



HARD COMMODITIES Africa Weekly Report

*Jacques Pienaar - jacques@ciafrica.co.za
Louise Mitchell - louise@ciafrica.co.za*

Week 11 (10 Mar 2017)

COPPER

[The copper price fell](#) as much as 3.3% on Friday to \$5,715/mt after a surge in warehouse stocks in Asia limited the impact of supply disruptions at the world's biggest mines. In the space of just four days, 141,625mt have reached the LME storage system. Headline inventory rose to 325,500mt from 196,425mt a week ago, the biggest inflow in more than a decade and reversing a downtrend since mid-December. The bulk of last week's supply was at three locations: Singapore received 52,700mt, the South Korean port of Busan 39,025mt and the Taiwanese port of Kaohsiung 22,000mt. [Reuters commented](#): "The coordinated nature of this inflow suggests the bear-bull battle that raged sporadically across the London market last year has started again."

Supply Disruptions:

- [The strike at Escondida copper mine](#) has been ongoing for a month now. On Friday the mine invited its union to resume talks. The mine said it "would evaluate day by day" whether it may begin to use temporary workers, which it has the right to exercise after 30 days. After 30 days, workers can also break from the union and individually agree to accept the company offer, which is the point at which the parties are now.
- [At Grasberg, no progress has been reported](#) on the deadlock between Freeport McMoRan and the Indonesian government. Indonesia's government has set itself a two-week deadline to resolve the dispute with Freeport McMoRan that has led to the suspension of copper concentrate exports from the mine for almost two months.
- Workers at Freeport-McMoRan's [Cerro Verde mine in Peru started an indefinite strike](#) on Friday that halted 95% of production of about 40,000mt per month, the union said. Workers want better family health benefits and a bigger share of the mine's profits.

99% COPPER CATHODE (per metric tonne)

LME 3m Warehouse	\$5,715	down \$196
FOB Dar Es Salaam	\$5,556	down \$188
Ex Warehouse (Zambia)	\$5,005	down \$188
Ex Warehouse (DRC)	\$4,891	down \$188

28% COPPER CONCENTRATE (per metric tonne)

