

Source: CM



CHINA **MAGNESIUM** MARKET - MONTHLY REPORT

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August 2021

**Prices:**

- Primary Mg prices rose by 3%~4% m-o-m as a result of rising production costs, particularly coal and Fe-Si.

Production

- Most producers maximised production rates, incentivised by higher prices.
- China's total primary Mg production in July reached 82.5kt, up 2% m-o-m or 8% y-o-y.
- Shaanxi remains the dominant producing province, at 54kt and accounting for 67% of total production, followed by Shanxi at 19kt (20%).

Trade:

- China exported 22.3kt primary Mg in July, down 3% m-o-m, but up 3% y-o-y. Total exports of primary Mg were 140kt, or 40% of the total production, up 3% y-o-y.

Costs:

- Average cash costs for Pidgeon producers in Shaanxi were US\$1,949/t, compared with US\$2,646/t for producers in Shanxi. Costs increased by 15% m-o-m, mostly because of higher FeSi and coal prices.

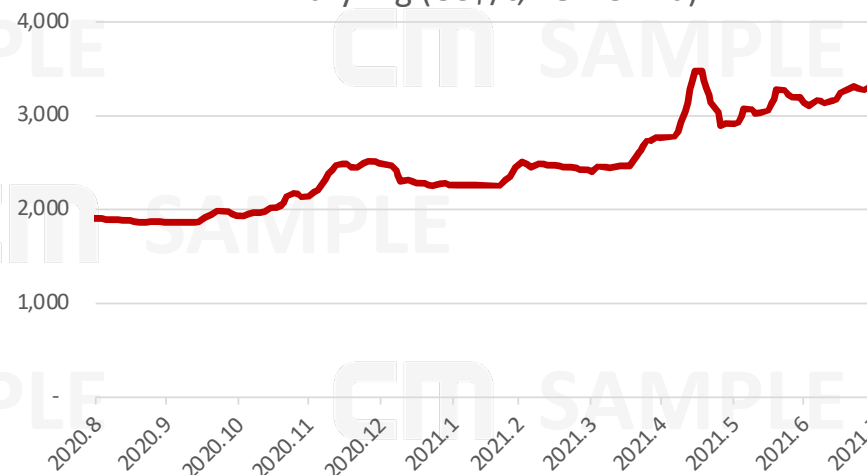
Inventory:

- Inventory held at China's primary Mg plants was down 40% m-o-m, from 33.0kt in June to 21.5kt in July, mainly due to increased sales and stock-build from downstream buyers.

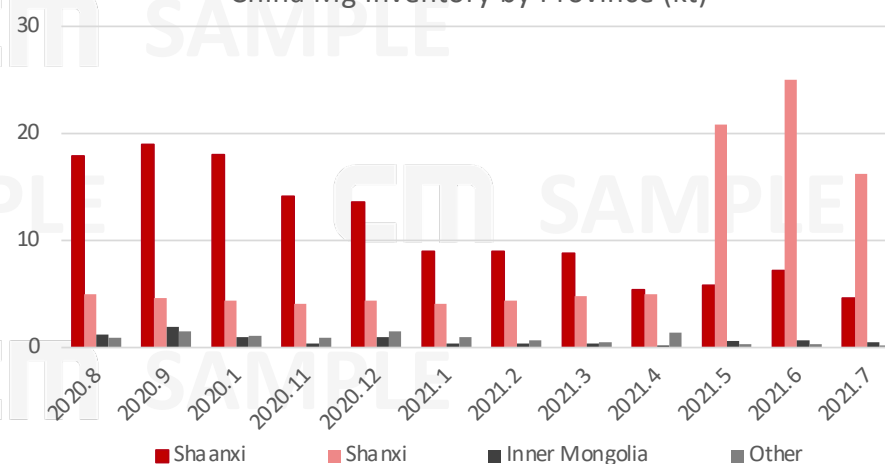
Outlook:

- We continue to hold a bullish outlook towards primary Mg market in Q4, forecasting prices to be driven higher by further input cost increases and potential supply disruptions caused by energy policy rollout.

