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LME will merge steel billet contracts

LONDON
BY PHILLIP PRICE

The London Metal Exchange plans to merge its Mediterranean and Far East billet contracts to create one global price reference and enable improved price risk management, the exchange confirmed.

The LME is also studying potential new delivery locations in North America, Europe and Asia. The exchange is likely to launch the merged contract in April next year, although this is yet to be confirmed.

"The world has changed significantly in the 21 months since we first offered steel billet futures to the market," said LME commercial director Liz Milan in a statement. "Since 2008, trade fundamentals have altered dramatically and traditional regional markets have been replaced by a more global trading structure; our global contract will reflect this."

Since launching regional billet contracts in April 2008, the LME has seen contracts equivalent to three million tonnes of steel traded on the exchange, it said.

The new contract specifications will remain the same as the current regional specifications, according to the LME.

SPOTLIGHT

LME talks with Baltic members over FFAs stall, brokers say

The Baltic Exchange continues to look at an electronic trading platform for forward freight agreements (FFAs), but is unlikely to adopt the London Metal Exchange's proposed co-operation, freight brokers said.

The LME opened discussions with members of the Baltic Exchange about listing FFAs at the LME in July this year. But, although the exchange's proposal has not been withdrawn, progress has ground to a halt, members of the Freight Forward Agreement Brokers Assn (FFABA) said.

"The LME's approach was not received enthusiastically by the Baltic [Exchange] or by the brokers in the FFAs market," said one. "While they have not withdrawn

it officially, [the proposal] appears to be dormant."

During the LME's talks with Baltic members, FFA brokers were given the opportunity to visit the LME and talk with brokers there. Several accepted the invitation, but continued to voice strong opposition to the LME's proposal.

The Baltic Exchange will not make any move without the FFA brokers' support, market participants said.

While brokers are not against the establishment of a central trading screen, they are against ceding control to an outside body, they said.

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A number of market participants have adopted the use of the LME's billet contracts in their physical business, the exchange said.

"We're extremely encouraged by the way the regional contracts have been adopted by the industry as benchmark prices," said Milan.

"We believe that the LME billet price correlates very well with the physical market," the LME quoted Evraz cfo Giacomo Baizini as saying. "We look forward to working with our customers using the LME as a benchmark for our sales of billet and downstream products."

SHANGHAI

China returns to Cu TC/RC talks with counter-offer

Chinese copper smelters have returned to the table to negotiate 2010 copper treatment and refining charges (TC/RCs) with a counter offer of \$60 per tonne/6 cents per lb, sources told MB.

The smelters walked away from talks two weeks ago in response to overseas miners offering \$40 per tonne/4 cents per lb, which they said was below their production cost.

They returned to negotiations last week, sources told MB.

"I've heard BHP is offering at \$44 per tonne/4.4 cents per lb, but the China Smelters Purchasing Team (CSPT) are asking

for \$60/6," said an official at a major trading house in Shanghai.

The 2009 benchmark is \$75/7.5 cents.

"Spot TC/RCs are quite low these days, which is bad news for the annual talks," he added.

Spot copper TC/RCs have fallen to as low as zero in China, with most offers settled at \$8/0.8-10/1.

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Non-ferrous metals

Eramet agrees to buy Valdi in move to boost recycling ops

LONDON
BY JOSEPHINE MASON

Eramet will buy French recycler Valdi in a move aimed at developing its non-ferrous metal and battery recycling activities.

Eramet has signed an agreement with the AFE Group to buy Valdi, which processes and recycles non-ferrous metals and had turnover of €25 million (\$36.5 million) in 2008.

"Recycling is a major growth avenue for the group and enables us to strengthen our sustainable development-related activities. Eramet has a full set of technological skills for optimum recovery of the metals contained in various types of products to be recycled, whether by hydrometallurgical or pyrometallurgical processes," Eramet chairman and ceo Patrick Buffet said in a statement.

"The acquisition of Valdi is a very positive development for the group in the recycling field in Europe and an excellent fit with our activities in North America and Sweden," he added.

Valdi operates two sites in France:

one at Palais sur Vienne near Limoges, which calcines catalysts containing nickel, molybdenum and vanadium and produces ferro-alloys in a submerged electrode furnace, in which catalysts and waste from special steel production are processed; and the other at Feurs near Saint Etienne, which produces ferro-alloys from pre-sorted saline and alkaline batteries as well as refines alloys to specific customer requirements.

The French ferro-alloys producer may develop metal waste recycling and the custom production of remelted alloys for its own alloys division as well as for external customers as a result of the deal, it said.

