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Chinese fluorspar under pressure

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Seasonal uptick in demand constrains Chinese supply; new standards awaited

Prices of acid grade fluorspar from China are coming under pressure due to an uptick in seasonal demand for air conditioners and other refrigerants ahead of the summer.

With the return to buying activity after a slow sales period during the Chinese New Year holidays, prices may reach as high as \$300/tonne over the coming months.

For now, published prices remain unchanged for acidspar at \$230-240/tonne (FOB China).

Outside of China, published prices for fluorspar produced in Mexico remain at \$300-360/tonne for acidspar filtercake (Mexican FOB Tampico <5ppm), and at \$260-290/tonne for acidspar filtercake (Mexican, FOB Tampico). For South African material, prices are listed at \$250-300/tonne (FOB Durban).

A series of other factors are also working to pushing prices for the material in China higher. Notably, a longer than expected winter in the north of the country has hampered production at mines, notably in the Inner Mongolia region.

Further delays in restarting mines have also been caused by China's week long annual parliament meeting in Beijing which ended 14 March. During this time, explosives, including used for blast mining, were prohibited from being transported.

Chinese announcement pending

The industry is still keenly awaiting the release of new industry standards by the Chinese government for the country's fluorspar producers.

An announcement was expected to be released this month but so far producers and consumers of fluorspar around the world questioned by **IM** have not been informed of any changes to the country's fluorspar policies.

A marketing manager for a leading fluorspar producer said: "Nothing has been implemented as of yet and there have been many rumours over recent months as to what is going to happen, if anything. We are now hearing that the Chinese government is considering limiting the total production volume of fluorspar and possibly introducing a new resources tax".

Such rumours have further put pressure on prices. As one source explained: "No one knows what is going to happen in the second half of the year so many consumers are buying material to avoid any risks".

The Chinese government announced intentions to restrict future fluorspar production as part of its ongoing efforts to protect domestic reserves, and cut down on environmental pollution at the start of the year (*IM 2 March 2010: [Producers await fluorspar policy](#)*)

Despite this announced policy, it is believed that so far wide scale shut downs have not taken place. One source based in China said: “The government definitely does not want to export but they cannot just cut off the supply overnight”.

Buyers of Chinese fluorspar had hoped that the effective abolishment of the export quota for fluorspar this year would have helped to free up supply.

This however has not been the case due to the resurgence in demand from the domestic market. As such, small to medium sized producers, who in previous years have been unable to supply the export market, are focusing efforts on supplying domestic demand instead.

A buyer for a leading fluorochemicals company commented: “There is not much difference between the export and the domestic fluorspar prices, and it is simply not attractive for producers now to export anymore especially as export customers require a higher grade. There is no real pressure to export as there has been in the past”.