



# THE SFP CADMIUM PRESS REVIEW

1<sup>st</sup> March 2006

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### Cadmium Metal Quotes

**Reuters** 24<sup>th</sup> February 2006

\$/lb in warehouse	Low	High
Min. 99.99%	1.05	1.20
Min. 99.95%	1.00	1.15

**Metal Pages** 23<sup>rd</sup> February 2006

\$/lb in warehouse	Low	High
Min. 99.99%	1.10	1.20
Min. 99.95%	1.00	1.10

**Dow Jones** 24<sup>th</sup> February 2006

\$/lb in warehouse	Low	High
Min. 99.95%	0.75	1.00

### WBMS World Refined Cadmium Production and Consumption: 2001 – 2005 Est.

(all in MT)	Full Year	2001	2002	2003	2004	2005 Est.
Production		17,547.0	16,195.3	17,061.8	16,648.5	16,881.36
Consumption		18,062.1	19,204.9	19,661.6	16,888.0	16,326.96
MARKET BALANCE		-515.1	-3,009.6	-2,599.8	-239.5	+554.40

Source: <http://www.world-bureau.com/>

### Currencies and Commodities

Financial Times Currency Market Data: 27 <sup>th</sup> February 2006	
Euro (€) per US Dollar (\$)	0.843
Pound Sterling (£) per US Dollar (\$)	0.575
Japanese Yen (¥) per US Dollar (\$)	137.6
Chinese RMB per US Dollar (\$)	8.0404

Source: <http://www.ft.com/>

### London Metal Exchange Official Prices

Zinc: 24 <sup>th</sup> February 2006	
Cash buyer (US\$/tonne)	2,203.00
Cash seller & settlement (US\$/tonne)	2,222.00

Lead: 23 <sup>rd</sup> August 2005	
Cash buyer (US\$/tonne)	1,190.00
Cash seller & settlement (US\$/tonne)	1,180.50

Source: <http://www.lme.co.uk/>



## **Cadmium Market Executive Summary**

### **MARKET ROUND UP**

1) [.....]Prices for cadmium and cadmium oxide in China are still falling and encouraging consumers to postpone buying as long as possible as the market weakens further [.....].

[Metal Pages 24/02/06. Read source article? – See page 6]

2) Prices for Cadmium in the Chinese market have been on a downward track over the past few weeks due to an oversupply of material. It is reported that a falling market encourages consumers to delay purchasing and accordingly they are postponing committing to orders in anticipation of lower prices. One consumer confirmed that they are sitting on stocks and therefore are in no rush to buy. Some expect the market to improve in the next month but others can not see any reason for the change and expect further softening of prices.

[Metal Pages 24/02/06. Read source article? – See page 7]

3) Cadmium prices are further dropping in weak market conditions with little spot business concluded. Market prices are said to be in a wide range anywhere from either side of \$1/lb to \$1.10 - \$1.25/lb for 3N5 Cadmium and \$1.25 - \$1.35/lb for 4N Cadmium depending on who is spoken to. There is still limited demand from the NiCd industry in Japan or China following its dissipation at the end of last summer.

[Metal Pages 17/02/06. Read source article? – See page 7]

4) Cadmium prices have fallen heavily in the past couple of weeks having basically been in limbo with no business being concluded for weeks. The Chinese bought heavily on the rise in the middle of last year and now have excess stocks to cover demand from their nickel-cadmium battery industry, which in itself is under pressure from substitution by nickel hydride. European consumers that have long term contracts to cover their needs have been taking minimum offtake leaving producers with ample stocks and no demand from the spot market. A considerably amount of effort has been put into trying to get some life in this market recently resulting in business being achieved at around and just over \$1/lb. Lower levels are expected to be seen yet.

[Metal Pages 10/02/06. Read source article? – See page 9]

5) Cadmium prices continue their steep decline with demand weakening and supplies readily available. There are many ready sellers, but few buyers, trade sources have said. "Prices are coming down quickly," said a merchant. "There is plenty of material around; buying cadmium is not a problem, but there are no buyers." Merchants have been offering material – both 99.95% & 99.99% - at prices ranging from mostly below \$1/lb to about \$1.10/lb.

[www.metalsplace.com 09/02/06. Read source article? – See page 10]

6) [.....] Cadmium, which recently soared above \$2.00/lb to its highest for 10 years, has now turned markedly lower, easing to \$1.40/1.50, the cheapest since June 2005. Chinese demand for NiCd batteries underpinned the 2005 bull-run, but supply was more than adequate to meet off take, and prices might be heading back below \$1/lb. Traders said record high zinc prices were prompting producers to raise output – cadmium is a byproduct – while environmental pressures were limiting use globally and deterring new applications. Chinese speculators who bought metal when prices were rising were now looking to liquidate, but few buyers were around.

[Reuters 09/02/06. Read source article? – See page 11]

7) The Cadmium market has been in decline for months now and is said to be heading further south. Producers have confirmed that the market has softened in the past few weeks. Some participants predict that the price could fall to \$1/lb. One reason for the decline is that most buyers



overbought during the run-up in prices last year and are therefore now sitting on inventory and are waiting for prices to stop falling before buying large volumes again.

[Metal Pages 02/02/06. Read source article? – See page 11]

8) The Cadmium market has softened and is waiting for China to come in and buy before it can re-establish itself. Observers also see little affect from the closure in January of 32 Cadmium and Arsenic producers which were forced to close on environmental grounds in Hunan Province. Since China is a net-importer of Cadmium, on observer comments that any affect on the Cadmium price will only be driven by return of demand from the NiCd sector. With high inventories, there appears to be limited need to purchase currently.

[Metal Pages 13/01/06. Read source article? – See page 12]



## SUPPLY

### Shenzhen Zhongjin Lingnan Nonferrous Metals Co

9) China's Zhongjin resumed operations at its Shaoguan smelter on Tuesday, which had been shut due to a toxic waste spill last year. The Guangdong provincial government shut the Shaoguan Zinc Smelter on 21<sup>st</sup> Decmber 2005 after it was found to have spilled toxic water into Bei River, a major source of drinking water for the region. The refinery has an annual production capacity of around 240,000 MT of Zn & Pb and also produces cadmium ingots.