The acquisition will also give the company a foothold in battery recycling, which is a growing market driven by changes in European legislation and the development of electric vehicles, which use nickel, cobalt, lithium and zinc, it said.

The deal is aimed at strengthening Eramet's positions in recycling in Europe and is a perfect fit with the group's existing activities in oil catalysts, it said.

LONDON

Alcoa's Davies will replace Dickinson as AlFed president

Alcoa Europe flat rolled products sales director, Colin Davies, has been appointed president of the Aluminium Federation (AlFed), replacing Henry Dickinson.

Davies' two-year term at the UK aluminium trade association will start on January 1 when he will succeed Dickinson, who is md of Norton Aluminium Ltd.

He is sales director responsible for Alcoa's flat rolled products aerospace and defence sales into Europe, the Middle East, South America and Russia. He joined British Alcan at its Birmingham rolling mill in 1985.

After the sale of Alcan's UK downstream operations, Davies held sales and marketing positions with British Aluminium.

Following Alcoa's takeover of the company in 2000, he became responsible for Alcoa's aerospace and defence flat rolled products sales from UK, US and Russian manufacturing locations.

LONDON

Anvil shareholders approve Trafigura funding deal

Anvil Mining shareholders have approved the funding deal agreed with Trafigura Beheer as the Democratic Republic of Congo (DRC) copper miner moves closer to restarting the building of its Kinsevere Stage II project.

As part of the agreement announced in August, Trafigura will provide some \$200 million in funding in exchange for a 36% stake in the miner and a 100% offtake agreement for the company's Kinsevere Stage II copper cathode project.

The \$200 million in debt and equity financing from the trading company will be used to restart construction of Kinsevere's stage II SX-EW project in Katanga province, which is expected to produce 60,000 tpy of copper cathode.

Commissioning is now due in late 2010, with commercial production expected in 2011.

LME Stocks (tonnes)

Copper	rose	1,075	to	467,150
Tin	fell	180	to	26,250
Lead	fell	50	to	140,925
Zinc	fell	50	to	457,275
Aluminium	fell	1,925	to	4,584,200
Aluminium Alloy	fell	100	to	84,280
Nickel	rose	912	to	145,758
NASAAC	fell	120	to	181,980

Comex Gold Dec	\$1,120.40 per oz
Comex Silver Dec	\$17.345 per oz
Nymex Platinum Jan	\$1,440.20 per oz
Nymex Palladium Dec	\$360.45 per oz

London Precious Metals

Gold am	\$1,120.00 per oz
Spot Silver midday	\$17.19 per oz
Platinum am	\$1,437.00 per oz
Palladium am	\$364.00 per oz

Barclays Bank

\$/£	1.6249-1.6253
\$/£ 3 months	1.6240-1.6244
£/¥EN	143.91-143.93
€/£	1.4649-1.4650

TOKYO

Daiki Aluminium will boost Chinese operations

Japan's Daiki Aluminium Industry will increase its secondary aluminium alloy output in China by 150% to supply Japanese automakers and other manufacturers in China.

It will also set up a new sales unit in China, from which it is aiming for ¥4.5 billion (\$50 million) in sales in 2014.

NEW YORK

North American Al production increases

North American primary aluminium rose in November for the third consecutive month as producers looked to capitalise on higher aluminium prices.

In November, primary aluminium production in the USA and Canada was at an annualised rate of 4,643,275 tonnes, up 0.4% from October's 4,625,810 tonnes but down 17% from November 2008 levels, according to combined figures from the two countries.

LONDON

LME Al holds at Oct '08 highs in officials

Aluminium held at October 2008 highs in the official session at the London Metal Exchange on Monday as the light metal's rally showed no signs of ending.

→Click here for full prices

Non-ferrous metals

US Commerce slaps massive duty on Tianjin Magnesium

NEW YORK
BY TOM JENMANN

The US Commerce Dept has set an anti-dumping duty of 111.73% on magnesium from Chinese exporter Tianjin Magnesium International Co (TMI).

TMI's suppliers not only failed to adequately co-operate with governmental verification efforts but even took steps to purposely mislead investigators, according to the ruling.

The Commerce report said that TMI's suppliers lacked documentation of payment, had discrepancies in record keeping and altered requested documents. In one instance, Commerce said, a TMI supplier threw accounting records out of an office window while an inspector was locked outside the office. The name of the TMI supplier was redacted from the final report.

"The department official at the window saw [accounting] voucher books being

tossed out of the window of the accounting office suite, and alerted the other department officer," said a report from a site visit on June 14 2009.

The outside investigator picked up the jettisoned voucher book and took it back inside, at which time the company was informed that they would have no choice but to terminate the verification investigation unless they were able to gain immediate entry.

