with the system. This meant only certain traders were affected.

Non-ferrous metals

Base metal rally 'carted out' Oct profits CTAs in a day

LONDON
BY JANIE DAVIES

Rallying base metals wiped out commodity trading advisers' (CTA) October profits in a single day on Wednesday November 30 as London Metal Exchange prices added as much as 12%, leaving short positions with little chance to cover.

Three-month copper traded to an intraday high of $8,000 per tonne on Wednesday just hours after settling at $7,429.5/430 per tonne in official trading, down from an opening price of $7,474.

Three-month zinc traded in a 12.3% range, briefly hitting $2,112 per tonne after settling at $1,939.5/940 in the officials.

CTAs or algorithmic trading systems follow patterns in historical data – they can only assess the market rather than predict and have not been programmed with high levels of volatility in mind.

Most had taken short positions and made steady profits on October's down trend, but they were caught out by the sudden spike on Wednesday November 30 when central banks agreed to tackle the squeeze on dollar lending.

"It was a very bad day. An environment where a CTA will prosper is a trending market. What you had last month was a market that sold off on a nice trend; $7,990 down to $7,200 per tonne and then it gave it all back in a day," a market source said.

"So the algo guys got sucked into a relatively benign trend and then got it carted out in one day. How they are going to deal with it in future, I don't know."

➔Click here for full story

LME Stocks (tonnes)

Copper	rose	1,450	to	388,150
Tin	rose	5	to	12,155
Lead	fell	2,425	to	366,825
Zinc	fell	4,100	to	737,250
Aluminium	fell	2,675	to	4,554,975
Aluminium Alloy	unchanged		at	140,160
Nickel	fell	252	to	90,822
NASAAC	fell	400	to	161,220

Comex Gold Dec	$1,749.10
Comex Silver Dec	$33.120
Nymex Platinum Jan	$1,562.30
Nymex Palladium Dec	$652.95

London Precious Metals

Gold am	$1,750.00 per oz
Spot Silver midday	$3,328.00 per oz
Platinum am	$1,552.00 per oz
Palladium am	$613.00 per oz

Barclays Bank

$/£	1.5681 -1.5683
$/£ 3 months	1.5668-1.5671
£/YEN	122.31-122.34
€/$	1.3489-1.34892

LONDON

Privat fails to secure Ukraine ferro-alloys imports investigation

Ukrainian ferro-alloys producer Privat has failed in its second attempt to prompt the country's government to launch an investigation into ferro-alloys imports, market sources told Metal Bulletin.

The chairmen of the boards of Nikopol, Zaporozhye and Stakhanov – Privat's domestic ferro-alloys plants – wrote to the government requesting an investigation and suggesting the introduction of import quotas.

Privat is concerned that an increase in ferro-alloys imports into the country is threatening the domestic industry, it said in the letter.

➔Click here for full story

LONDON

Rio Tinto invests extra $2.7bn in Kitimat smelter

Rio Tinto will invest an additional $2.7 billion to modernise its aluminium smelter in Kitimat, British Columbia, it said.

The new investment will allow the project to be completed in 2014, at a total cost of $3.3 billion.

The modernisation will increase the smelter's production capacity by more than 48% to around 420,000 tpy, Rio said.

First metal is expected in the first half of 2014, with a projected ramp-up schedule of nine months.

The Kitimat smelter, which will be powered solely by the company's own hydropower, will use Rio Tinto Alcan's proprietary AP40 smelting technology to cut carbon dioxide emissions by around 50%.

➔Click here for full story

SHANGHAI

Shanghai copper stocks fall for seventh week

Copper inventories in Shanghai Futures Exchange-monitored warehouses fell for the seventh consecutive week reflecting spot supply tightness, while aluminium stockpiles fell for the first time in five weeks.

SHFE copper stocks fell by 7,550 tonnes this week to 57,655, the exchange said on Friday. This compares with the year-high of 177,365 tonnes in mid March.

Spot premiums on imported copper have traded high between $120 and $160 in the past few months after lower LME prices drove a bout of restocking by Chinese buyers, for physical consumption or financing needs.

Premiums on domestically-smelted red metal spiked at 700 yuan ($110) per tonne before London Metal Exchange copper jumped this week on action from global banks, market participants said.

"I guess more financers have joined the game as they should be trying to use up their annual borrowing quota by this year's end," a trader said from Singapore.

SHFE aluminium stocks fell by 2,159 tonnes to 177,415 tonnes this week, comparing to this year's peak of 442,601 tonnes in January.

JOHANNESBURG

African countries must adjust taxes to reap boom benefits

Africa could do more to reap the benefits of the commodity price boom, which it has so far failed to do, according to a report compiled by the International Study Group for the United Nations Economic Commission for Africa (Uneca).

The commodities boom offers opportunities to the governments of mineral-rich African countries to charge higher taxes and to negotiate more favourable licensing and tax regimes, the report, entitled *Minerals and Africa's Development*, stated.

