

# Magnesia prices plunge after China scraps export quota

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Magnesia prices in China decreased substantially at the start of January as the market adjusted following the cancellation of the export quota system in end-2016.

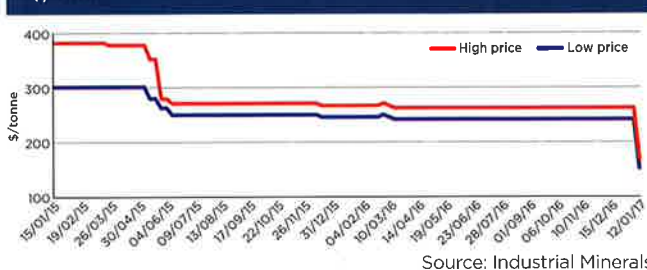
While some estimated that the cancellation of the quota fee and resource tax would reduce prices by about Chinese renminbi (Rmb)300/tonne (\$40/tonne), prices for some grades of magnesia have fallen by considerably more.

Buyers and sellers told **IM** that prices may not stabilise until February or March due to the upcoming Chinese New Year holidays, which will impact normal production and sales for about a month.

## Caustic Calcined Magnesia

Caustic calcined magnesia (CCM), basis FOB China, prices dropped to \$135-160/tonne for 90-92% MgO material, \$170-190/tonne

Magnesia, dead-burned, 92% MgO, lump, FOB China, \$/tonne



Source: Industrial Minerals

for 94% material and \$265-285/tonne for 96% MgO material.

## Dead burned magnesia

Dead burned magnesia (DBM) prices for 90%, 92%, 94-95% and 97.5% MgO decreased to \$140-160/tonne, \$150-170/tonne, \$160-235/tonne, \$305-335/tonne respectively.

## Fused Magnesia

Fused magnesia (FM) prices for 96%, 97% and 98%

were \$310-330/tonne, \$405-420/tonne and \$650-810/tonne on 12 January.

Buyers and sellers of magnesia continued to express confusion regarding the cancellation of the quota system.

In 2016 exports of caustic calcined magnesia were subject to a 5% tax while FM and DBM exports had a 10% tariff.

In November export quotas for magnesia suddenly disappeared

from the government list released for 2017, without explanation. Then, just before the end of 2016, the state council of China approved an export tax adjustment on partial products, including the cancellation of export taxes on graphite, magnesia and mesquite.

While some magnesia buyers were said to have cancelled orders at the end of 2016 in the hope of lower prices in 2017, sellers in Liaoning said most customers will have to stick to their purchasing plans because they can't stop production.

Pressure is likely to come from increased supply however, according to some producers who warned that the cancellation of the quota system will mean more suppliers will be able to export magnesia.

However it should be noted that companies still need an export license to export magnesia.