Even though it was later discovered that there were five employees in the room, it took the company seven minutes to finally open the door. Inside, they found ill-kept records with a number of vouchers cut and pasted into the permanent accounting book, according to the report.

Because of this and other record-keeping discrepancies, Commerce determined that the information collected during its investigation was invalid.

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MANGALORE

West Bengal Mn alloy producers hit by power fee hike

Manganese alloy producers in India's West Bengal state expect to be hit hard by an increase in power rates to 427 paise (9.18 US cents) per kWh, up 78 paise.

"Nearly 1 million tonnes of manganese alloys production in West Bengal will be affected," a producer estimated.

"This steep increase will hit the industry hard. It also comes in the wake of rising manganese ore prices in the world market, as coke prices rise," said another producer.

High-grade manganese ore prices are around \$6.50 per mn unit and could go higher, said producers.

"The manganese alloy industry in West Bengal depends more on imported ore and coke, and therefore with the rise in power, which was low compared to rates in other states of India, they will be hard hit," said the first producer.

Domestic ferro-manganese prices were at Rs50,000 (\$1,076) per tonne and silico-manganese at Rs47,000-48,000 per tonne, up Rs2,000-3,000 over the last month.

SHANGHAI

Chinese moly conc prices rise with FeMo

Chinese molybdenum concentrate prices have increased further on rising ferro-molybdenum prices and better demand, market sources told MB.

Molybdenum concentrate is trading at 1,900-1,920 yuan (\$278-281) per mtu, up from 1,880-1,900 yuan last week.

"Many molybdenum miners have raised concentrate offers upon seeing more buyers come back to the market from last week," said an analyst in Shanghai, adding that most miners were setting their offers of 45% molybdenum at 1,950 yuan per mtu.

Prices for ferro-molybdenum have risen by 4,000-5,000 yuan since last week to 128,000-133,000 yuan per tonne after several major stainless steel mills increased purchases, traders said.

"Trading is more active than last month; we still have some deals to do now," said a ferro-molybdenum producer in Hebei.

"Some moly miners are not willing to do business below 1,950 yuan [per mtu]," the Hebei producer told MB, adding that these miners expect prices to keep rising in the next quarter.

MANGALORE

Sail fetches \$1,183/T for high-carbon FeCr

Steel Authority of India Ltd (Sail) has sold 4,000 tonnes of high-carbon ferro-chrome for Rs 55,000 (\$1,183) per tonne ex works.

The tender compares with Indian market prices of around Rs 48,000-50,000 per tonne ex works, up Rs 3,000-4,000 from the previous month, ferro-chrome producer told MB.

Sail's tender sale price is "on the higher side compared to present market prices as producers find Sail's quality and size specifications more stringent", said a producer.

India's export prices have also moved up to 82 cents per lb from 76-77 cents.

Domestic chrome ore production is moving firmly into the hands of those who already have captive chrome ore, which include Tata Steel, Facor, IMFA, Balasore and Jindal Stainless.

NEW YORK

US SiMn under pressure

US spot silico-manganese prices have fallen below 60 cents per lb as a major trader acting on behalf of a top US producer drives down prices in what market sources said is an attempt to gain market share.

One major trading group, the exclusive agent for a large US-based silico-manganese producer, has been offering material at 58-60 cents per lb, well below 65-68 cents per lb seen as recently as December 3, market participants said.

"In the last 48 hours there has been a lot of talk about material being offered at sub-60 cents in warehouse," one US-based bulk alloy trader said.

"Personally, [I think] this is the lowest prices will go in the short term because there are so many enquiries in the market. People are fighting for market share instead of pricing," the trader added.

Traders put prices at 58-61 cents per lb on Friday, down from 61-63 cents previously.

A second trader said big producers are competing to get some business.

"It's really a game for the big guys, and they are doing their best to capture as much business as they can and they are willing to bring down prices to do so," he said.

A third trader said the market was not surprised that the silico-manganese trader in question was offering below-market prices.

Iron and steel

Brazilian pig iron producers struggle to make margin

LONDON
BY SILVIA ANTONIOLI

Brazilian pig iron producers have been hit by a sharp rise in raw materials costs, and weak international prices, market participants told MB.

"If I was a pig iron producer in Brazil I would shut my plant today unless international prices went above \$330 fob Brazil," said a merchant from the country.

"\$330 per tonne fob Brazilian port is the maximum producers can get at the moment, otherwise the product is not competitive internationally," he added.

Production costs on an ex-works basis are estimated to be at around \$280-290 per tonne and there is an additional freight cost of about \$40 per tonne for shipment to port.