"A possible supercycle offers African mineral economies the opportunity to establish mutually- beneficial [for the government and the mining company] long-term tax regimes, as well as the opportunity to extract development benefits from minerals," the report stated.

➔Click here for full story

Iron and steel

London Mining starts iron ore production at Marampa

LONDON
BY MICHELLE MADSEN

Junior iron ore miner London Mining has started production at its Marampa iron ore mine in Sierra Leone, the miner said in a statement on December 2.

The first shipment from Marampa is scheduled for late December and a first offtake payment has been received from Glencore, the miner said.

"The production of high-specification iron ore product from our plant at Marampa, after decades of mine inactivity, marks the beginning of our phase 1 ramp-up and forms the basis for our phased expansions to 16 million tpy," London Mining chief executive Graeme Hossie said.

Iron ore produced in the first phase of Marampa's mining plan has a capital intensity of less than \$60 per tonne.

London Mining said that this made Marampa one of the lowest-cost new sources of high-quality iron ore supply, and that it was "confident" it would achieve operating costs of around \$30 per tonne fob over the life of the mine.

Marampa produces 65% Fe content concentrate, suitable for sale into European markets.

In January, the miner signed a five-year offtake agreement with Glencore for iron ore produced at Marampa. The agreement covers 9.5 million tonnes of wet iron ore from the first phase of the project.

LONDON

Poor market sees Tata idle hot strip mill at Llanwern

Tata Steel has announced plans to mothball with immediate effect the hot strip mill at its Llanwern works in Wales, due to poor market conditions.

"The facility is expected to remain mothballed until the UK economy and steel demand justify a restart," Tata said in a press statement on December 2.

"In the meantime, the market will be supplied with material from Tata Steel's other hot strip mill in South Wales at Port Talbot, whose costs are lower," it added.

Llanwern's cold rolling mill and Zodiac galvanizing line will continue operating.

About 115 roles will be reduced at the site. This will affect fixed-term contract employees, agency workers and contractors. "A 30-day consultation process will take place with the workers and contractors affected and with their representatives," Tata said.

Llanwern previously saw its hot strip mill mothballed from January to September 2009, also as a result of poor market conditions, Tata added. It was then that the mill's flexible working model was designed.

The mill has an estimated 3.5 million tpy rolling capacity, though a Tata spokesman declined to indicate at what percentage of capacity it was operating before being idled.

LONDON

Stainless steel sheet prices soften for December on destocking

Prices for 304 cold rolled stainless steel sheet in Europe have softened for December delivery, with market participants disagreeing about whether higher prices will be achievable in January.

Sales have taken place at €1,030-1,080 (\$1,394-1,461) per tonne for December delivery, down from €1,050-1,100 in November.

Early offers for January delivery, however, have been heard at €30 per tonne above the higher end of the December range.

"The price is more or less stable. It's not dropping any further but it's not going up either, and it will be quite difficult to raise prices," one trader said, who has not yet made offers for January.

Demand is likely to improve in the first quarter of next year, the trader predicted.

But a stockholder said hand-to-mouth buying will continue to affect demand.

"We are very careful about our stocks levels and about how quickly we can turn our stock. We are buying what we can sell on," the stockholder said.

"The end-users, manufacturers, are only buying what they need for the job. They don't put any material in stock," he added.

MUMBAI

Welspun wins approvals needed to supply pipes to Kinder Morgan

Welspun, India's largest producer of submerged arc welded (SAW) pipe, has received certification from US energy company Kinder Morgan to be an approved supply source for its pipeline projects.

The Indian company received the certification after a recent facilities inspection by Kinder Morgan and due diligence of its manufacturing processes by Kinder Morgan Energy partners, Kinder Morgan Louisiana Pipelines, Rockies Express Pipeline and their subsidiaries and affiliates, it announced in a statement.

Welspun will now be allowed to bid for Kinder Morgan's projects and to supply pipes for its oil and gas pipelines.

The company's submerged arc pipe mills in Anjar and Dahej, both in India's Gujarat state, have also received pipe-production certification.

Kinder Morgan is among the leading pipeline transportation and energy storage companies in North America.

Welspun can produce as much as 2 million tpy of pipe. Besides Dahej and Anjar, the company has production assets at Mandya in Karnataka state, India; Dammam in Saudi Arabia; and Little Rock, Arkansas, USA.

LONDON

EU bright bar prices under pressure for December, Q1 recovery expected

Prices for 304 bright bar in Europe have fallen €50 (\$68) since last month, but initial offers for January are considerably higher, Metal Bulletin heard last week.

Bright bar prices are at €950-1,000 per tonne delivered for December, down from €1,000-1,050 last month.

"It is quite low, but that's the level if you want to sell to Germany for December," a sales source at a northern European producer said.

"We are not doing much – actually, we are doing nothing. We are waiting for prices to go up," the source said.

Prices are likely to rally in the new year, market participants said.

One stockist told Metal Bulletin he is offering material for January at €1,100-1,115 per tonne.