Primary Mg (US\$/t, FOB China)



China Mg Inventory by Province (kt)





Prices

Products	Specification	Price Term	June	July	MoM %
FX Rate	USD / RMB		6.41	6.46	1%
Primary Mg	99.90%	RMB/t, ex-works	19,150	19,950	4%
	99.90%	US\$/t, FOB China	3,100	3,200	3%
	99.90%	US\$/t, CIF Rotterdam	3,300	3,450	5%
	99.95%	RMB/t, ex-works	19,550	21,100	8%
Primary Al	A00, 99.7%	RMB/t, ex-works	18,600	19,150	3%
FeSi	75%	RMB/t, ex-works	8,400	8,600	2%
Semi-Coke	Size 8-18mm, C>85, Ash<8, S<0.3	RMB/t, ex-works	1,200	1,450	21%
Steam Coal	Q5500, Ash<8, S<0.8, Moi 10~14	RMB/t, Qinhuangdao	881	923	5%
Mg Powder	99.90%	RMB/t, ex-works	20,000	21,000	5%
	99.90%	US\$/t, FOB China	3,250	3,400	5%
Mg Alloy	AZ91	RMB/t, ex-works	20,950	21,750	4%
	AZ91	US\$/t, FOB China	3,350	3,450	3%

Primary Mg Production (kt)

Province	Jun	Jul	MoM %
Shaanxi	54.2	46.5	-14%
Shanxi	16.0	16.5	3%
Inner Mongolia	3.4	5.3	56%
Other	7.6	5.3	-30%

Producer Primary Mg Inventories by Province (kt)

Month	Shaanxi	Shanxi	Inner Mongolia	Other	Total
May 2021	5.8	20.8	0.6	0.3	27,500
Jun 2021	7.2	25.0	0.7	0.3	33000
Jul 2021	4.6	16.2	0.5	0.2	21450

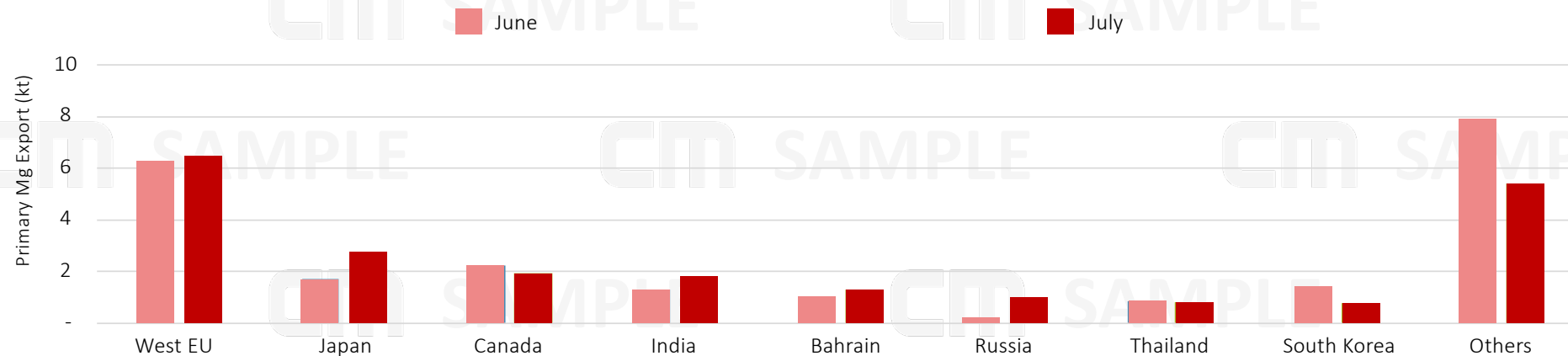
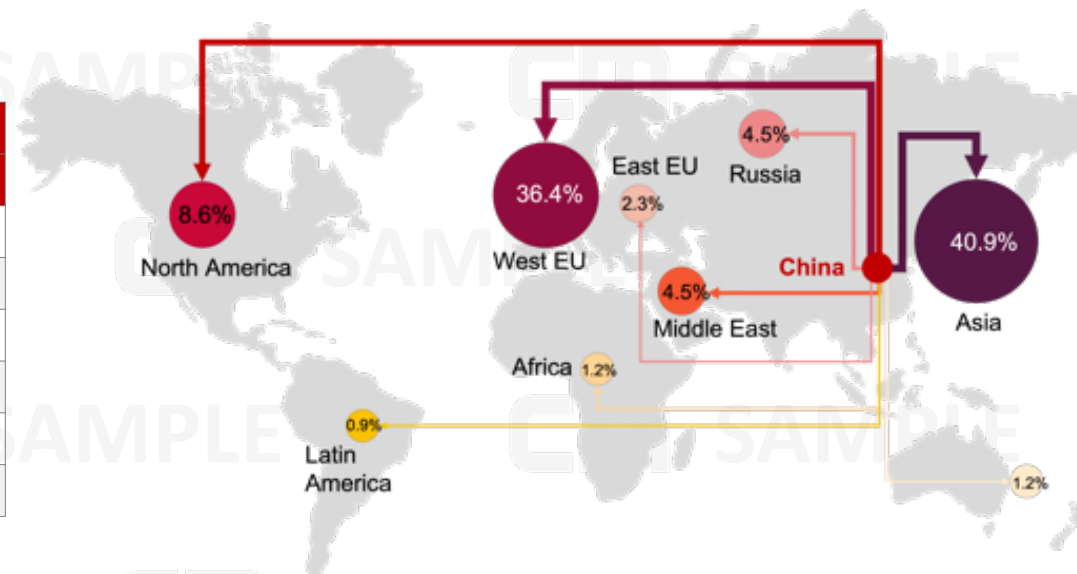
Source: Public Sources, CM



