

## **REFILE-China Minmetals Calls For Rare Earth Production Suspension**

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(Refiles to reference 2011 quotas in second bullet point)

- \* State-owned trader urges rivals to halt production
- \* 2011 production quotas already met
- \* Processors in Jiangsu already closed for tech upgrades

By David Stanway and Ruby Lian

BEIJING, Aug 3 (Reuters) - State-owned trader Minmetals has called on all firms in the rare earth sector to adhere to a national output quota by suspending production starting from the beginning of August.

"We propose that production should be proactively halted with immediate effect at the beginning of August 2011 in order to guarantee the stable operation of the rare earth market," the company said in a notice posted on its website ([www.minmetals.com.cn](http://www.minmetals.com.cn)) on Tuesday.

He Jinglin, spokesman for Minmetals, told Reuters that while Minmetals doesn't operate any mines of its own, its separation plants would be affected by any suspension. Minmetals, which aims to take advantage of Beijing's industry restructuring plans by becoming one of China's biggest rare earth producers and processors, has already halted operations at its processing plants and wants other companies to follow.

But the spokesman said it remained unclear whether they would make a similar pledge. "Right now this is just a proposal," he said.

Mandatory limits on rare earth mining have already led to shortages at a number of processing facilities, and a nationwide production halt would prevent Minmetals' rivals from turning to the black market to keep their plants running.

Chinese media reports suggested that rare earth companies have already reached an annual production quota set by the government, which allows for the production of 93,800 tonnes of rare earth oxides for all of 2011.

Although output has been restricted as part of a campaign to impose order on a notoriously ill-regulated sector, Chinese miners have routinely exceeded their production permits.

The Ministry of Industry and Information Technology imposed a quota of 89,200 tonnes in 2010, but actual output reached around 130,000 tonnes, according to figures from the China Rare Earth Society cited on Wednesday by the China Securities Journal.

Minmetals urged the sector to comply with the production plan imposed by the industry ministry in March, and also called on companies to "strictly implement

state and regional pollution standards and reduce environmental damage during the course of production."

Eastern China's Jiangsu province, which hosts 10 large-scale rare earth separation plants, has already suspended production at the majority of its smelters in a bid to meet new environmental standards, a local official said on Wednesday.

"The majority of rare earth separation plants have suspended production for around one month, and are upgrading their facilities and technology to meet the government's higher standards," a spokesman for the Jiangsu Rare Earth Association, surnamed Cai, told Reuters.

Cai said China would issue new standards for rare earth producers in November, but he added that Jiangsu had no timetable for resuming operations.

"China's strict curbs on rare earth mining this year has led to a supply shortage for separation plants," Cai added.

## **CRACKDOWN**

China has justified its crackdown on the sector by saying that high levels of output were unsustainable and that unregulated mining was ruining its environment.

But it has also complained that despite being the world's overwhelmingly dominant producer, it has lacked pricing power over a range of 17 elements used in industries such as defence and renewable energy.

China accounts for 97 percent of global rare earth production, and overseas governments have accused Beijing of deliberately withholding supplies in order to push up prices and improve its own competitive edge in products such as wind turbines and hybrid vehicles.

China has issued total export quotas of 30,184 tonnes this year, slightly lower than the 30,258 tonnes issued last year.

But according to industry estimates, another 10,000 tonnes was illegally exported in 2010, prompting Beijing to begin a crackdown on smuggling in the sector.

The government's efforts to bring the industry under more control include a plan to set up a state-owned monopoly in Inner Mongolia, where the vast majority of China's rare earths are produced.

It has also banned the prospecting of new rare earth deposits until 2012 as it draws up new environmental standards for the sector.

The following table lists rare earth mining quotas for each province and municipality in China in 2011.

<b>Region</b>	<b>Light Rare Earth</b>	<b>Med/Heavy Rare Earth</b>
Inner Mongolia	50,000	
Fujian		2,000
Jiangxi		9,000
Shandong	1,500	
Hunan	2,000	
Guangdong		2,200
Guangxi	2,500	
Sichuan	24,400	
Yunnan		200
<b>Subtotal</b>	<b>80,400</b>	<b>13,400</b>
<b>Total</b>	<b>93,800</b>	

Unit: tonnes

Source: China's Ministry of Land and Resources

(Reporting by David Stanway in Beijing, Ruby Lian in Shanghai and Polly Yam in Hong Kong; Editing by Ken Wills)

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