[[www.metalsplace.com](http://www.metalsplace.com) 24/02/06. Read source article? – See page 12]

10) China's Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd. Announced today that it has restarted its Shaoguan smelter, which had been closed since December following a toxic spill. However, the smelter, China's third largest zinc producer, may not be able to churn out lead and zinc in the coming 10 days as it will need to warm up and adjust its two production systems after the 2 month shutdown. Shaoguan also produces minor metals such as cadmium and indium. Zhongjin also operates a zinc mine in Guangdong whose refinery was shut and 15 company officials punished for dumping 1,000MT of waste water contaminated with cadmium into the Beijiang, or North River.

[Metal Pages 23/02/06. Read source article? – See page 13]

### India

11) Nalco increases zinc rates by Rs 5000 a tonne, while Hindustan Zinc by Rs 7900 a tonne [.....] Meanwhile cadmium prices have been reduced by over 20% also in line with falling global prices.

[[www.metalsplace.com](http://www.metalsplace.com) 02/02/06. Read source article? – See page 13]

### Urals Mining and Metallurgical Company (UMMC)

12) Cadmium production at Electrotsink increased 27.4% last year to 203MT and was 7.1% above the targeted production.

[Metal Pages 01/02/06. Read source article? – See page 14]

### Industrial Minera Mexico SA de CV (IMMSA)

13) Following an electrical problem in January at Industrial Minera Mexico SA de CV (IMMSA), subsidiary of Grupo Mexico SA de CV, the company has declared Force Majeure. No indication has been given as to when the repairs will be completed. Due to a lack of Cadmium demand, the Force Majeure is not expected to have any impact on Cadmium prices.

[Metal Pages 17/01/06. Read source article? – See page 14]

### China

14) Zinc rose to a record on speculation China's largest producer of the metal may curb output after a toxic spill into a tributary of the Yangtze River. Cadmium, a poisonous byproduct of zinc production, flooded from Zhuzhou Smelter Group's plant into the Xiangjiang River. A toxic spill shut China's third-biggest smelter last month. Cadmium, which can cause neurological disorders and cancer, spilled into the river during a silt-cleaning project started without official approval.

[Bloomberg 09/01/06. Read source article? – See page 15]



## DEMAND

### Chinese Imports

15) According to Chinese Customs, Chinese imports of cadmium metal totalled 347.382 tonnes in December 2005, up from the 285.079 tonnes in the previous month but down sharply from the 628.644 tonnes in the same month in 2004. In 2005, China imported 6,801.9 tonnes of the minor metal, which was only a slight decrease from the 6,893.7 tonnes imported in 2004.

[Metal Pages 16/02/06. Read source article? – See page 16]

### Batteries

16) Euro-MP Jill Evans was yesterday accused of proposing a measure that would have resulted in a Welsh metal refinery being shut with the loss of 250 jobs. MEP Eluned Morgan claimed the future of the Inco nickel refinery in Clydach, near Swansea, had been threatened by European moves to restrict and reduce the disposal of waste batteries. An amendment moved by Ms Evans proposed to ban NiCd (cadmium containing) batteries. MEP's voted to exempt portable NiCd batteries for use in cordless power tools, medical equipment, emergency alarms & emergency lighting.

[Western Mail 15/12/05. Read source article? – See page 16]



## Source Press Articles

### 1) MARKET ROUNDUP – Moly and cobalt turnaround

Metal Pages 24/02/06

Tungsten and antimony were not the only risers this week as molybdenum and even cobalt prices moved up too, whilst rhenium became almost unquotable. There is better news emerging from some sectors of the steel industry including the stainless steel sector which is hoped to filter through to the metals.

On Wednesday afternoon molybdenum prices began a quick change in direction with ferro molybdenum bouncing back to levels similar to the end of last week having dropped to anywhere between \$47-49/kg earlier in the week. Business was said to have been concluded in a wide range from \$52-56/kg as the rally developed, with the higher levels for small tonnages. News of a rise in the price for molybdenum concentrates in China as the information that major mines in Huludao areas would not be reopened in the short term circulated the market resulting in concentrate suppliers feeling confident enough to raise prices was cited as probably the main reason for the turnaround. Some short covering was also thought to be contributory to the rise. Prices for ferro moly in China rose accordingly to \$55-56/kg whilst Rotterdam prices lagged at around \$51-52/kg. Little business was reported in molybdenum oxide and prices were said to be nominally around \$22.50-24/lb.

Strong demand and soaring prices for tungsten concentrates has moved up prices for ferro tungsten and all tungsten products. Ferro tungsten sales in Europe have been around \$35/kg whilst there was a duty paid sale concluded at \$38/kg in the States. Offers from China are now up to \$36/kg CIF.

Business for APT and tungsten oxides has been reported in a range \$285- 293/mtu or equivalent. Ferro vanadium prices consolidated this week, slipping back about a \$1 to \$46.50-47.50/kg. Lack of demand and poor volumes have put pressure on prices with one source commenting, "it is tough to move anything".

Demand for ferro titanium has been very quiet since the beginning of the year and there is still no improvement. Prices although drifting down, have held surprising well partly due to Russian and Ukrainian suppliers refusing to lower their offers and take losses on their higher priced stocks held in Rotterdam. More steel plants have covered their supplies under long term contracts this year, leaving less business in the spot market and few if any large enquiries coming into the market. Sales to consumers are around \$16.50-17.00/kg ddp though one trader reported losing a sale to a steel plant at \$16.25/kg ddp. With Russian material being mainly offered in a range \$16-17/kg it does not make sense to deliver Russian material against consumer business having paid duty, delivery and financing costs.

There was a noticeable change in the sentiment around cobalt this week and those hopeful that the market was bottoming out last week have been rewarded. The recover is not expected to be dramatic and although there is demand there is also reason supply. China remains the wild card in the equation but as more material in the DRC is being processed into alliage blanc and carbonate the flow of cheap heterogenites into China will decrease bringing the Chinese back into the market for cobalt units.

Business for high grade material has been booked at \$13/lb and above and Russian mainly above \$12/lb except sales made by Norilsk who are said to still be selling at around \$11.80/lb. BHP concluded 10 tonnes at \$13.20/lb for March delivery to Europe and are now offering at \$13.40/lb. This is the third time that cobalt has bounced at the \$12 level and on the previous two occasions went up to \$17 before falling back. Time will tell whether the metal will remain range bound again or can break out of this \$12-17/lb range.