\$325-330 per tonne fob seems to be the breakeven point for most Brazilian producers, both in the south and in the

north of the country, market players said. Some Brazilian producers have been exporting at that level.

Raw material costs are 40% higher during the rainy season [November/December to March], historical data shows. Getting charcoal supply is more expensive during the rainy season and the supply is also tighter now due to charcoal producers previously exiting the market on the back of low returns.

And even though iron ore is mostly purchased on long-term contracts, during the rainy season production efficiency is reduced.

Domestic demand remained aggressive in the past week and absorbed a good share of production, especially from the south of the country.

However, the international market is starting to give some signs of recovery as scrap prices rose last week.

TEHRAN
SPOTLIGHT

Iranian privatisation process suffers major blow after Khouzestan stake sale cancelled

The sale of a 30.5% stake in Iran's Khouzestan Steel to a private investor has fallen through in what local economists have dubbed a major blow to the privatisation of state-controlled enterprises in the Middle Eastern country.

Iranian courts cancelled the sale after Mohammad Jaberian failed to make full payment for the stake. If completed, the deal would have been the largest privatisation deal in Iran's recent history.

The stake was originally sold to Jaberian in August 2008, valued at 13.64 trillion rials (\$1.36 billion), when Jaberian agreed to make an initial payment of 2.73 million rials.

However, Jaberian only made a payment of 1 trillion Rials before asking for the transaction to be cancelled, saying that the stake had been over-valued when steel prices were at extreme highs in 2008.

Iranian authorities declined to say

whether Jaberian would bear any penalty for failing to make the payment.

Khouzestan Steel is Iran's second largest steelmaker, located in the southeast of the country.

It is able to produce 3.2 million tpy of billet, bloom and slab since it commissioned a new 800,000 tpy DRI plant and meltshop.

LONDON

Ruukki set to merge Jarvenpaa service centres

Rautaruukki plans to merge its Puurtajankatu and Asponkatu steel service centres in Jarvenpaa, Finland, the steel producer told MB.

The merger will result in the loss of 153 jobs and further layoffs are expected in 2010.

"Due to weak market conditions, some steel service centres will also have to temporarily lay off workers," the company said. "Layoffs will begin in March 2010 at the earliest. The extent and duration of layoffs will vary depending on site."

Ruukki incurred an operating loss of €284 million (\$425 million) in the first three quarters of 2009, it said.

LONDON

Corus rejects allegations of TCP windfall

Corus has angrily rejected claims that it chose to part-mothball its slab operation at Teesside in order to gain from the EU Emissions Trading Scheme (ETS).

Vera Baird, member of parliament for Redcar, has written a letter to Corus ceo Kirby Adams asking him to explain if there is any truth in rumours that the steelmaker mothballed Teesside Cast Products (TCP) in order to receive a substantial windfall from the ETS.

According to Baird, when TCP is mothballed at the end of January, Corus could make a profit of up to €63 million (\$92 million) by selling its excess emissions allowances. She also claims Corus could receive money from the UN's Clean Development Mechanism by moving the plants equipment to India.

But Corus firmly denies any ulterior motives for mothballing the plant and has described the rumours as "insulting".

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LONDON

Parvento given top sales job at Outokumpu

Kari Parvento will replace Bo Annvik as executive vice president Group Sales and Marketing and member of Outokumpu Group's executive committee in May 2010, the European stainless steelmaker told MB.

Parvento is currently md at Sandvik.

"I am very pleased to have Kari as our new colleague at the executive committee," Outokumpu ceo Juha Rantanen said. "He comes with very solid experience in running global sales and marketing operations. I am confident he will be able to take the lead in implementing our commercial strategy."

LONDON

Fob Black Sea billet stays steady on firmer ferrous scrap

CIS steelmakers have held their billet export offers high on firmer ferrous scrap, even though demand remains thin, market participants told MB.

Traders sold small consignments of material cast in January at \$410-420 per tonne fob Black Sea, the same level as a fortnight ago, sources said.

Iron and steel

Japan HRC suppliers kick off Q1 talks with Korea

SHANGHAI

Japan has started price negotiations for the supply of hot rolled coil to South Korean cold rollers for the first quarter of 2010, trading sources told MB.

Japanese suppliers are offering \$590–600 per tonne fob, \$50–60 per tonne higher than the current quarter, according to traders.

"This is also \$70–80 per tonne higher than Chinese offers, which are now at \$520–530 per tonne fob. Such a high price to Japan is not workable," said a trader based in South Korea.

South Korean customers have responded with a counter-offer of \$540–550 per tonne fob, traders said.

