

China rare earths producer suspends output

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China's biggest rare earths producer has suspended production in an effort to shore up plunging prices of the materials used by makers of mobile phones and other high-tech products.

State-owned Baotou Steel Rare Earth (Group) Hi-tech Co. said in a statement released through the Shanghai Stock Exchange that it suspended production Tuesday to promote "healthy development" of rare earths prices. It gave no indication when production would resume and phone calls to the company on Thursday were not answered.

Beijing is tightening control over rare earths mining and exports to capture more of the profits that flow to Western makers of lightweight batteries and other products made of rare earths. China has about 30 percent of rare earths deposits but accounts for more than 90 percent of production.

Beijing alarmed global manufacturers by imposing export quotas in 2009. It also is trying to force Chinese rare earths miners and processors to consolidate into a handful of government-controlled groups.

Baotou Steel Rare Earth announced a similar one-month halt to production last October, also in an attempt to push up prices by reducing supplies.

The United States, the European Union and Japan have challenged China's quotas in the World Trade Organization as a violation of its free-trade commitments. Beijing has defended its controls as necessary to safeguard a scarce resource and minimize environmental damage from mining.

Rare earths are 17 minerals used in goods including hybrid cars, weapons, flat-screen TVs, mobile phones, mercury-vapor lights and camera lenses. The United States, Canada, Australia and other countries also have rare earths but most mining stopped in the 1990s as lower-cost Chinese ores came on the market.

The global economic slowdown has hurt demand, pushing down rare earths prices. Some manufacturers have been prompted by the Chinese controls to switch to alternative materials.

Beijing's trading partners complain its export controls push up rare earths prices abroad and give buyers in China an unfair advantage.

The price of one rare earth, lanthanum oxide, has fallen 65 percent on global markets since the start of this year to \$15 per kilogram this week, according to Lynas Corp., an Australian miner. But that still is nearly double price of \$9 per kilogram paid by buyers in China.

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Other rare earths have shown similar price declines and a wide margin between prices in China and abroad.

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