Ex Warehouse (Zambia)	\$1,402	down \$53
Ex Warehouse (DRC)	\$1,370	down \$53

Figure 1: Historical Copper Prices

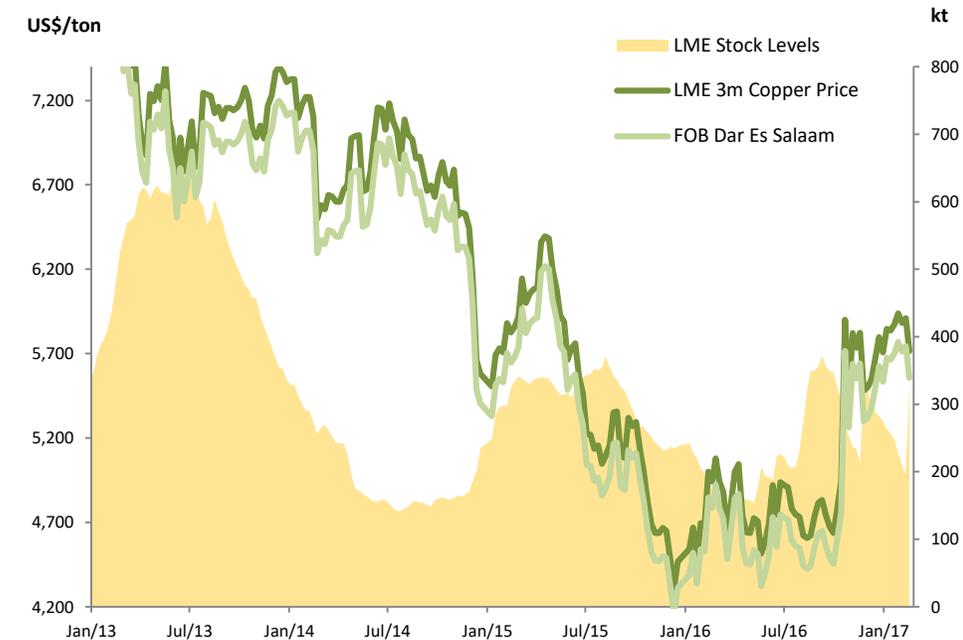
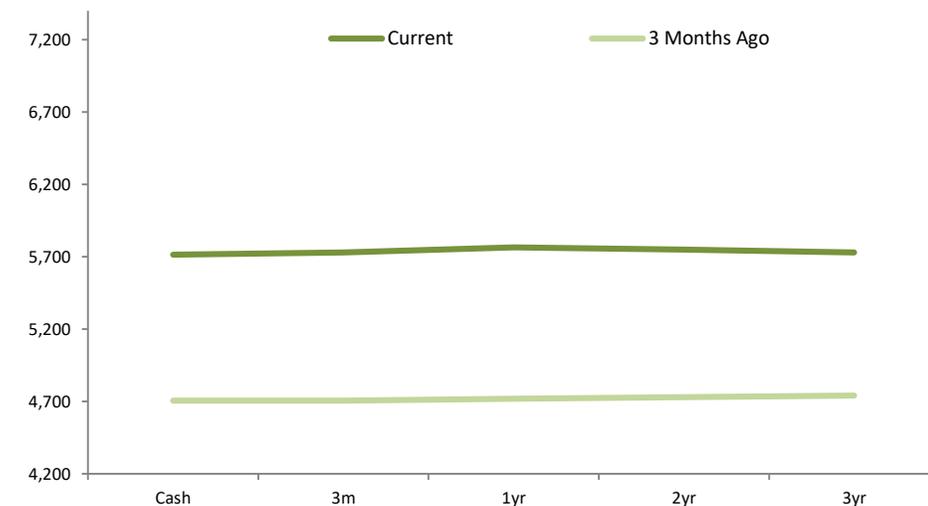


Figure 2: Forward Copper Curve



IRON ORE

[Iron ore spot markets continued to weaken](#) on Friday amid rising supply in the 1.4 billion-ton seaborne market and surging stockpiles in China. [According to Bloomberg](#) the world's biggest iron ore miners will be able to withstand the expected plunge in prices because their cut in production costs has dramatically lowered the industry's margin pressure point, allowing them to keep fuelling a cash juggernaut that has revived the mining sector. More than 90% of producers in the global seaborne market can generate profits at a benchmark price of US\$60/mt, Adrian Doyle, a senior consultant at CRU Group told Bloomberg.

Saldanha fob prices declined to their lowest level since 27 January after freight rates on the Saldanha-Japan route jumped to US\$11.60/mt last week. The 30% increase from the previous week was fueled by the increase in tonnage in seaborne trade.

[Anglo American confirmed last week](#) that it had transferred its 85% stake in De Beers South African interests and 77.69% held in Anglo American Platinum to a wholly owned subsidiary, Anglo American South African Investments. Another wholly owned subsidiary, Anglo South Africa Capital Proprietary would retain a 70% stake in Kumba Iron Ore and control of the export coal mines. The company said the transfer of the shares in Amplats and De Beers had been done "to provide flexibility in the event of any ultimate decision to divest our export thermal coal and iron ore interests in South Africa. Should the group ultimately retain its South African export coal and iron ore interests, this transfer will have no impact on Anglo American's current underlying economic interests."

