
China restructuring plan for ferroalloy sector

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The Central Government of China announced in last week the points of enforcement concerning the composition adjustment titled proposal for development of ferroalloy industry in China.

In order to reduce the facilities to produce ferroalloys in China, the Central Government of China enforced the regulations in the past several years but this proposal as mentioned above has aimed to reduce facilities for ferroalloys by 24% in 2010 compared with that in 2005 and new capacity will be decreased to produce 20 million tonnes per annum of ferroalloys.

The Central Government of China once said that the capacity in China to produce ferroalloys has to be on a scale of 20 million tonnes per annum by 2007 and will be reduced to 17.50 million tonnes per annum. The composition adjustment as announced in this time has targeted to maintain the direction to promote enlargement of facilities but also intended to concentrate more than 60% of the whole production of ferroalloys in China on large electric furnaces in the next 3 to 5 years by means of encouraging a scale extension of enterprise.

The main points on the composition adjustment of ferroalloys as announced on the 5th November of 2008 by the Central Government of China are summarized as follows

1. In order to cope with the needs from ferroalloy market, the capacity to produce ferroalloys in China has to be adjusted. Therefore, the facilities to produce ferroalloys will be controlled by 24% compared to that in 2005 producing 20 million tonnes per annum of ferroalloys in 2010. For this purpose, in the course of the next 3 to 5 years

(A). The enterprises to produce more than 100,000 tons per annum of ferroalloys have to be consolidated to approximately 40 companies and these large enterprises will aim to share 65% of energy to be consumed to produce ferroalloys

(B). Among these large enterprises, the composition has targeted to be adjusted to two companies to produce more than one million tons per annum, eight companies to produce 300,000 to 1,000,000 tonnes per annum and remaining thirty companies to produce 100,000 tonnes 300,000 tonnes per annum.

2. This consolidation to large enterprises will enable China to elevate the technologies for production of ferroalloys. The capacity to produce ferroalloys in China by operating large electric furnaces with transformer capacity of more than 12,500 KVA per furnace is expected to share more than 60% of the whole production until 2010. Also, the composition of electric furnaces are scheduled to consist of a number of 25,000 KVA electric furnaces will share more than 10% of the total furnaces installed in China and a number of 12,500 to 25,000 KVA electric furnaces will share 50% of the total furnaces.

3. By these arrangements, the volumes of energy and raw materials to be consumed in 2010 are expected to be improved by more than 10% compared with the levels in 2005. The percentage of environmental standard to be achieved by each producer will come to 100%. Also, at the same time, the utilization of remaining heat and slag will be promoted. In expectation of upgrading product quality, the cases in 2010 to develop new products by means of lowering contents of phosphorus, sulfur, aluminum and nitrogen are anticipated to double compared to those in 2005 and the ratio of successful products is forecasted to reach 99.5%. Even in the sector to produce such special ferroalloys as calcium silicon, it is required to install large electric furnaces and small electric furnaces, such as less than 5,000 KVA, are promoted to be utilized only for production of special ferroalloys. In order to maintain the environmental standard and to implement thoroughly it, the works to enter and make an inspection, to control them, and so on have to be strengthened.

4. The conversation and cooperation between ferroalloy producers and mining companies are necessary to be promoted and the matter to form a community for mutual benefit is expected to be developed. Through the active investments in overseas enterprises, China has to ensure chrome mines and manganese mines and the refining in overseas countries will be promoted.

5. The total quantity of ferroalloys produced in China for 2007 came to 17.46 million tonnes having increased by 3,135,000 tonnes compared with that in the preceding year of 2006.

(A) According to the data compiled by China Ferro-Alloys Producers Association, a number of ferroalloy enterprises is estimated to be approximately 1,800 companies and the total capacity will be able to produce 26.00 million tonnes per annum of ferroalloys. Many of these producers have existed in western part of China. The furnaces for melting under operation are estimated to be approximately 3,900 furnaces, including 3,500 electric furnaces, which share 89% of the whole furnaces, and

50 blast furnaces, which share 10% of the whole.

(B) The distribution map of ferroalloy producers in China is composed mainly of 32 companies to produce ferroalloys on a scale of more than 100,000 tons per annum, 180 companies to produce ferroalloys on a scale of 30,000 to 100,000 tonnes per annum and 930 companies to produce ferroalloys on a scale of 10,000 tonnes per annum and these capacities will share a majority of ferroalloys produced in China. In addition, 50 blast furnaces are operated to produce ferroalloys and approximately 350 furnaces for refining are also operated to produce ferroalloys. The total capacity of these furnaces will share 10% of the whole.

(C) The distribution map of ferroalloys produced in China and broken down by items is estimated to be ferrosilicon produced by approximately 450 companies, manganese ferroalloys produced by approximately 750 companies, chrome ferroalloys produced by approximately 100 companies and other ferroalloys produced by approximately 470 companies. The volumes of energy consumed for production are shared by 25% of the whole to produce ferrosilicon, by 50% of the whole to produce manganese ferroalloys and by 10% of the whole to produce chrome ferroalloys.

(D) The distribution map of electric furnaces operated in China and broken down by transformer capacity will consist of 28 electric furnaces with transformer capacity of 25,000 KVA / furnace, 2,200 electric furnaces with transformer capacity of 5,000 to 25,000 KVA / furnace and 1,200 electric furnaces with transformer capacity of less than 5,000 KVA / furnace. These furnaces have included 2 blast furnaces with inner volume of more than 300 cubic meters, 26 blast furnaces with inner volume of 100 to 300 cubic meters and 8 blast furnaces with inner volume of less than 100 cubic meters. In 2007, the enterprises having the capacity to produce more than 100,000 tons per annum of ferroalloys, were 32 companies, which increased by 9 companies compared to those in 2003. Also, in 2007, the enterprises, having the capacity to produce less than 100,000 tons per annum of ferroalloys, were 178 companies, which increased by 69% compared with that in 2003.

6. In consequence of that the Central Government of China has been controlling the exports of ferroalloys from China, the exports of Chinese ferroalloys are in the direction to decrease from July of 2007. This tendency has come up clearly to the surface on exports of ferrosilicon and the quantity of ferrosilicon exported from China in the first half of 2008 had a decline of 14% from that in the same period of 2007. The world demand for ferroalloys in 2007 is supposed to be 33.05 million tons and China supplied ferroalloys with 52.8% of this world demand. It is anticipated that the quantity of ferroalloys to be supplied by China to the world market in 2008 will increase to 57.14% of the world demand.

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