

## **Ferrochrome Prices May Surge 42% in 2011 on Stainless**

By Carli Lourens - Nov 9, 2010

Ferrochrome contract prices may rise 42 percent to about \$1.76 a pound next year from \$1.24 this year as demand for the stainless-steel ingredient increases, said Heinz H. Pariser, head of Alloy Metals & Steel Market Research.

Demand may increase 7.6 percent to 8.84 million metric tons in 2011 from an estimated 8.21 million tons this year, he said in the copy of a presentation posted on Merafe Resources Ltd.'s website today. That may widen a deficit to about 319,000 tons from 47,000 tons in 2010, according to the documents.

Merafe expects a recovery in the ferrochrome market through 2013 on world economic growth and a shortage of new capacity in South Africa for the "near future," it said in a separate presentation to shareholders. The company's venture with Xstrata Plc in South Africa is the world's largest ferrochrome supplier.

Stainless-steel production may grow to 32.7 million tons next year from an estimated 31.2 million tons, Pariser said.

Demand is rising in China, the largest producer. World stainless steel production is expected to jump this quarter on demand for fuel pipelines and petrochemical plants, the Bureau of International Recycling said in September. Posco will boost output at its venture in China to 1 million tons a year by 2013, from 800,000 tons, the Korea Economic Daily reported last month.

"Ferrochrome production in the country is under threat and probably not sustainable" as the government curbs energy use and pollution, Pariser said. "China's numerous small and often outdated ferrochrome smelters account for approximately 80 percent of the country's ferroalloy output."

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Some countries supplying chrome ore to China's ferrochrome industry are also seeking to export less of the raw material and process more of it themselves to increase revenue. They are "taking a more critical stand" on exports, Pariser said.

South Africa, with 72 percent of the world's chrome ore reserves and about half of its chromite ore output, may benefit if it has enough generating capacity to power industry, he said. The nation earned about \$2.5 billion from local and export sales of ferrochrome last year, according to the presentation.

World ferrochrome demand may rise 22 percent by 2013 and capacity gain 23 percent, Pariser said. Nickel, also used in stainless steel, may move from a deficit this year to a surplus next year, with prices falling to about \$14,250 a pound from \$21,537 a pound, according to the presentation.

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