China Primary Mg Exports, Tonne

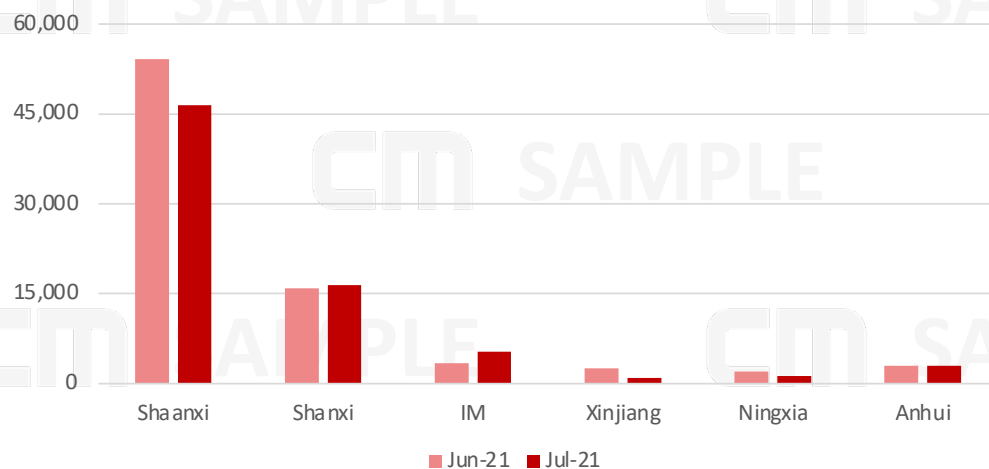
Source: China Customs

Commodity	China Mg Exports, , kt Mg metal		
	June	July	MoM %
Unwrought Mg >99.8%	22.93	22.27	-3%
Other Unwrought Mg	6.46	6.94	7%
Mg Waste & Scrap	0.35	0.15	-56%
Turnings, Granules, Powders	6.11	5.80	-5%
Wrought Mg	0.14	0.32	128%
Mg Articles	0.47	0.45	-3%





