

RYAN'S NOTES

Ferrous and Nonferrous News and Prices

Volume 11, No. 36

September 5, 2005

FERROALLOYS

Overview of Chinese Mn metal industry

Chinese manganese flake supplies would be badly hurt as many smelters in Hunan, Chongqing, Guizhou and Guangxi province have been closed for environmental woes. About two thirds of the smelters in Xiangxi area (of Hunan province) and Xiushan area (of Chongqing Municipality), one of the largest manganese flake and powder production bases, have been forced to halt production so that inspectors designated by the central government can check for pollutants. The closed smelters and mines will have to improve its environmental facilities and make them qualify for the official requirements. Otherwise they will not be allowed to reopen. The check will continue until the end of this year, according to local smelter sources. Meanwhile, a number of smelters in Guizhou province's Tongren area are also involved in the check and have halted production.

Most market participants said the closures would have an impact on export prices as China is the largest manganese flake producer and exporter in the world. Traders and producers said the supply would tighten due to the closures and thus give the suppliers an excuse to hike offers. Besides, sales costs for exporters have been added as Beijing has canceled the 13% tax rebate for flake exports on Aug.1, which is designed to curb over-exports and capacity expansions. As a result, the

Chinese suppliers are currently selling the 99.7% material at \$1,430-1,450 per mt f.o.b., while they were selling for \$1,340-1,380 prior to the tax rebate removal. While the summertime buying lull still is taking its toll on pricing, the situation could change when more European and American consumers come back from holidays and prepare for the final quarter, according to a trader in Hainan province.

China exported 175,357 mt of flake for the first seven months, up significantly from 135,374 mt for the same period in 2004. Of the major destinations, 45,190 mt went to Rotterdam. Japan and South Korea imported 40,674 mt and 20,622 mt. The US consumption also showed steady increase, which was up from 11,697 mt to 13,684 mt, year on year.

China produced 494,000 mt of manganese flake in 2004, which was 51.8% higher than that of 2003. Of the 494,000 mt, 269,600 mt was sold overseas, which showed a 63.4% increase compared to the previous year. The increase in exports has encouraged a lot of people to invest in new flake plants in China's Guangxi, Chongqing and Guizhou provinces. Industry insiders said that about 210,000 mtpy of new capacity is being constructed and will come onstream at the end of this year, which will push China's total capacity to 830,000 mtpy. But the estimated consumption all over the world is only 580,000-600,000 mt this year. Analysts said China's capacity is expected to hit 1-million mtpy in 2006 but world's consumption will be only 630,000-650,000 mtpy.

###

For a Free Three-Week Trial to Ryan's Notes, go to

www.ryansnotes.com