"South Korean cold rollers are not in a favourable position. Domestic hot rolled

coil supply in the first quarter is not sufficient due to maintenance at Posco," said another importer in South Korea.

"And Posco is to provide a lot of slab to newly built steel mills, exacerbating the pressure of short supply of hot rolled coil," he said.

"However, South Korean producers have already raised cold rolled coil and hot-dipped galvanized steel export offers by \$30 per tonne for February shipments to deal with the probable increase in the hot rolled coil import price. So, \$570–580 per tonne cfr might be acceptable," he added.

No settlement is expected before the end of the month, said a South Korean steel producer.

SHANGHAI

South Korean CRC, HDG export offers up \$30

South Korea's export offers of cold rolled steel and hot galvanized coil have risen to \$670–690 per tonne fob for February shipment, up \$30 from January, said trading sources.

"The increase is reasonable on good bookings, higher hot rolled coil import prices and expectations of higher [raw materials] prices in 2010," said an exporter based in South Korea.

"Major Chinese steel mills have also raised export prices to \$670–680 per tonne for 1mm cold rolled coil and hot-dipped galvanized coil for February shipments. Some private steel mills are reported to be quoting at a higher level of \$700 per tonne fob," he added.

Posco is also expected to raise February prices from a low of \$620 per tonne fob for January delivery of cold rolled coil and hot-dipped galvanized coil, traders told MB.

"Posco is exporting at a much lower price level than other South Korean producers. The actual contract prices are at \$570–600 per tonne fob for January shipment, but quotations are at \$620 per tonne fob. It needs to raise prices after other mills tagged offers at \$680 per tonne fob," said another exporter in South Korea.

Chinese exporters raised export prices last week, citing rising domestic market prices and robust demand from automobile and home appliance producers.

SHANGHAI

Spot iron takes strength from Baosteel price hike

China's spot iron ore market began the week with improved sentiment, thanks to steel price increases announced last week, but transactions were steady at around \$104–106 per tonne cfr.

Baosteel, China's biggest steelmaker, said it would lift prices on January production by 5–10%, giving the iron ore market a boost.

New offers for 63.5% Fe fines are still at around \$104–107 per tonne cfr.

"Iron ore import prices will continue to strengthen towards the end of the year, for two reasons: first, Baosteel put its steel prices up, and second, the iron ore benchmark prices for 2010 are going to increase," a Rizhao trader said.

The majority of market participants are expecting iron ore import prices to go higher again after Baosteel's price increases, which included a 300 yuan (\$44) increase on hot rolled coil.

Wuhan Steel, China's third-biggest producer, followed Baosteel and said it would go for an increase of 400 yuan per tonne to reflect better demand.

Nevertheless, some iron ore traders remain cautious about making new bookings.

"I expect prices will stay firm before Chinese New Year as Chinese steel prices are still improving, but we are being prudent in deals and aiming to get material at \$104 per tonne cfr," a Beijing trader said.

TOKYO

Tokyo Steel cuts January prices

Tokyo Steel is cutting January prices for all products except wire rod, as the outlook on construction activity in Japan stays poor, it said.

The price for its mainstay H-beam will fall to ¥63,000 (\$712) per tonne to its lowest since February 2004, while hot rolled coil prices will fall to ¥55,000 per tonne, both down by ¥2,000.

As Japan's biggest producer of construction steel, Tokyo Steel's latest move will almost certainly force other mini-mills to also reduce prices.

The company slashed its November prices by ¥5,000–7,000 per tonne, and then tried to increase them again this month on higher ferrous scrap feed costs, but had limited success.

Tokyo Steel said the price cuts were unavoidable as construction companies were cutting back on condominium development. The new government of prime minister Yukio Hatoyama, under pressure to control spending, was also reviewing public works projects.

Overall orders for regular steel increased 2% to 6.09 million tonnes in October, marking the first gain in 15 months, according to the Japan Iron and Steel Federation.

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SHANGHAI

Shanxi Coking Coal hikes Jan prices by up to \$18

Shanxi Coking Coal Group plans to raise prices by 60–120 yuan (\$9–18) per tonne from January 1, 2010, due to tight market supply.

China's top coking coal producer said the price of coking coal will go up by 90 yuan to 1,215 yuan per tonne, fat coal by 120 yuan to reach 1,330 yuan, and cleaned coal by 60 yuan to reach 960 yuan.

"Shanxi's consolidation of coal mines has been going on for a long time, and a large number of smaller ones have been shut down because of environmental concerns," said an official at the group's sales department.

Prices were likely to stay stable at these high levels for the first quarter of next year, he said.

Stockpiling of coal by downstream coke producers and steel mills before the Chinese New Year will also fuel demand, he added.