There is no doubt that antimony prices are on a strong run as they reached 11 year highs this week with several truckload sales of low bismuth material reported at over \$4,500/tonne in warehouse Rotterdam and standard grade II material at \$4,400/tonne.

There are some in the market unconvinced that the current price levels will hold in the belief that consumers are not buying, but unless all the western trioxide producers are going to shut up shop, they are going to have to go with the flow as the Chinese suppliers hold all the cards (or supplies). One fact giving more credence to the current levels is that trioxide prices in China are rising in line



with the metal which in turn will allow western trioxide producers to obtain better prices for their products. Antimony trioxide is currently being sold at \$3,000/tonne FOB MCP. Indium remains unchanged but very firm whilst rhenium supplies are close to impossible to find. Views on the market vary though mainly confirm that there is little to no material on offer. A recent offer at \$1350/kg was accepted but that was as far as the business went with no contract received and no delivery made. Other offers are said to be as high as \$2,800/kg and as yet not accepted. There are some that fear the impact of 11,000kg coming to the market when the Kazakhs resolve their dispute, but for anyone to take this quantity in one delivery would stretch most credit lines. Selenium prices have eroded further to the mid \$20/lb in quiet market conditions and a producer confirmed that they had now followed the market down and were selling in the range \$25-28/lb. Once again China is the key to this market and without renewed buying for their manganese industry sources believe that prices could go down further. Prices for cadmium and cadmium oxide in China are still falling and encouraging consumers to postpone buying as long as possible as the market weakens further. Electrolytic manganese metals prices show no sign of turning as oversupply and poor demand depress the market. Prices weakened to \$1,150-1,160/tonne FOB and lower offers are expected to come as producers compete for what business there is. Although market prices have fallen for months, considerably lower prices have been seen in the past.

## 2) Chinese cadmium sliding

Metal Pages 24/02/06

Prices for cadmium ingot within the Chinese domestic market have been on a downward track over the past few weeks due to an oversupply of material. As a consequence prices have decreased by around Rmb3,000-5,000/tonne from the levels seen a month ago, sources close to Chinese market told Metal Pages today.

Current prices for 99.99% cadmium ingot are at Rmb23,000-25,000/tonne (US\$1.29-1.40/lb) as compared to levels of around Rmb28,000/tonne (\$1.57/lb) in the latter part of last month.

A broker source from southern China reported that the contracts are being concluded at around Rmb24,000-25,000/tonne (\$1.34-1.40/lb), although some suppliers are still offering at Rmb28,000/tonne.

"A falling market always encourages consumers to sit on the fence, so at the moment many domestic buyers have postponed their buying and expect to purchase at even lower prices," said the source.

"Prices in both the domestic and overseas market have been moving down during the past weeks and many offers have been received," said a cadmium oxide producer in northern China. "But for the time being we are still holding some stocks of metal purchased last month and are in no hurry to buy," added the source.

According to the company, now its price for 99% cadmium oxide has also declined to Rmb32,000-34,000/tonne (\$3,951-4,198/tonne) from about Rmb37,000/tonne (\$4,568/tonne) early last month. Although some suppliers are expecting the market to reverse in the next month, other market participants have indicated that there is nothing in sight that can lift the prices in the near future and prices are predicted to go down further in the coming days.

## 3) MARKET ROUNDUP – markets remain patchy

Metal Pages 17/02/06

Markets for minor metals and noble alloys remain patchy with prices for some holding very firmly and rising, with or without the support of strong demand, whilst others continue to fall in the lack of demand. Of the former, ferro-tungsten, antimony and indium come to mind with rhenium now coming to the fore, whilst the slide in prices of cadmium and selenium continues.

For molybdenum, once again there is good demand and yet falling prices – the 'summer scenario' as one trader commented. This time last year molybdenum had got over any indecisive feelings from earlier in the year and prices for ferro molybdenum were over \$70/kg and beginning the rally that took them to the all time high of over \$100/kg. Since then there have successively lower 'highs'.





Western ferro molybdenum is back in the low \$50s with truckload about \$52/kg Mo and smaller tonnages achieving \$54 and \$55. Although prices are down, a western converter is reported to have no material available, not even fines, and is running slightly late on deliveries. Prices for Chinese ferro-molybdenum have softened further in Rotterdam, with material freely available at \$51/kg du down from \$54.00-56.00/kg earlier in the week. Both consumers and sellers are said to waiting, with the former for lower numbers and the latter placing their hope on a rebound due to potential supply dislocations.

Molybdenum oxide is lower with the more aggressive offers at \$22.50 and other around 23/lb although a business for a few trucks of briquettes to a major steel mill was reported at \$21.50/lb. Vanadium prices having rallied well over the past weeks are now consolidating with ferro-vanadium in a range \$47.50-49/kg having got close to the current resistance level of \$50/kg. Chinese ferro-vanadium prices are also still holding firm this week due to continued supply problems although domestic demand is said to have stayed soft. Prices for vanadium pentoxide are firm with a sale in Europe reported at slightly under \$10/lb and offers from China now at \$10/lb and above.

Boring is the description by some of the ferro titanium market and certainly there is little activity. Prices are still drifting downward slowly as there is still no strong demand in the market but considering the relatively thin trading conditions they have held up well. Offers of Russian and Ukrainian material remain firm at \$16.50-17.00/kg duty unpaid whilst consumer sales by UK producers are reported to be also at around \$16.50-17.00/kg delivered dp. Demand is hoped to improve in the next 2-3 weeks for the second quarter but in the short term it is a case of whether the Russian and Ukrainian scrap traders and ferro titanium producers can hold out long enough to push the market up.

Supplies of titanium sponge are tight with a sales of TG100 reported at \$25/kg for a European steel mill and business in a range of \$24-26/kg depending on the grade of material.

The ferro tungsten market continues to be firm with sales reported up to \$34.50/kg and offers from China now at \$34.50-35/kg making it difficult for traders to cover back their positions. APT and the tungsten oxides prices are said to be in the mid \$280s and rising though little business is being concluded. There is still resistance from consumers to these higher levels but there is also still buying to be done so it seems that sooner or later they may have to capitulate.

