Manganese stocks result in price slump

Ore stocks at Chinese ports reached 2.17m tonnes, compared to 1.8m tonnes in May. Furthermore, Core Consultants' has confirmed that a further 16 vessels carrying a minimum of 500,000 tonnes of manganese is destined for Tianjin port, but there has been no confirmation that this material has been sold! Whilst there appears to be a shortage of Australian ore, this deficit has been adequately covered by Brazilian and Gabon and therefore it is unlikely that prices will improve.

Offer prices by major producers have been revised down in June for July delivery and the expectation is that they will have to be adjusted downwards again next month. Ore prices in June have declined by roughly $0.1-0.5/dmtu.

A consideration of the SiMn market also paints a dire picture. Chinese SiMn suppliers have reduced their tender prices to below RMB5,000/tonne ($781.25/tonne) with many trying to switch over to producing ferromanganese instead. In Inner Mongolia alone, twenty-seven enterprises are said to be under-producing. Prices have generally affected the smaller enterprises, as lower costs and the ability to scale seems to have allowed the larger producers, particularly in the northern territories to remain operational.

In India SiMn 60/14 material is being offered at $650-660/tonne, FOB, India compared to $750-770/tonne, FOB, Vizag for 60/14 in May. The sharp decline may be attributed to a number of reasons including lower buying levels from China and the Indian domestic market as well as due to more competitively priced material from Ukraine and Thailand. As such, India is exporting material to Europe, which is leading to lower demand for European material.

Ferromanganese prices are also under pressure. 65% basis HC-FeMn has declined for the second consecutive month to RMB4,650/tonne ($726/tonne), down RMB150/tonne ($23.43/tonne) from May. Indian material is following the same trajectory with 75% basis material declining by $50/tonne m.o.m.

Steel still remains in oversupply. The most significant occurrence over the last month in the steel sector is that the European Parliament voted against China receiving Market Economy Status (MES) and the European Commission is now expected to step up its efforts to prevent China from receiving MES.

China's steel production is still increasing, which does not help the country's case in terms of being awarded MES. Whilst the Tangshan local government did order mills to stop production from May in order to curb pollution, overall the country increased its steel output, topping 9.4m tonnes in May, which is higher than the monthly average over the last year! The Tangshan region accounts for over 20% of China's steel output. Therefore just by stopping production in May saw output reduce by an estimated 500,000-1m tonnes. The fact that despite this output, China still managed to increase output highlights the severity of the steel situation.