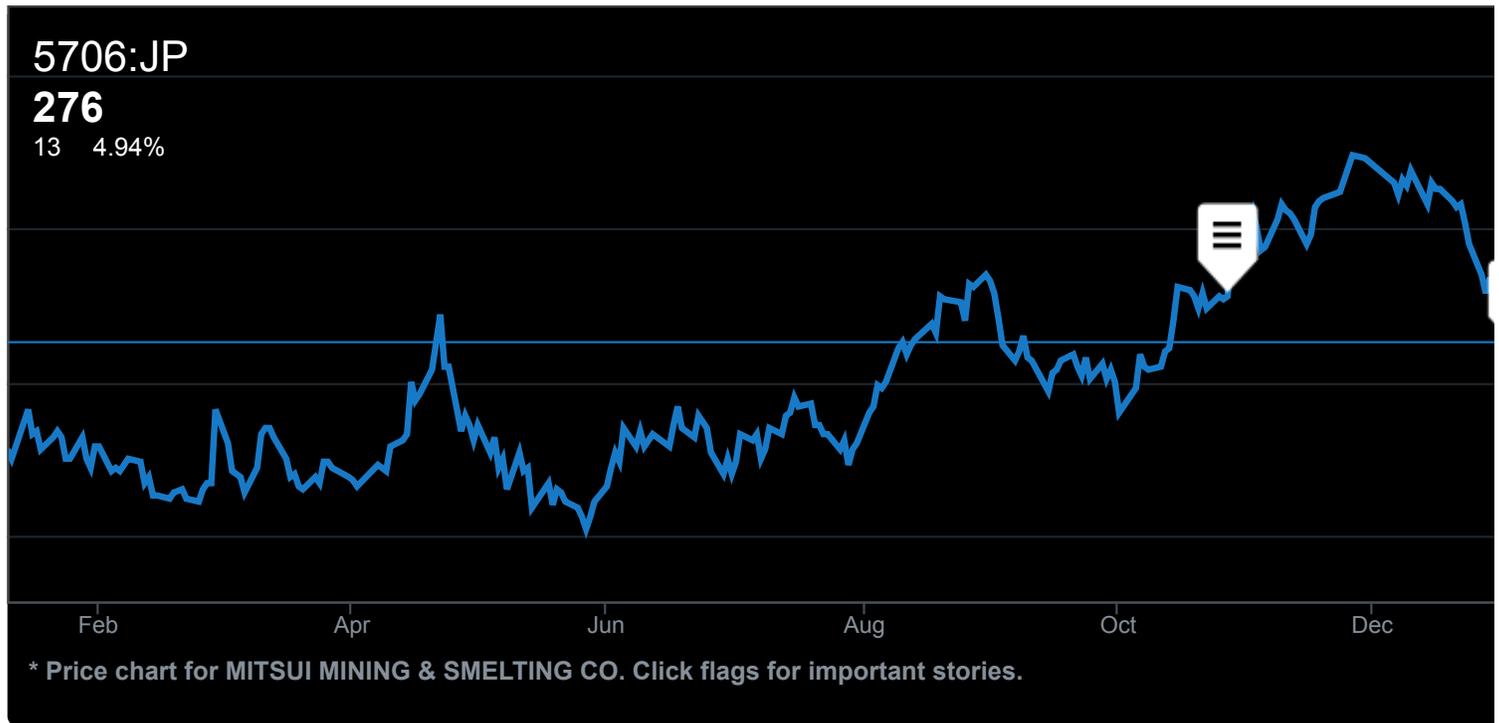


Mitsui Mining Boosts Zinc Fee 70% as China Demand Rises

By Jae Hur and Ichiro Suzuki

Feb 4, 2014 10:20 PM MT

Share Save



Mitsui Mining & Smelting Co. (5706) (<http://www.bloomberg.com/quote/5706:JP>), Japan's biggest zinc producer, raised annual charges to overseas buyers by as much as 70 percent as consumption increases in **China** (<http://topics.bloomberg.com/china/>). Futures in London snapped a 10-day losing streak.

The higher fee compares with a 15 percent gain for special high-grade metal last year, said Osamu Saito, a general manager in the Tokyo-based company's business department. He declined to disclose any dollar values.