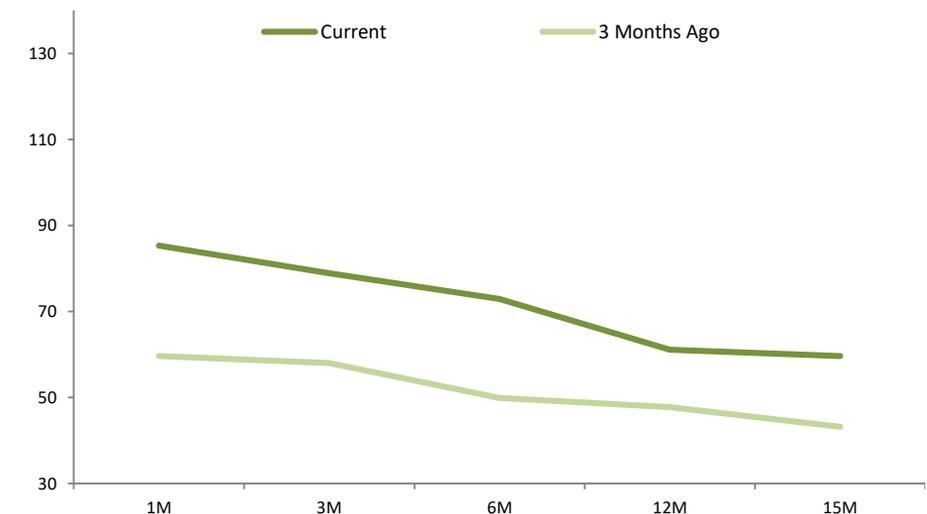
62.5% IRON ORE PRICES (per metric tonne)

SGX Spot Month	\$85.32	down \$1.93
FOB Saldanha	\$73.72	down \$4.61
FOR Sishen	\$51.19	down \$4.61

Figure 3: Historical Iron Ore Prices



Figure 4: CFR China Forward Iron Ore Curve



CHROME AND MANGANESE

FerroAlloyNet reports that while South African chrome ore suppliers reduced their offering prices a little, Chinese importers are not ready for those prices. They believe the chrome ore market will “keep quiet for some time”.

[Merafe Resources posted strong results for FY2016](#), paying a four cents per share final dividend and reducing net debt to R409m compared to R660m a year ago. The company has a 20% stake in the Glencore-Merafe Chrome Joint Venture and derives about 85% of its revenue from production of ferrochrome, and the balance from chrome ore output. Merafe was operating at some 82% of capacity having switched on one of its Rustenburg furnaces during 2016 and having another facility in Rustenburg that could be mobilised.

Metal Bulletin reports that manganese ore producers are losing out as rising freight rates for cargoes bound for China from South Africa will result in lower fob prices for South African manganese ore miners as CIF prices continue to fall. A South African mining company told FerroAlloyNet that sea freight rates increased sharply, standing at around US\$25/mt, showing an increase of US\$5/mt from South Africa to China. This is equivalent to an average increase of 10-15 cents per dmtu on manganese ore prices in less than a week, depending on the exact freight rates compared, according to Metal Bulletin’s calculations. Together with the Rand/US\$ exchange rate, export costs for South African manganese ore miners rose sharply.

44% CHROME CONCENTRATE (per metric tonne)

FOB Durban	\$350.00	down \$10
Ex Warehouse Gauteng	R 1,856.00	unch 0
Ex Warehouse Rustenburg	R 1,656.00	unch 0

40% CHROME LUMPY (per metric tonne)

CIF China	\$320.00	unch
-----------	----------	------

38% MANGANESE ORE (US\$/dmtu)

FOB Port Elizabeth	\$2.35	down \$0.54
--------------------	--------	-------------

