

Comment for Consequences of Alloy Over Production  
on the Mn Market.

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I am Ken Sato from Chuo Denki Kogyo, Japan and would like to thank the International Manganese Institute for asking me to comment on the presentation by Mr. Michael Kerman of CML

I would like to speak about ferro-alloy industries.

Oversupply continues in the Manganese Alloy industries and it is not a favorable situation. As many people discuss, we have noticed this trend of oversupply especially in China.

In 2002, the production of iron and steel increased while

some major ferro-alloy producers decreased their output because of production disruptions.

This supply and demand situation influenced alloy transaction prices, and market conditions in the USA and Europe showed an up-trend.

It strongly indicates that fair and sound market situations can be created if oversupply is reduced.

I would like to focus on China and speak four topics.

1. First Point is the problem of electricity and cokes that may affect alloy production.

①Problem of electricity and power supply networks:

Recently, there has been a tendency for shortages of electricity supply and its supply networks due to country's booming economic development.

The Chinese government pays great attention to transmit electricity from the West to the East in line

with the Tenth Five Year Plan in 2000. The distance between power generation area in the western provinces and consuming area in the eastern provinces is around two thousand( 2000) kilo meters.

Ferro-alloy production in the southern area such as Guizhou(貴州), Guangxi(廣西)、Yunnan(雲南) will be affected by the shortages of electricity supply to some extent.

Power price will be adjusted gradually and properly based on power generation and its transmission and distribution networks cost

The municipal or provincial governments start to establish the power price dependent on time zone usage in order to ease the unbalanced power demand and supply.

Chinese Ferroalloy producers without a private generation facilities will be encouraged to establish

technology to comply with time zone pricing system.

② Next is the shortage of cokes:

In 2000, as main supply source to the world, China exported fifteen(15) million tons of cokes that is 10% of total production in China.

Demand has been remarkably increased in the usage of these cokes at small blast furnaces for iron making.

However, Chinese government has prohibited continued use of old-type beehive coke ovens in an effort to improve the environment. This obviously decreased the overall production of cokes and may affect alloy production.

Second point is the movement of anti-dumping law suits against Chinese Silico-Manganese.

(1) EU discontinued anti-dumping against China and Ukraine in March, 2003.

(2) Korea will conclude the review of anti-dumping against China in September 2003.

(3) The USA and Indonesia is still imposing anti-dumping duties against China.

Third point is the Chinese export system of Silico Manganese, which is related to China affiliation to WTO

(1) Export License system to Japan was discontinued on December, 2000.

(2) Export price checking system of Silico Manganese started from April 2002.

China fixed a minimum export price and customs does not allow the exportation if the applied export price is under the established minimum price.

(3) The Chinese government has strengthened their practice for processing the trade of export of Manganese ferro-alloys from China on May, 2003. Through this practice when Chinese domestic

manganese ore is used for producing alloys with blending imported ore, export duty to the value of such domestic manganese ore portion is charged.

Forth point is the substantial increase of the consumption of ferro-alloys in China.

I guess that consumption of manganese alloys has been increased in accordance with higher production level of the iron and steel.

Recently, Demand is strong for ferro-alloys due to the increase of iron and steel production. On the other hands, there might be factors to increase the production cost because of shortages of electricity and cokes supplies. The depressed market-price level of ferro-alloys in Asia has been improved and prices shows a sign of up-trend, which is a favorable situation.

I hope my comments will contribute to fair and sound development of manganese industries.

Thank you.