Zinc stockpiles monitored by the London Metal Exchange **shrank** (</quote/LSZS:IND>) 31 percent since the start of 2013, with inventories in Asia contracting 68 percent. Morgan Stanley forecasts cash prices to average \$2,127 a metric ton in 2014, a 10 percent increase on last year as the zinc deficit widens sixfold.

"The market's been waiting for a turnaround in zinc," said **Gavin Wendt** (<http://topics.bloomberg.com/gavin-wendt/>), the founder and senior resource analyst at Sydney-based Mine Life Pty. "There are a lot of people, including myself, that think that 2014 could be the year."

The metal for delivery in three months in London climbed 0.8 percent to \$1,967 a ton at 2:16 p.m. **Tokyo** (<http://topics.bloomberg.com/tokyo/>) time, ending the longest run of losses since at least January 1989. Futures have fallen 9.6 percent in the past 12 months and declined in five of the past seven years. They slumped 6.6 percent from the close on Jan. 21 through yesterday.

“Tight supplies in Asia pushed the metal higher,” said **Tetsu Emori** (<http://topics.bloomberg.com/tetsu-emori/>), a senior **fund manager** (<http://topics.bloomberg.com/fund-manager/>) at Astmax Asset Management Inc. in Tokyo. “It’s also a technical rebound.”

Chinese Imports

Exports from Japan and **South Korea** (<http://topics.bloomberg.com/south-korea/>) fell last year amid domestic demand and will drop again over the next 12 months while Chinese imports remain high, Saito said in an interview yesterday.

Belgium (<http://topics.bloomberg.com/belgium/>) and the Netherlands joined Spain among the top 10 suppliers to China last year, indicating higher Asian premiums were enough to cover shipping costs from **Europe** (<http://topics.bloomberg.com/europe/>), Saito said. LME stockpiles in Europe fell 40 percent since the start of 2013.

The charges by Mitsui Mining are added to the cost of the metal for immediate delivery on the LME, and include shipping and insurance costs. China is the biggest consumer of industrial metals including zinc, used to rust-proof steel.

Mitsui Mining’s shares advanced as much as 3.4 percent to 271 yen before trading unchanged at 262 yen.

The zinc deficit will widen to 120,000 tons this year from 20,000 tons in 2013, Morgan Stanley said in a report on Jan. 22. It will increase to 180,000 tons in 2015, the bank estimates.

China’s **imports** ([/quote/CRZNIQTL:IND](http://topics.bloomberg.com/quote/CRZNIQTL:IND)) of refined zinc rose 22 percent to 624,165 tons in 2013 after jumping 48 percent in 2012, according to customs data.

Shanghai Premium

The **premium** ([/quote/MBZN6876:IND](http://topics.bloomberg.com/quote/MBZN6876:IND)) suppliers charge buyers in **Shanghai** (<http://topics.bloomberg.com/shanghai/>) for immediate delivery of zinc rose 38 percent to \$172.5 a ton in February from a year earlier, according to data from **Metal Bulletin** (<http://topics.bloomberg.com/metal-bulletin/>).

South Korea’s exports of the metal with a minimum purity of 99.99 percent dropped 6.8 percent to 329,501 tons in 2013 from a year ago, data from the Korea International Trade Association show. The country is the second-biggest producer after China.

Japan’s zinc exports fell 15 percent to 115,393 tons in 2013 from a year earlier, trade data from the finance ministry **show** (<http://www.customs.go.jp/toukei/srch/index.htm?M=01&P=1,1,,,,,,1,0,2013,0,12,0,2,7901,,,,,,1,,,,,,20>). Major overseas markets include China, Taiwan and Southeast Asian nations.

Inventories in LME-monitored warehouses shrank to 845,425 tons on Feb. 4, the lowest since February 2012, exchange data show. Of the total, stockpiles held in Asia were 30,725 tons, or 3.6 percent, according to the data.

To contact the reporters on this story: Jae Hur in Tokyo at jhur1@bloomberg.net (<mailto:jhur1@bloomberg.net>); **Ichiro Suzuki** (<http://topics.bloomberg.com/ichiro-suzuki/>) in Tokyo at isuzuki@bloomberg.net (<mailto:isuzuki@bloomberg.net>)