Figure 5: Chrome & Manganese Spot Prices

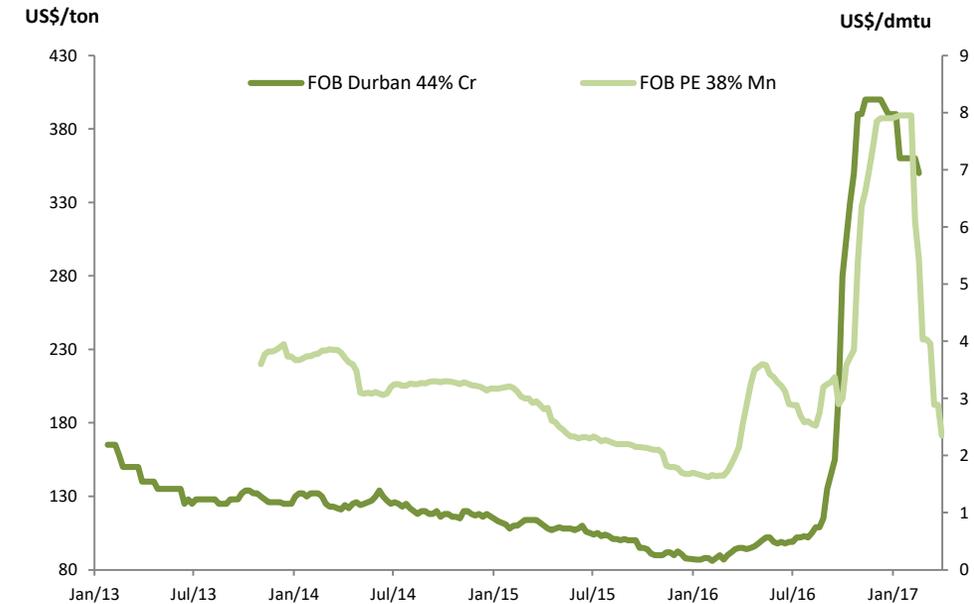
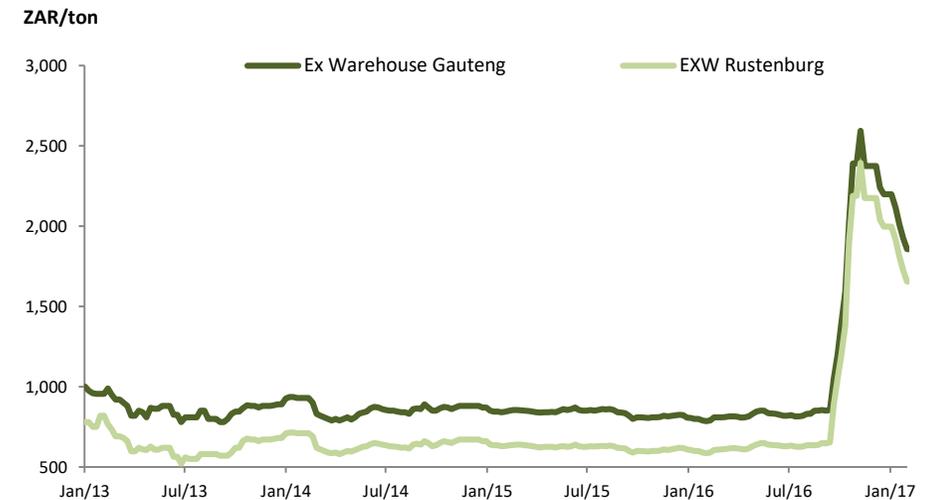


Figure 6: Historical 44% Chrome Concentrate Prices



COAL

[Eskom announced that it will be phasing out](#) the Kriel, Camden, Hendrina and Komati power stations in Mpumalanga over the next five years. Eskom says this is needed to accommodate renewable independent power producers. Spokesperson, Khulu Phasiwe said the decision to close down the power stations was taken by Eskom management last year and Eskom was forced to announce the plan after coal truck drivers publicly protested the phasing out of Eskom’s coal transport contracts in accordance with the closure of the power stations. Cosatu demanded that Eskom and government suspend their plan to shut down the power stations “until a just transition-solution is arrived at by all affected stakeholders”.

[Universal Coal has delivered the first product](#) from its New Clydesdale Colliery to Eskom. Universal returned the mine to operation in September 2016, and in November 2016 closed a deal with Eskom for the supply of 1.2Mmt a year of coal over a seven-year period.

THERMAL COAL (per metric tonne)

FOB Richards Bay (6,000 NCV)	\$80.30	down \$2.7
CFR China (5,500 NCV)	\$73.75	up \$0.5

SA DOMESTIC PRICE (per metric tonne)

FOT Witbank (27.5 MJ/kg Pea)	R 900	up R 50
FOT Witbank (RB1 Exports)	R 824	down R35
FOT Witbank (Eskom)	R 258	unch 0

