

AM Insight: Increased output in 2011 blocking Chinese molybdenum rebound

BEIJING (Asian Metal) 14 Feb 12 – According to the State Statistics Bureau of China, output of molybdenum in 2011 was about 236,900 metal tons in domestic market, up by 9.4% from 216,500 metal tons in 2010 and exceeded by 36,900 metal tons from the directive plan of 2011. Although the output in 2010 also exceeded by 31,500 metal tons from the directive plan of 2010, it just increased by 0.4% compared to that of 2009.

Here is the statistics of molybdenum output from the State Statistics Bureau in recent years, and unit is metal tons.

Region	Output in 2008	Output in 2009	Output in 2010	Directive plan of 2010	Output in 2011	Directive plan of 2011
Henan	87,898	110,831	111,270.6	90,500	116,776.5	94,700
Shaanxi	37,165	36,555	38,220.56	36,000	39,599.87	38,000
Inner Mongolia	12,906	16,448	23,343.4	12,000	31,224.8	16,000
Hebei	12,149	16,230	14,852.82	12,000	14,650	12,000
Liaoning	11,102	11,159	7,981.32	10,000	8,425.58	12,000
Fujian	7,419	7,919	5,841.93	8,000	5,650.74	6,000
Jiangxi	4,877	6,870	1,807.76	6,000	1,476.15	5,000
Jilin	4,675	4,857	4,674	4,500	7,728	6,000
Zhejiang	2,582	2,118	2,421.3	2,000	3,387.08	2,000
Sichuan	708	1,272	1,461.86	1,000	1,429.85	-
Yunnan	162	691	563.5	-	645.38	600
Hunan	317	232	155.11	2,500	881.03	2,000
Guangdong	192	188	328.57	-	414.42	200
Anhui	70	101	138.24	-	-	100
Heilongjiang	980	51	2,672.01	-	3,470.15	2,000
Tibet	91	34	-	-	-	800
Hubei	158	23	179.5	-	935	-
Gansu	0	0	-	500	-	1,600
Hainan			616.05	-	232.49	1,000
Total	183,451	215,579	216,528.45	185,000	236,887.04	200,000

The output of molybdenum in Hebei, Fujian, Jiangxi, Sichuan, Anhui and Hainan in 2011 moved down compared to those in 2010, but output in other provinces still increased. Henan, Shaanxi and Inner Mongolia were still the top three provinces of molybdenum production, which produced about 116,800 metal tons, 39,600 metal tons and 31,200 metal tons of molybdenum in 2011, accounting for 49%, 17% and 13% of the total.

Forecast of molybdenum market from 2011 to 2013 was good by the end of 2010, when demand from steel industry was not bad at that time. Therefore, Chinese molybdenum mines run at high production capacity from the first quarter of 2011, and kept it into the second quarter although molybdenum price started to decrease in the same time. But some molybdenum mines stopped production from the third quarter since price had decreased to a low level that below their production cost and the debt crisis had intensified. The flat situation still exceeded in the fourth quarter, and the output of molybdenum had gone over the consumption volume significantly, as many molybdenum mines had inventories of 1,000-3,000 tons.

Price curve of molybdenum concentrate in 2011, Unit RMB/mtu



In January 2012, molybdenum market went slowly at home and abroad, and Chinese molybdenum mines generally run at 1/3 to 2/3 of their production capacities to meet. In early February, overseas molybdenum market rebounded and prices of molyoxide and ferromolybdenum went up quickly, but Chinese molybdenum market didn't go along with international market trend as before. Industry insiders indicated that the increased output of molybdenum in 2011 will block domestic market to recover and producers still need time to sell the old inventories, therefore it's still difficult to see price increase in China in the near term.