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## Smelters win higher zinc fees as mine supply increases - Analysts

Wednesday, 03 Mar, 2010

Bloomberg cited analysts Mr Atsushi Yamaguchi and Mr Kim Gyung Jung as saying that Korea Zinc Company may win higher processing fees on increased mine supply.

Mr Yamaguchi said that “We expect a small increase of 2.5% this year as mine supply is now enough. Actual processing fees are predicted to increase to USD 363 per tonne in 2010 from USD 354 in 2009, based on an average zinc price of USD 2,538 per tonne.

Zinc, used to galvanize steel has doubled in the past year as the global economy recovered from its worst postwar recession, spurring more mine production. The fee paid to smelters gains when the supply of raw material, or so called concentrate, grows as miners compete for processing capacity. Agreements between Teck Resources Limited and Korea Zinc typically set a benchmark.

Mr Kim an analyst at Samsung Securities in Seoul said that annual fees are normally settled during the American Zinc Association’s industry gathering. The meeting will be held from February 28 to March 2 in Scottsdale.

Samsung’s Mr Kim and Mr Lee Won Jae an analyst with SK Securities Company in Seoul also said that smelters should benefit this year from higher metal prices declining to elaborate.

Korea Zinc spokesman Mr Lee Sang Hoon and Mitsui Mining & Smelting spokesman Mr Yushi Sugiura said that no deal had been reached, while Teck Resources declined to comment.

Mitsui Mining & Smelting and Sumitomo Metal Mining Company own a JV called MS Zinc Company. Teck Resources, which owns the world’s biggest zinc, mine at Red Dog in Alaska. The metal for 3 month delivery climbed 3% to USD 2,179 per tonne at 6:40 PM Singapore time today. The price reached USD 2,736 on January 7th 2010, the highest level since March 2008.

Macquarie Group analysts including Mr Colin Hamilton said that “Terms will probably settle on a benchmark treatment charge in the mid USD 200s at a base zinc price of USD 2,000 per tonne. This would represent a drop in the share of revenues to smelters at this price level compared with last year. This comes despite a steeper rise in smelters’ costs compared with miners’ costs in recent years and is a trend that we expect to continue in the medium term.”

(Sourced from Bloomberg)

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