Per metric tonne

FOT Hwange (A grade Peas)	\$60	unch 0
ExHwange (Duff)	\$20	unch 0

Figure 7: Historical Coal Prices

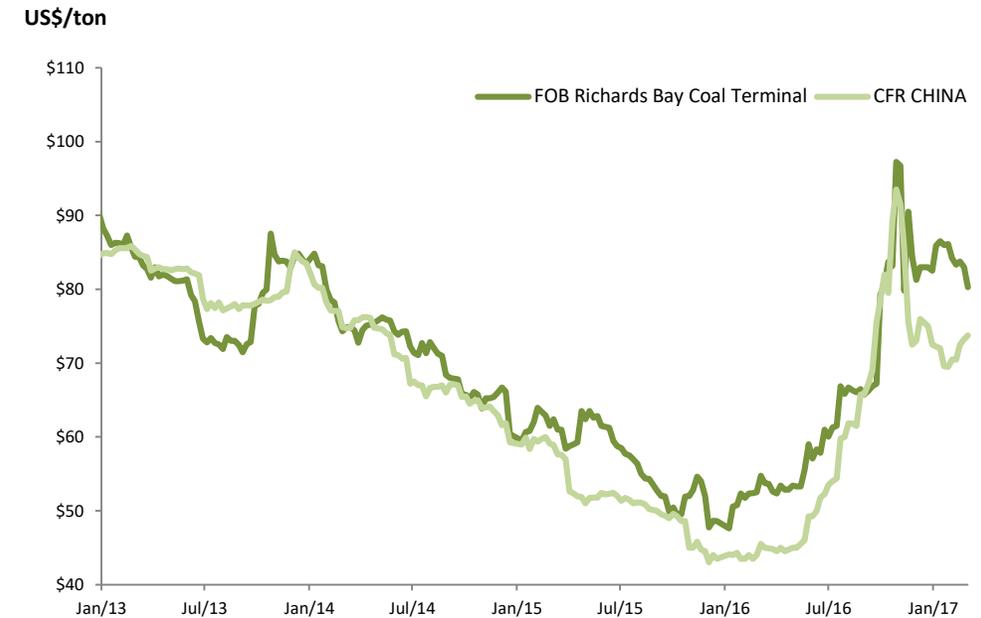
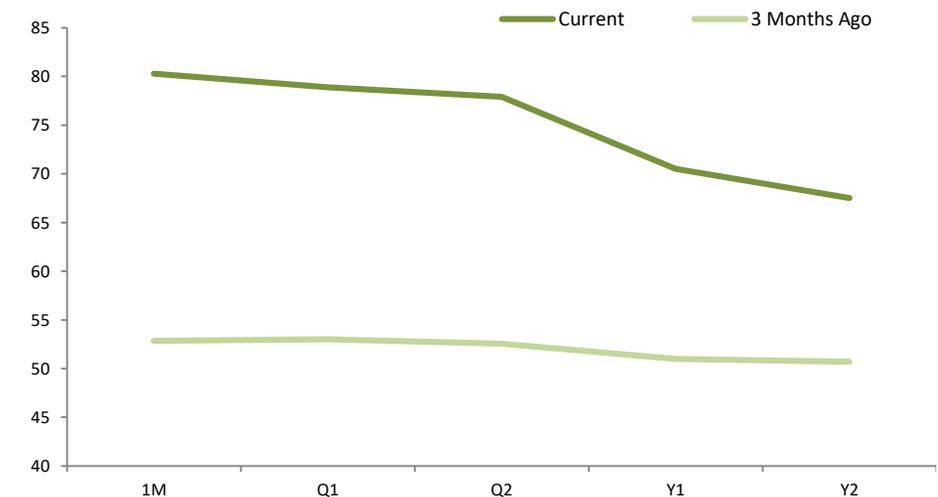


Figure 8: FOB RBCT Forward Coal Curve



Disclaimer: Whilst all care has been taken by Commodity Insight Africa (CI Africa) in the preparation of the opinions, forecasts and the information contained in this document, CI Africa does not make any representations or give any warranties as to their correctness, accuracy or completeness, nor does CI Africa assume liability for any losses arising from errors or omissions in the opinions or information. Nothing contained in this document is to be construed as guidance, a proposal or a recommendation or advice to enter into, or to refrain from entering into, any transaction. This document is confidential and issued for the information of clients only. It shall not be reproduced in whole or in part. You may not forward or copy this document or any part thereof.