➔Click here for full story

Scrap and secondary

MP Jones outlines new bill to tackle metal theft

LONDON
BY JETHRO WOOKEY

A private members' bill tabled in the UK House of Commons last month proposes harsher sentencing for scrap metal thieves and make enforcement of the law easier, MP Graham Jones, who introduced the bill to the House, told Metal Bulletin.

"The best way to look at the current law is that it's like a Swiss cheese. It has so many holes in it that it's difficult to enforce," Jones said. "The new regulations will put in more robust sentencing for those caught stealing and also tighten some loopholes that exist."

The issue of scrap metal theft is not a new one. Metals recyclers have been dealing with it for as long as they have been in business, but there is no doubt that the incidence of theft is increasing, as well as the sophistication of the methods used by the thieves.

When introducing his bill, Jones pointed to thefts from network rail companies that saw the volume of such incidents increase seven-fold between June 2009 and June 2011. There are now an average of eight metal thefts per day of network rail property, while 50 serious injuries and six deaths have been attributed to the crime over the past year.

The British Metals Recycling Assn (BMRA) website lists reported incidents of metal theft, and the number of those reports has also risen this year.

➔Click here for full story

Non-Ferrous scrap Europe

Aluminium	
European free market	(€/tonne eff Dec 2)
Floated Frag	1,250-1,300
Cast	1,150-1,200
Mixed turnings 6%	1,000-1,080
LME Cash primary (lowest midday bid)	$2,103.00
LME Cash alloy (lowest midday bid)	$1,950.00

Non-ferrous foundry ingots

Aluminium Europe	
MB free market	
Duty paid delivered works pressure ingot price (DIN226/A380)	€/tonne diecasting 1,660-1,740
Reminder: Prices are MB copyright.	

"They are not competitive for some grades though," the trader warned.

European markets were bidding higher prices last week, he added.

Prices were not likely to increase much until the new year, one Spanish broker said.

"We don't expect prices to come up much at all. They were artificially [low] before," he said.

"[Two weeks ago] people were much more active [compared to last week]," the broker added.

LONDON

Ferrous edges up 33 cents

Metal Bulletin's Daily Ferrous Scrap Index cfr Iskenderun was at $425.77 per tonne on an HMS 1&2 (80:20) basis on Friday December 2, up by 33 cents from the previous day.

One cargo of HMS 1&2 (80:20) material was heard sold for $425 per tonne and a second cargo of shredded material was heard sold for $424 per tonne.

Market participants in Turkey said that recent higher price levels suggested that the market was being squeezed.

"I have the impression that prices are going to improve," a European trader said.

A Turkish trader said that mills were replacing stocks as opposed to building them up.

"There's a little bit more interest in the market now, but prices haven't changed much for two weeks," the trader said.

LONDON

SmartWater aims to bring accountability to industry

SmartWater Technologies is trying to bring accountability to the scrap industry in the UK in a bid to curb metal theft across the country through the use of its risk management and crime prevention service.

"The vast majority of scrap dealers are law-abiding; it's the minority who are tarnishing the industry's reputation," a SmartWater spokesman told Metal Bulletin.

SmartWater targets that minority of scrap dealers who handle stolen metal. To this end, it is accompanying the British Transport Police on regular raids to search for metal marked with its forensically coded liquid.

"Unfortunately, there is an unscrupulous minority that hide behind the 'I bought it in good faith' mentality," the spokesman said. "What we are trying to do is make them aware of the risk."

➔Click here for full story

LONDON

Ferrous import prices to Spain flat as mills step back from the market

Prices for ferrous scrap imported into Spain were flat last week as mills took a step out of the market, after fulfilling their immediate needs the week before.

HMS 1&2 prices were at $285-290 ($383-390) per tonne cfr north Spain last week, unchanged week on week.

Shredded material was assessed at €305-310 per tonne cfr north Spain, flat on the week prior's prices, while OA material was valued at €310 and turnings at €260.

"They were in the market and it was a result of them not purchasing [scrap] for a long time," a scrap importer said.

LONDON

Avon quits the 'minefield' of cash payments

Avon Metals was once an example of a company whose scrap sourcing business could have been an easy target for those looking to turn stolen metal into cash.

The Gloucestershire-based secondary aluminium producer has had safeguards in place for a long time, but the cash-based door trade, whereby people could come in off the street with scrap metal and exchange it for cash, has always been a mark for thieves looking to sell stolen metal.

Its strong views on this trade are indicated by the fact that Avon, unprompted by any new legislation, recently ended cash payments for its door trade – one of the main ideas of the private members' bill recently introduced to the House of Commons by MP Graham Jones.

"We still offer cheque payment, but we've done away with cash," Avon ceo Steven Munnoch told Metal Bulletin. "It was just a minefield for legitimate recyclers like ourselves."

Though companies such as Avon have measures in place to combat the influx of stolen metal – such as photographing each vehicle and using the SmartWater detection system – it is clear that there is still a lot of stolen material that people are attempting to sell to legitimate scrap dealers.

➔Click here for full story