

Chinese bauxite prices set to rise on new export controls

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Non-metallurgical grade material to increase as annual export quotas cut by 12%

Prices of Chinese non-metallurgical grades of bauxite, used in a wide range of refractory and abrasive applications, are set to rise over the coming months as export controls implemented by the Chinese government take effect.

For 2011, China will reduce bauxite export quotas by 130,000 tonnes, from 930,000 to 800,000 tonnes, representing a 12% drop over 2010.

It is understood that for the first half of the year, the export quota will amount to 500,000 tonnes, with the second half at around 330,000 tonnes.

Export prices for the material have remained flat overall this year but are likely to move upwards once the new measures are implemented.

“Chinese prices should increase as the export control is in fewer hands and there is lower tonnage to export”, explained one industry source.

At present, refractory grade bauxite (Shanxi, FOB Xingang, round kiln) stands at \$500-535/tonne for 87/1.8/3.20 material (compared with \$480-535/tonne in January 2010); at \$510-535/tonne for 87/2.0/3.2 material (up from \$500-535/tonne); and at \$500-525/tonne for 86/2.0/3.15-3.20 material (versus \$490-525/tonne).

Domestic industry fuels demand

The latest export measures offer further evidence of the Chinese government’s drive to preserve the country’s domestic resources for the production of higher value-added products for export, rather than raw materials.

As one US based producer of refractory products told **IM**: “The Chinese are still importing a huge amount of aluminium metal and as long as their building boom lasts they need a lot of aluminium for doors and windows so [we] don't see any relief for [bauxite] exports in the future”.

Prices for refractory grade bauxite produced by China’s Bosai Minerals in Guyana, still the only source of the material outside China, remain on the same level as Chinese export prices at \$460-510/tonne but may rise further if the price of oil continues to increase, since oil is used to calcine the material.

For more competitively priced material, consumers will have to wait till the start up of First Bauxite’s operation in Guyana which should come into operation around mid 2012, or look at alternative minerals to satisfy future supply demands.