Cobalt as a market remains lack lustre and more than enough material at present to satisfy what demand there is. A 5 tonne sale was made by BHP at \$12.80/lb for February delivery to North American after the cluster of sales on 10 February at \$12.50-12.70/lb. The offer price has now been moved up to \$13/lb and there are those who are hopeful that this is a sign that the market is bottoming out. Another possible positive move is that Norilsk Nickel have 'predicted' higher cobalt prices to come at above \$12/lb for Russian material and subsequently raised their website price 10 cents to \$11.70/lb. Meanwhile free market sales of Russian cobalt are still being made at \$12/lb and above. Sales of high grade lie mainly in the range \$12.20-12.50/lb.

Aluminothermic chromium prices moved up this year to \$5,300/tonne for Chinese having been depressed to around \$4,800/tonne by aggressive competition among the Chinese suppliers in the latter part of last year. Demand in the States is reported to be steady with lots of business in the range \$2.60-2.75/lb up from \$2.55/lb.

Demand for antimony remains stronger in the States whilst in Europe is still reported to be poor though prices have risen further as offers from Chinese suppliers increase. Traders report that grade II material is no longer available under \$4,200/tonne and a spot sale in Rotterdam was reported at over \$4,350/tonne for grade II material with and close to \$4,450/tonne for low bismuth material. With consumers thought not to hold many stocks and the Chinese suppliers set on achieving yet higher prices there seems little doubt that this metal has further to go in the near term. Indium continues to wait on the back burner as the fundamentals become stronger and stronger and raw material supplies tighten further.

Talk of a metal that has lain low for many years, rhenium, intensified this week as prices rocketed amid the news that an auction of about 11,000kg of rhenium contained in APR (ammonium perrhenate) was cancelled in Kazakhstan due to a dispute between the rhenium producer, Redmet and Kazakhmys remaining unresolved. No material has been exported from Kazakhstan for months which has contributed to supplies of APR tightening at the same time as demand increased from super alloy manufacturers as they ran at full capacity.

Material is reported to be extremely tight or non existent, in the spot market though major consumers report being still able to obtain material through their regular channels. Prices for APR reached \$1,900/kg and offers are now up to \$2,500/kg but no business at this level has been confirmed. Sales of rhenium pellets are said to at over \$1,000/lb.



Major cut backs in production of electrolytic manganese metal due to weak demand from the Chinese stainless steel industry have in turn slashed demand for selenium dioxide. This continues to depress prices for selenium metal and although demand from the glass and pigment industries is steady it is not sufficient to hold up prices. Prices are generally seen to be either side of \$30/lb though there are reports of the odd parcel being concluded at substantially lower at under \$25/lb. Sources believe that there are now some shorts in the market and those with LTC sales basis a mix for formula and fixed pricing are also happy to let the market drop further.

Cadmium prices are also being 'helped' down further in weak market conditions and little spot business being concluded. Market prices are said to be in a wide range anywhere from either side of \$1/lb to \$1.10-1.25/lb for 3N5 cadmium and \$1.25-\$1.35/lb for 4N material depending upon whom you speak to. 22363 There is still no demand from either Japan or China for the N-cad battery industry having dissipated at the end of the last summer. As more zinc concentrates are being shipped to China to satisfy its demand for zinc, so more cadmium is likely to be processed within China in the future.

Chinese magnesium prices have edged up \$20/tonne to \$1,620-1,660/tonne FOB although the lack of enquiries may limit the upward momentum whilst prices in Rotterdam have moved up some \$50/tonne to around \$1,700-1,740/tonne basis in warehouse from below \$1,650/tonne last week.

#### **4) MARKET ROUNDUP – good, bad and no demand**

Metal Pages 10/02/06

The year has not started as many would have hoped and many markets are still waiting for some good solid demand whilst those 'active' in some metals would be happy to see any demand. Any boost that sometimes comes after the Chinese Spring Festival is yet to be seen. Meanwhile reports of global economic conditions remain positive particularly for China whilst growth in India is forecast to be even greater than China.

It is correction time for molybdenum again. Prices having fallen through December and into mid January, moved up again in the second half of January only to go into another correction at the end of month. Business for western ferro molybdenum has been reported at around \$58/kg with the emphasis under rather over this price. On the other hand, prices for Chinese material have held better and, although are no longer really higher than western material, there is little differential and so remain out of sync. Prices in Rotterdam are just under \$60/kg and offers from China still optimistically at \$60/kg FOB and above.

Molybdenum oxide also moved down to levels of \$24.5-25/lb. A trader commenting on the market just described it as 'bearish' and from a technical point of view a level of \$50/kg could be critical for the alloy.

Contrary to molybdenum, the ferro vanadium market continues to be stronger with prices moving up steadily. Business was reported earlier in the week in a range \$47.50-48.5-/kg and prices have since moved up to \$48/kg and above. Vanadium pentoxide has caught up with ferro and with business reported at \$9.50-10.20/lb and moving towards \$10.50/lb.

Sentiment is certainly stronger for ferro titanium and prices have inched up this week with offers under \$16.50/kg no longer available. Demand is still not good but there are relatively limited offers of Russian material and little or no material coming out of Russia at present. Russian producers are said to be reluctant to produce material due to high scrap prices resulting in expensive ferro titanium in the current market. Sources believe that there is still buying for the first quarter to come into the market though there is 'expensive' material ready to come into the market held by those waiting for better prices.

There is no doubt about the direction for ferro tungsten prices and that is ever upwards. Business was reported at mainly in the range \$34-35/kg in Europe with a small tonnage in the mid \$35s though one canny buyer was said to have picked up a parcel in the \$33s.

Prices for tungsten concentrates in China are up again due to tight supplies and in turn APT and yellow and blue oxide prices are higher. Business has been concluded at above \$27500/tonne for oxide and prices for APT have now moved over \$280/mtu.

Cobalt is little different to last week except weaker .. As cobalt prices pursue their downward path in spite of steady demand etc..... BHP have made a couple of 10 tonnes sales today, each at \$12.50/lb for February and March delivery to Europe which may indicate that the decline is slowing but consumers continue to enjoy the lower levels and there still is sufficient material though there are signs that supplies of Russian may be tightening.



Business is on hold for indium until the end of the Japanese fiscal year at the end of March meanwhile there are more and more reports of the plant closures of crude indium smelters in China in the Shaoguan and Zhuzhou region and more and more reports of rising demand for LCD and plasma TVs. It's all been said so often.

Antimony prices are ticking up bit by bit in spite of little activity. Business for low bismuth material has been reported up to \$4,200/kg and offers are now up in a range \$4,200-\$4,300/tonne. The general consensus of opinion is that prices are unlikely to fall below \$4,000/tonne in the near term and that Grade II prices were at \$4,100/tonne and above however one trader said that a few lower offers had come into the market in the last couple of days.