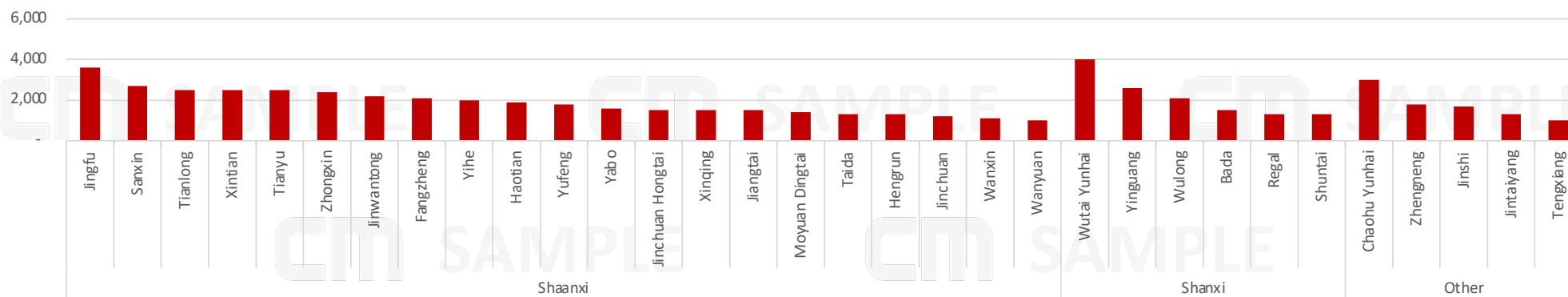
Production by Province (t)



July 2021



Key Producers in July (t)

