

Mass shutdown in China lifts fused alumina prices

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Fused alumina production has experienced mass shut downs in China due to a draconian environmental clampdown on polluting plants since early December, which has pushed spot prices higher.

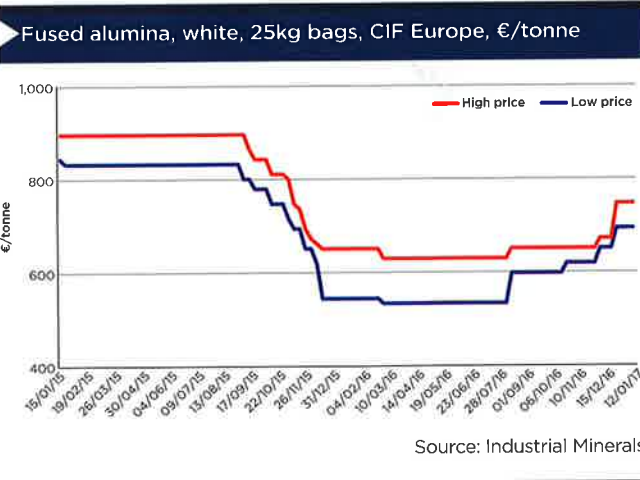
Many fused alumina and bauxite producers in Shanxi and Henan provinces in China have been forced to shut down by local government since 8 December amid worsening pollution levels in the region.

This wide-scale crack down on polluting plants comes after the ministry of environmental protection (MEP) urged local authorities in six provinces – Beijing, Tianjin, Hebei, Shanxi, Shandong and Henan – on 30 November to take swift action against harmful smog levels.

In Henan province, the local government has either shut down or capped production, according to an announcement by the province deputy governor on 4 December.

Henan is one of the main fused alumina-producing regions and China is one of the biggest industrial minerals suppliers in the world.

“When they get orange and red alerts, they just turn the electricity off and then they go and arrest



people,” one Europe-based supplier said.

As a result, brown and white fused alumina production in China has been severely disrupted and reduced output has lifted prices despite the ongoing weak demand for refractory minerals.

Spot prices for 95.5% Al_2O_3 min brown fused alumina (BFA) (refractory sized 0-1,1-3,3-5mm) increased to \$600-610/tonnes, up \$12.5/tonne week-on-week, according to IM’s assessment on 15 December.

For refractory-grade WFA (99.0% Al_2O_3 min, in 25kg bags), spot prices jumped to €700-750/tonne on a CIF Eu-

rope basis, an increase of €60/tonne week-on-week.

Further compounding factors

The mass production shutdown coupled with a depreciating euro against the US dollar and low inventory levels compounded the supply issue.

“Everything that could possibly go wrong is going wrong all at the wrong time [in Christmas]. The euro right now is at nearly 1.04 [against the dollar],” said the first supplier.

As sales contracts of fused alumina are set in US dollar, lower value of the euro will reduce the

volume of minerals European buyers could purchase.

In December, buyers were telling IM that many of them had not secured supply contracts for delivery in Q1 2017.

The wide-scale stoppage is expected to end in mid-February after the Spring festival holiday from 28 January-4 February 2017. Most plants will stop production around mid-January as workers return home during the most celebrated Chinese New Year holiday of the year. Traditionally, operations will cease for 15 days after the Spring festival.

“Nobody saw the anti-pollution thing having such a big impact,” said the first supplier.

Due to this sudden wave of output disruption in fused alumina in China, existing inventory in China has been drawn down by regular domestic and export demand.

“We have no inventory, the moment we produce, the stock gets taken immediately,” a WFA producer in Shandong told IM.

A number of fused alumina producers and suppliers have sold out and only have sufficient quantities to meet existing orders. Many are reluctant to make offers as it would be difficult to fulfil amid major production outages and related price volatility.

Pricing notice: Proposed change to IM’s bauxite, alumina assessment frequency

Industrial Minerals is proposing to revise the assessment schedule of the following bauxite and fused alumina grades to every fortnight, with effect from 26 January 2017.

- Refractory-grade bauxite 85%/2.0/3.15-3.2 (0-6mm) FOB Xingang
- Refractory-grade bauxite 86%/2.0/3.15-3.2 (0-6mm) FOB Xingang
- Refractory-grade bauxite 87%/2.0/3.15-3.2 (0-6mm) FOB Xingang
- Refractory-grade bauxite 88%/2.0/3.15-3.2 (0-6mm) FOB Xingang
- White fused alumina, 25kg bags, CIF Europe, €/tonne
- Brown fused alumina, 95.5% min Al_2O_3 , refractory sized, FOB China, \$/tonne
- Brown fused alumina, 95% min Al_2O_3 , FEPA F8-220 Grit, FOB China, \$/tonne
- Fused alumina, 94% Al_2O_3 , CIF, FEPA Grits, Acid washed, Chinese, \$/tonne
- Brown, refractory Al_2O_3 95.5% min/ SiO_2 1.20max, Fe_2O_3 0.3 max/ magnetics 0.10 max Lumps 0-14/ 0-30

Assessments currently take place on a weekly basis, every Thursday.

If you have any comments please contact Industrial Minerals head of market reporting Yoke Wong at yoke.wong@indmin.com.