Selenium, although lower, is thought to be finding support at \$30/lb for the time being with reasonable to good activity in Europe and the States. Granules are said to be in a range of \$32-33/lb whilst powder is a \$1 lower at \$31-32/lb.

Cadmium prices have fallen heavily in the past couple of weeks having basically been in limbo with no business being concluded for weeks. The Chinese bought heavily on the rise in the middle of last year and now have excess stocks to cover demand from their nickel-cadmium battery industry which in itself is under pressure from substitution by nickel hydride.

European consumers that have long term contracts to cover their needs have been taking minimum offtake leaving producers with ample stocks and no demand from the spot market. A considerably amount of effort has been put into trying to get some life in this market recently resulting in business being achieved at around and just over \$1/lb. Lower levels are expected to be seen yet.

Rhenium is almost universally considered to be tight and prices firming though one source maintained that he had not problems in obtaining offers at low numbers. A major producer confirmed that they had no metal to offer whilst prices are said to be over \$1000/lb but not confirmed. Quotes for high grade APR are getting close to \$2000/kg.

News at the end of January of yet another and even larger magnesium producer designed to produce 50,000 tpa of magnesium metal and 30,000 tpa of magnesium alloys is being established in Pengshui County in China must have been greeted in dismay by many. Very low prices for Chinese magnesium and magnesium alloys in Europe may result in Norsk Hydro closing its magnesium operations at Porsgrunn, Norway.

Meanwhile things are little better in the States as the three producers battled it out for the 2006 long term contracts for the US consumers where Chinese material is subject to anti dumping duties as they too are unable to compete globally against the low Chinese prices. U.S. Magnesium LLC, Dead Sea Magnesium Ltd, and Norsk Hydro undercut one another to gain what they could of the US market after Alcoa bought from the Russian supplier VSMPO-Avisma at \$1.23/lb. Spot prices in the States are now down at around \$1.15-1.20/lb, the lowest for years.

## 5) Cadmium prices continue their steep decline

[www.metalsplace.com](http://www.metalsplace.com) 09/02/06

With demand weakening and supplies readily available, cadmium is virtually in a bear market following the steep run-up the market experienced during last year. There are many ready sellers, but few buyers, trade sources have told Platts.

"Prices are coming down quickly," said a merchant. "There is plenty of material around; buying cadmium is not a problem, but there are no buyers."

Said another: "We bought four-nines material from a Japanese producer at 85cts/lb this week and we sold the same material at \$1.10/lb to a consumer." This merchant noted: "The price is plummeting and there is no activity."

Merchants have been offering material – both 99.95% and 99.99% – at prices ranging from mostly below \$1/lb to about \$1.10/lb.

"Consumers won't buy at \$1.15/lb for four nines or \$1.05/lb for three nines five; demand is currently very weak," the second merchant added.

The Metals Week New York dealer price published last week was \$1.10-1.20/lb for 99.95% cadmium and \$1.15-1.25/lb for 99.99% material.



## 6) Cadmium and Cobalt Crumble

Reuters 09/02/06

[...] Rhodium was also being increasingly used in hi-tech television and computer screens and the chemicals sector.

Cadmium, which recently soared above \$2.00/lb to its highest for 10 years, has now turned markedly lower, easing to \$1.40/1.50, the cheapest since June 2005. Chinese demand for nickel-cadmium batteries underpinned the 2005 bull-run, but supply was more than adequate now to meet off take, and prices might be heading back below \$1.00.

Traders said recorded high zinc prices were prompting producers to raise output---cadmium is a by-product---- while environmental pressures were limiting use globally and deterring new applications.

"These environmental pressures are forcing battery producers to move away from nickel-cadmium batteries and use nickel-hydride—80 to 85 percent of global cadmium is currently used in the production of nickel-cadmium batteries" one said.

Chinese speculators who bought metal when prices were rising were now looking to liquidate, but few buyers were around. Also, many European consumers covered their demands on long-term contracts at the end of 2005.

"There is not much happening---the market is in a vacuum. When it is like that, you can't pin down a price", another trader said.

Cobalt was also weakening under pressure from consistent producer offers----BHP Billiton sold and offered at \$13.00 a lb this week.

Prices were now at the lowest since November 2003, and looked destined for fall further given ample availability, although some traders said 99.3 percent Russian metal was tighter.

## 7) Cadmium coming under pressure

Metal Pages 02/02/06

The cadmium market, which has been in decline for months now, is said to be heading south at a rapid rate by some market participants. Others – particularly producers – question the pace of the decline, but acknowledge that the market has softened over the past few weeks.

Major western trade sources predict that the price could fall to "one dollar in a matter of days", putting current values for both 3N5 and 4N cadmium at \$1.15-1.25. However, producers in Europe and North America quoted higher prices. Said one major producer: "The market has been slow for the past several months. I think the main reason is that most buyers overbought during the run-up in prices last year. They are now sitting on inventory and are waiting for prices to stop falling before buying large volumes again. I think prices are in the \$1.40 to \$1.50/b range for 99.99% Cd and perhaps 10 cents less for 99.95% Cd."

Another producer, who only supplies limited amounts to the spot market, reported recent spot business above this level. The source admitted that business was slow and that the market had got onto a downward track, saying: "There's no real reason for the price to soften – but it has been slowing weakening. Equally, there was no real reason for the price to go above \$2 – it's sentiment, really."

A western trader agreed that sentiment has had a major part to play in the current market.

"Sentiment has kept the price from falling for months," he told Metal-Pages. "The major buyers – the Chinese and Japanese – have been out of the market for a long time. It has been quiet since August last year. The only thing which has kept the price up is sentiment – the expectation that the battery makers will come in again and buy in volume. That has yet to happen. The Chinese are currently on holiday and, when they get back next week, aren't likely to come in and buy until the end of the month at best. The Japanese are nearing their fiscal year-end and won't want to put any stock on their books until April. The price is going down." He said that he had been offered good grade material at \$1.30 – which is some way below the \$1.50-1.60/lb range indicated last week. Obviously, it could be in some people's interest to get the price down to buy in ahead of the expected buying in the next few months. But the price is certainly looking vulnerable in today's dull market conditions.





