
Codelco raises Japan and Korea copper charges for 2010

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Bloomberg reported that Codelco will raise the surcharge on sales to Japan and South Korea by as much as 16% 2010 as demand from China lifts metal prices.

Two company executives said that the premium will be USD 74 per tonne in 2010 versus USD 65 in 2009 for Japan and USD 64 for South Korea. The charges are added to London immediate delivery prices to reflect regional supply and demand and to cover shipping and insurance costs.

Copper, used in pipes and power cables has more than doubled in London this year as China's CNY 4 trillion stimulus spending and state stockpiling boosted the country's imports to a record. The fee increase by Santiago, Chile based Codelco sets a benchmark for other producers and may spur Freeport McMoRan Copper & Gold Inc and Pan Pacific Copper Company to follow suit.

Codelco's increase for Japan and South Korea, the first since 2007 comes amid forecasts for rising demand as the global economy recovers from its worst recession since World War II. 3 month delivery copper on the London Metal Exchange reached USD 6,732 per tonne on October 26th 2009, the highest since September 2008. The metal closed at USD 6,490 per tonne.

Mr Gu Liangmin GM of the copper department at China Minmetals Nonferrous Metals Company said that the fees for Chinese buyers would likely be about the same as the charges for Japan and South Korea or perhaps only slightly different. The 2009 premium was USD 72 to USD 75. Chinese and Codelco executives are slated to meet in mid November to discuss the fees.

According to Mr Robin Bhar a metals analyst at Calyon in London said that Codelco's decision to leave European prices on hold due to the sluggish regional economy led analysts to expect a rise in Asian premiums of between 5% and 10%. The larger than expected increase may help copper rise by USD 20 per tonnes to USD 30 per tonne when the London market opens on November 9th 2009.

He said that "This is not unexpected but it is a positive sign for copper. The big story this year has been the huge rebound in the copper price and that has been largely because of very healthy Chinese demand. The increase in copper premiums is due to that one thing: China."

Mr Oscar Gonzalez Rocha CEO of Southern Copper said that "By 2010, the American economy and most of Europe will have recovered from the crisis and consumption will be up." He added that nor will there be many mines coming online in that timeframe.

(Sourced from Bloomberg)

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