
BHPB may win 33pct cut in copper material fees

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Bloomberg cited analysts Mr Atsushi Yamaguchi and Mr Peter Richardson as saying that BHP Billiton Limited may win 33% cut in copper processing fees for 2010 on raw material supply shortages.

Mr Yamaguchi a Tokyo based analyst at UBS AG said that the company may pay USD 50 per tonne and 5 cents a pound in so called treatment and refining charges in 2010. That's down from USD 75 per tonne for smelting and 7.5 cents per pound for refining for 2009.

Mr Christine Meilton an analyst at London based Research Company CRU said that copper in London has more than doubled this year as China's imports rose to a record. The fees for producing metal from semi processed ore known as concentrate drop when there is a shortage as smelters compete for supplies. The global deficit of the raw material may raise 5 fold to 1 million tonne in 2010.

Mr Yamaguchi said that "Negotiations will be tough for Japanese smelters, which will meet Freeport, the world's biggest publicly traded copper producer, from today in Bangkok. BHP Billiton plans to meet the smelters next week in Tokyo. The Japanese companies are the top buyers of concentrate after China.

Copper for delivery in 3 months gained 1.8% to USD 6,645 per tonne on the London Metal Exchange at 6:16 PM Tokyo time. The metal, used in pipes, tubes and cables reached USD 6,732 on October 26th 2009 the highest level since September 29th 2008. Treatment fees are expressed in dollars per ton of concentrate received and refining fees in cents per pound of copper contained in the concentrate. The fees are deducted from the price paid by smelters to miners for the concentrate.

Mr Yamaguchi said that "Given current foreign exchange rate trends, copper prices and sulfuric acid prices, around 13 cents per pound may be the level at which the Japanese operators can remain profitable. The 13 cents per pound level is equivalent to USD 55 per tonne and 5.5 cents per pound.

According to Mr Yamaguchi, that would be the same level that BHP and the Japanese companies agreed for mid year contracts started in July which typically cover less than 20% of the smelters needs.

Japan's largest smelter is Pan Pacific Copper Company owned 66% by Nippon Mining & Metals Company and 34% by Mitsui Mining & Smelting Company. Sumitomo Metal Mining Company ranks second ahead of Mitsubishi Materials Corporation Producers including Pan Pacific cut production this year as the global recession reduced demand.

(Sourced from Bloomberg)

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