## 8) Cadmium coming under pressure

Metal Pages 13/01/06

The cadmium market has come off and, much like, selenium is waiting for China to come in and buy before it can re-establish itself.

Trade and producer sources put the market around \$1.55-1.75/lb for 4N cadmium, some way off the high achieved in August last year of \$2.30/lb. "Cadmium was over-heated at \$2/lb," admitted a source close to one western producer. "That said I've just sold at that level, as well as selling at \$1.55/lb this week."

The producer source said that his company has very little available for the spot market. "On the books we are sold out," he said, "Occasionally we manage to tweak out a little extra and that's what we sell on the spot market."

He doesn't expect the market to stage a recovery until after the Chinese New Year when the big battery manufacturers in China and, to a lesser extent, Japan, come in to buy. "A lot of material was bought last year, so stocks were built-up," he noted.

The Japanese tend to buy on long-term contracts in a more controlled way. So it remains to the Chinese to really make an impact on the market. "If they come in in a big way then it will tighten supplies and prompt a recovery," said the source.

Major western trade sources agree. "I was in China last year around the time of the Spring Festival and one of the big battery producers told me he wouldn't be in to buy. When I returned home some other battery producers came into the market and the chap I spoke to joined them. He didn't want to be left looking for material when the price had risen to a high level."

At the moment, of course, the reverse is the case. The market is softening – a situation that always encourages consumers to sit on the fence.

Meanwhile, observers are adopting a wait and see approach to the environment-related stoppages of cadmium production in China. A total of 32 cadmium and arsenic smelters were forced to close on January 8, in Xiangtan, Hunan province. The move follows orders to tighten environmental protection after the toxic spill caused by the Shaoguan Smelter in Guangdong.

I can't see it having an effect," said one western trader, "China imports most of its cadmium. No, the key to driving the market back up again will be the emergence of the battery manufacturers."

They undoubtedly built up too much stock last year due to the rising prices. It's now a question of how much they need to replenish supplies. The Ni-Cad market isn't a growing market – but it's pretty stable and makes up around 85% of cadmium demand. The Chinese and Japanese will need roughly the same amount of metal as they bought last year. The big questions are how much do they have in stock, how much do they need now and when will they come in? In the meantime, the pressure is on cadmium.

## 9) China's Zhongjin resumes ops at Shaoguan zinc smelter

www.metalsplace.com 24/02/06

China's Shenzhen Zhongjin Lingnan Nonferrous Metals Co. said Thursday it resumed operations at its Shaoguan Zinc Smelter Tuesday, which had been shut due to a toxic water spill late last year.

The Guangdong provincial government shut the Shaoguan Zinc Smelter Dec. 21 after it was found to have spilled toxic water into Bei River, a major source of drinking water in the region.

The provincial government asked Shaoguan to stop using outdated technology and inspect their facilities during the offline period.

"On the afternoon of Feb. 21, Shaoguan Smelter resumed operation after the result of rectification successfully passed examination by the provincial government of Guangdong and municipal government of Shenzhen as well as the environmental protection authority," Zhongjin Lingnan said in its announcement.

Shaoguan Zinc Smelter, 100% owned by Zhongjin Lingnan, has an annual production capacity of around 240,000 metric tons of zinc and lead and is China's third-largest zinc producer in terms of annual production. It also produces cadmium ingots.

Its closure triggered speculative buying on the London Metal Exchange late last year.



In a statement issued by the company in December, Zhongjin Lingnan said the smelter contributes less than 10% of its profit every year.

However, at the time, it expected its net profit to fall by CNY15 million (\$1.86 million) a month in 2006 if the smelter stayed offline.

Zhongjin Lingnan didn't specify how much it lost in Thursday's statement.

According to the company's latest financial statement, its net profit totalled CNY205.56 million during the January to September period, up 89% on year.

## 10) Shaoguan smelter starts-up

Metal Pages 23/02/06

China's Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd. Announced today that it has restarted its Shaoguan smelter, which had been closed since December following a toxic spill.

The government of southern China's Guangdong province approved the resumption of operations on Tuesday, Zhongjin said in a statement published on the official China Securities Journal and Shenzhen Stock Exchange's Web site < [www.sse.org.cn](http://www.sse.org.cn) >.

However, the smelter, China's third largest zinc producer, may not be able to churn out lead and zinc in the coming 10 days as it will need to warm up and adjust its two production systems after the two-month shutdown.

The 160,000-170,000 tpy zinc and 70,000-80,000 tpy lead smelter is unlikely to resume full production in one month.

Shaoguan also produces minor metals such as cadmium and indium.

Zhongjin estimated it would reduce its 2006 net profits by about Rmb15 million (\$1.9 million) if the smelter stopped production for one month, it said in a statement on December 27. It also operates a lead and zinc mine in Guangdong.

The smelter was shut and 15 company officials punished for dumping 1,000 tonnes of waste water contaminated with cadmium into the Beijiang, or North River, which cuts across Guangdong province from north to south.

## 11) India: Aluminium, zinc majors hike prices

[www.metalsplace.com](http://www.metalsplace.com) 02/02/06

Nalco increases rates by Rs 5000 a tonne, while Hindustan Zinc by Rs 7900 a tonne

Producers of base metals raised their products' selling prices again substantially, with immediate effect. Aluminium major National Aluminium Company jacked up its prices by Rs 5,000 a tonne, third time since the beginning of the year.

The integrated zinc producer, Hindustan Zinc, too raised its zinc selling prices fourth time, 20 per cent accumulatively, in the same period. This time zinc prices went up by Rs 7,900 a tonne.

The present rise was mainly attributed to the rising international metal prices, touching all-time highs virtually in every session.

After this hike aluminium ingot (IC20) surged to Rs 1,15,950 a tonne, while aluminium alloy ingot (IA10) is selling at Rs 1,21,550. Aluminium billet (CH10) went up to Rs 1,21,950 a tonne and aluminium sow ingot (SE07) soared to Rs 1,19,000 a tonne. Aluminium wire rods (WE20) too rose, to Rs 1,27,550 a tonne, and aluminium alloy wire rod (WA10) shot up to Rs 1,29,550 a tonne.

Zinc prices, on an aggregate, shot up by Rs 21,600 across all segments. Special high grade jumped to Rs 1,24,700 a tonne from Rs 1,07,300 a tonne on January 1. From Rs 1,16,800 a tonne on January 21, after the last revision, the price surged by Rs 7,900 a tonne.

The next variety, high grade zinc, was also hiked to Rs 1,24,500 a tonne, effective from today, from Rs 1,07,100 a tonne one month ago, and by Rs 7,900 a tonne from the last revision on January 21. Meanwhile, cadmium prices have been reduced by over 20 per cent, also in line with falling global prices to Rs 174 a kg from Rs 221 a kg, effective immediately.

The Sterlite-controlled company usually revises zinc prices on a fortnightly basis. However, the surging prices on the London Metal Exchange (LME), in recent times, forced the company to raise prices thrice in a month.

Concerns over anticipated supply deficit in 2006 and strike in major zinc producing companies in Peru, zinc prices shot up by \$400 on the LME this month.



According to a report, driven by a continuous supply crunch in the market, world zinc prices will remain on the higher side this year. Zinc stocks will be critically low in 2006, despite possible new products that will add an estimated 1 million tonne a year to global supply between 2005 and 2007, the report said.

In the concentrate market, an expected rise in the Chinese demand, combined with already low inventories, will keep refined world zinc supply in deficit for a third consecutive year in 2006. In 2005, the global concentrate market was in deficit for the fourth consecutive year with a cumulative shortfall of over 9,00,000 tonne.

Global demand in 2006 will continue to be driven largely by China, although a modest recovery in the Western consumption is also expected.

Zinc prices are predicted to soften at least for the time being as workers at two mines operated by zinc-lead miner Volcan Compania Minera SAA returned to work.

Workers at Volcan's San Cristobal and Andaychagua mines went on a strike about a week ago over schedule changes and the company's efforts to outsource labour. Later, the government declared the strike illegal.

Meanwhile, zinc consumption surpassed the production during the January-November 2005 period, pushing the metal prices internationally.

Global refined zinc production stood at 9.335 million tonne in the same period, up from 9.277 million tonne a year earlier, and against consumption of 9.723 million tonne, up from 9.649 million tonne in the previous corresponding period. This left the market with a deficit of 3,88,000 tonne.

## 12) Cd leads Elektrotsink rise

Metal Pages 01/02/06

Production was up across the board for Elektrotsink last year, owner Urals Mining and Metallurgical Company (UMMC) has announced.

Output of commercial zinc totalled 89,914 tonnes in 2005, representing an increase of 11.3% as compared to the previous year, and 2.2% up on target. The plant has a capacity of 11,00 tonnes per year.

The most notable increase came in terms of cadmium production, which increased by 27.4% year on year, to 203 tonnes, and was 7.1% above targeted annual output. During the year the firm also resumed production of indium, of which it is one of only three domestic producers, and is aiming at output of 6 tonnes this year.

Elektrotsink produced 26,938 tonnes of commercial lead last year, 6.3% higher than in 2004 and 2.8% above target.

## 13) Cadmium unmoved as IMMSA declares Force Majeure

Metal Pages 17/01/06

An electrical problem earlier in the month at Industrial Minera Mexico SA de CV (IMMSA), subsidiary of Grupo Mexico SA de CV, has now resulted in the company declaring Force Majeure following the production outage at its zinc refinery in San Luis Potosi, Mexico. As yet no indication has been given as to when the repairs will be completed.

On 6 January, IMSA reported an electrical problem that resulted in zinc refining operations temporarily stopping however it was later found that one or possibly two of the rectifiers had burnt out and it would take a month and probably more to get the plant operating again. The company advised its customers at the time and said it would continue deliveries from stocks and also sell concentrates into the market to mitigate any financial impact. It subsequently issued a Force Majeure declaration last week.

IMSA produces about 270,000 tpa of zinc concentrate and 104,000 tpa of zinc, so about 8,700 tonnes of zinc per month will be lost to the market when there is already a shortage of material and many consumers hold little stock.

A London cadmium trader commented that the outage would not have any effect on the cadmium price in the near term as at present there are more sellers than buyers and the big buyers, China and Japan, are very quiet. The Chinese are already slowing down in anticipation of their New Year



at the end of the month whilst the Japanese are reported to still have stocks from last year which they want to reduce before their fiscal year end on 31 March.

More weakness is expected to be seen before any possible turn round in price levels though as IMSA is an old plant it may take some months before the plant is on stream again. Prices for 3N5 and 4N material are around \$1.55-1.75/lb with some off grade parcels at closer to \$1/lb.

#### 14) Zinc Rises to Record After Toxic Spill at China's Largest Plant

Bloomberg 09/01/06

Zinc rose to a record on speculation China's largest producer of the metal may curb output after a toxic spill into a tributary of the Yangtze River.

Cadmium, a poisonous byproduct of zinc production, flooded from Zhuzhou Smelter Group's plant in the Xiangjiang River, Hunan province's environmental protection bureau said today. A toxic spill shut China's third-biggest smelter last month.

"There's a frisson of excitement around zinc," said Nick Moore, a London-based analyst at ABN Amro Holding NV. "With reports of another spill the whole thing just feeds on itself."

Zinc for delivery in three months was little changed at \$1,968 at 4:58 p.m. on the London Metal Exchange. Prices earlier reached \$1,998, topping the record on March 13, 1989.

A disruption at Zhouzhou may widen this year's production shortfall. James Gutman, a London-based analyst at Goldman Sachs Group Inc., said in a Dec. 15 report that zinc demand in 2006 will rise 3.2 percent to 11 million tons, exceeding production by 330,000 tons. ABN Amro's Moore also forecast a global shortage this year. Zhuzhou produced 301,800 tons in 2004.

Cadmium, which can cause neurological disorders and cancer, spilled into the river during a silt-cleaning project started without official approval, the bureau said in a report on its Web site.

The cadmium level in the polluted stretch of river peaked at 26 times the safe level on Jan. 5 before falling to 0.14 times safety targets on Jan. 7. The local government used neutralizing chemicals and turned up the flow of water from upstream reservoirs to dilute the toxins, the environmental bureau said.

##### Plant Probably Won't Shut

"Zhuzhou Smelter should not be responsible for the toxic spill incident," said Yu Feng, a spokesman with Hunan Zhuye Torch Metals Co., the Shanghai-listed owner of Zhuzhou Smelter. Yu said the plant is unlikely to be shut because of the spill.

Lingnan Nonfermet Co., China's third-biggest zinc producer, shut its zinc and lead smelter in southern China after a Dec. 21 toxic spill in a nearby river. Sales in 2006 will be reduced because of the accident, the company said.

Grupo Mexico SA said a power failure suspended operations at a zinc refinery run by its subsidiary, Industrial Minera Mexico. Workers were evaluating "material damage" caused by the outage, Grupo Mexico said Jan. 6.

The company didn't say when production would resume at the plant. The stoppage won't hurt earnings because Industrial Minera will continue to sell refined zinc, Grupo Mexico said.

Zinc rose 53 percent on the LME in 2005, outpacing the six other metals traded on the exchange. Zinc will average \$2,000 a ton in 2006, up 45 percent from last year, Ingrid Sternby, an analyst in London at Barclays Capital, said Jan. 6.

##### Mine Capacity

"The absence of new mine capacity will remain a key market feature over the next couple of years," Sternby said.

The prospect of rising metal prices is attracting speculative investors. Funds tracking commodity indexes may grow as much as \$30 billion to \$110 billion this year, following a similar gain in 2005, Barclays said last week.

Investors such as hedge and pension funds are starting 2006 by increasing their bets on metals, ABN Amro's Moore said.

"We are in this zone at the moment of renewed allocation of funds to commodities," Moore said.

Copper, used in homes, cars and appliances, also rose to a record in London and New York. The metal for delivery in three months climbed \$61, or 1.4 percent, to \$4,575 a metric ton on the LME. Earlier it traded as high as \$4,596.90, beating the previous record set Jan. 4.

Copper for March delivery rose 2.1 cents, or 1 percent, to \$2.107 pound on the Comex division of the New York Mercantile Exchange. The price earlier reached a record \$2.12.





### Codelco

A strike by thousands of contract workers demanding bonus payments began at Chile's Codelco, the world's largest copper producer, on Jan. 4. The state-owned company said Jan. 6 the protest hasn't affected output.

"Production and shipments so far have been unaffected, but this could change the longer the protests last," Robin Bhar, a London-based analyst at UBS AG, said in a report.

Aluminum reached a 17-year high. On the LME, the price gained \$15, or 0.7 percent, at \$2,323 a metric ton after earlier rising to \$2,335, the highest since January 1989.

Lead rose \$23.50, or 2.1 percent, to \$1,123 a metric ton after earlier reaching a record \$1,130. Nickel advanced \$525, or 3.7 percent, to \$14,850 a metric ton, and tin gained \$50, or 0.8 percent, to \$6,675 a metric ton.

## 15) China cadmium imports down in 2005

Metal Pages 16/02/06

Chinese imports of cadmium metal totaled 347.382 tonnes in December 2005, up from the 285.079 tonnes in the previous month but down sharply from the 628.644 tonnes in the same month in 2004, Chinese Customs said.

In 2005, China imported 6,801.9 tonnes of the minor metal, which is primarily used in the manufacture of nickel-cadmium batteries, showing a slight decrease from the 6,893.7 tonnes imported in 2004.

South Korea replaced Kazakhstan as the largest supplier with 1,476.8 tonnes last year, representing a notable increase from 860 tonnes year-on-year, while shipments from Kazakhstan were reduced from 1,765.2 tonnes to 1,415.4 tonnes. The United States supplied 747.6 tonnes, down slightly from the 761.7 tonnes in 2004. Kazakhstan hasn't sold any of the metal to China since September 2005, according to the Customs.

## 16) MEP accused of threatening jobs

Western Mail 15/12/05

Euro-MP Jill Evans was yesterday accused of proposing a measure that would have resulted in a Welsh metal refinery being shut with the loss of 250 jobs. Labour MEP Eluned Morgan claimed the future of the Inco nickel refinery in Clydach, near Swansea, had been threatened by European moves to restrict and reduce the disposal of waste batteries. An amendment moved by Ms Evans proposed to ban NiCd (cadmium containing) batteries. The very high-purity nickel for the power tool batteries is made at the Clydach plant. But MEPs voted to exempt portable NiCd batteries for use in cordless power tools, medical equipment, emergency alarms and emergency lighting. Ms Morgan, who sits on the European Parliament's industry, research and energy committee, supported the exemption. She said, "This vote is good news for both the environment in Wales and the Swansea refinery. It means we save on the massive heavy-metal waste that spent batteries produce, as active collection and recycling will now be introduced. The Parliament's recognition that NiCd batteries should be exempt also saves Welsh jobs." A ban on NiCd batteries would not have contributed in any measurable way to environmental or health protection. The cadmium in these batteries represents less than 1% of the cadmium returned into the environment. All Jill Evans's amendment would have achieved is Welsh job losses. A spokesman for Inco Wales said, "This is a significant success for several key industrial players in Wales, including Inco who directly employ more than 250 people in Wales and close to 400 in the UK." Inco's Clydach refinery specialises in producing battery grade nickel and therefore relied on a successful outcome in the European Parliament to secure the sustainability of the refinery. Dr Adrian Gale, Inco's UK production director added, "Inco is delighted by the outcome of the vote and the fact that portable power tools have



been exempted from the ban. We are grateful to Eluned Morgan who has proved once again to be a strong supporter of our activities in Wales and the positive contributions Inco has made to the local community for the last 100 years." Jill Evans is currently in Hong Kong at the World Trade Organisation summit. A spokesman for her said, "Once again, this is New Labour scaremongering at its worst. They pretend to care about the environment but the reality is quite different. They are cynically trying to misrepresent and misinterpret the European Parliament vote on very complex and technical issues to try to score cheap political points. They should be ashamed of themselves for behaving in this way." It is worth noting that the majority of Ms Morgan's parliamentary group actually voted for the amendment." The European batteries legislation aims to minimise the environmental and health effects of waste batteries by preventing spent batteries ending up in incinerators or landfills. It plans to create an EU-wide framework for national battery collection and recycling schemes. Around 800,000 tonnes of automotive batteries, 190,000 tonnes of industrial batteries and 160,000 tonnes of consumer batteries are placed on the EU market annually. In the case of incineration of waste batteries, the metals used in batteries contribute to air emissions and pollute incineration residues. When batteries end up on landfills, the metals contribute to the leachate from landfills. Thousands of tonnes of valuable metals including nickel, cobalt and silver could be recovered if batteries did not go to incinerators or landfills. In 2002, about 45% of portable batteries sold in the EU did so.

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