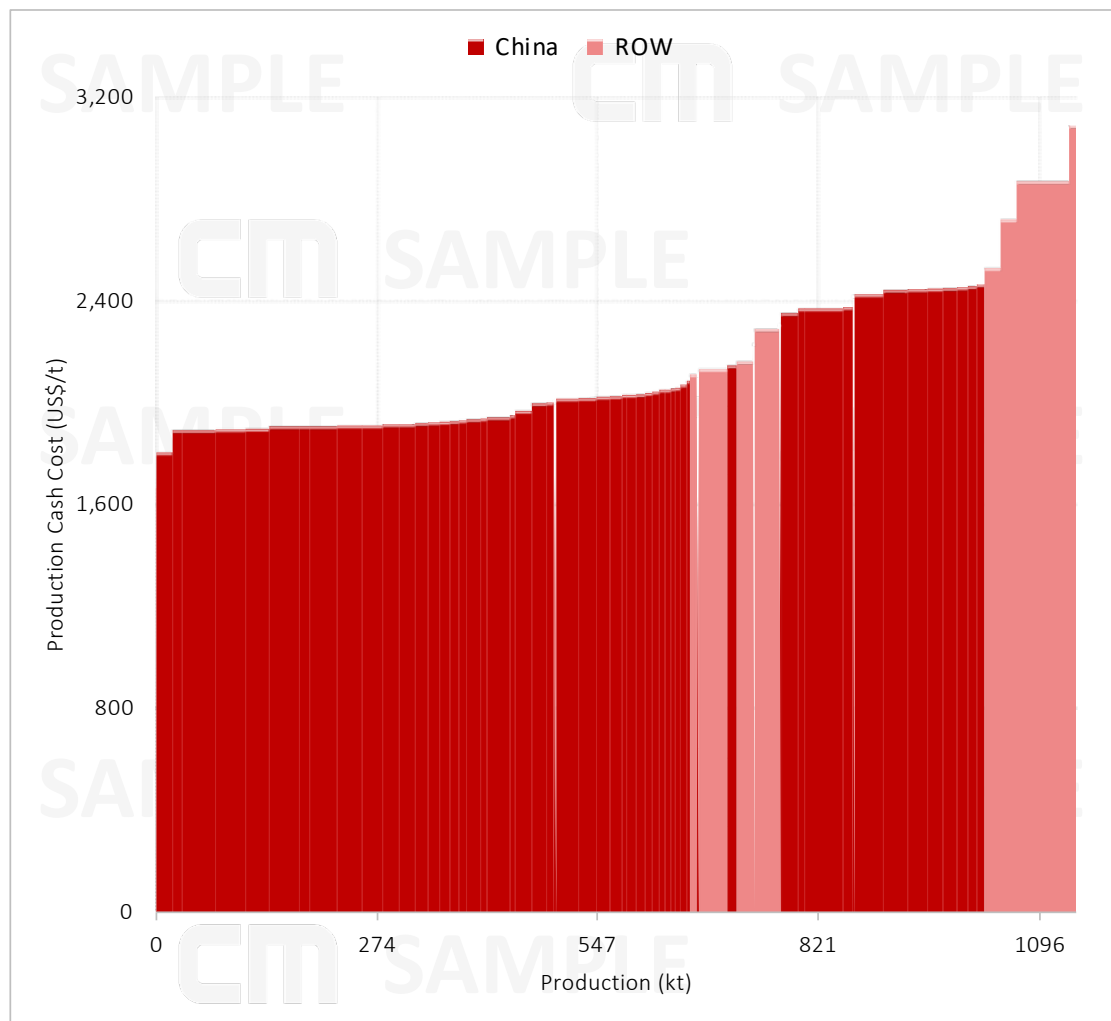


Source: Public Sources, CM



VAT excl	Unit	Shaanxi		Shanxi	
		Cost	Share	Cost	Share
Annualized Output	Tonnes	645,760		179,560	
Raw Materials	US\$/t	1,401	72%	1,378	57%
Labour	US\$/t	212	11%	183	8%
Energy	US\$/t	73	4%	612	25%
Other	US\$/t	264	14%	254	10%
Cash Cost	US\$/t	1,949		2,426	
Price	US\$/t	2,610		2,652	
Margin	US\$/t	661		226	
Margin	%	34%		9%	

Source: CM





China FeSi & Mg Price (RMB/t)



China FeSi & Mg Price (US\$/t, FOB)



China Mg & Al Price (RMB/t)



China Mg Alloy & Mg Powder Price (RMB/t)



Source: AsianMetal, Cnfeol, ChinaCCM, CM



Area	Date	News, Announcements and Intel
Xinjiang	6-Jul	Hami Shengxin Magnesium started summer maintenance at the beginning of July. The company plans to conduct a 15 days maintenance and the production will reduce 600 t in July.
Qinghai	7-Jul	Qinghai Salt Lake Magnesium Industry Co., Ltd. organized a kick-off meeting for the “Major Magnesium Metal Integration Project—Optimization and Transformation of Magnesium Equipment”. The project leader makes an overall report on the background of the magnesium plant optimization and rectification project, the overall plan of the project, key control nodes and current actual progress. The project management department fully conducted related issues that need to be resolved and implemented.
Shanxi	7-Jul	The key projects to be implemented by Bada Magnesium Co., Ltd. this year include the reconstruction and expansion of high-quality magnesium alloy profiles, plates and billets casting used in transportation sector. Total capacity is around 40,000 t. The construction content includes the reconstruction of 4 magnesium alloy semi-continuous casting production lines, 4 magnesium alloy vacuum melting production lines, and workshops and road facilities for the production lines.
Xinjiang	15-Jul	Xinjiang Jinsheng Magnesium stopped production due to the broken of its coking equipment. The maintenance will conduct for two months, and the company's production will reduce 3200 t.
Shaanxi	16-Jul	Yabo Semi-coke Corporation resumed production on July 16 after 20 days maintenance. The company totally produced 1550 t magnesium in June and the production is expected to be around 1100 t in July.
Shaanxi	19-Jul	Fugu Magnesium's horizontal retorts came on stream at the beginning of this month and the production is around 7-8 t per day. Production remains low as there were still 2/3 retorts under preheat stage. The full production can reach 32-33 t per day after all the retorts start to work.
Ningxia	20-Jul	Ningxia Taiyang Magnesium started maintenance for its gas piping on Jul 20 and the maintenance will last around 20 days.



Area	Date	News, Announcements and Intel
Shaanxi	20-Jul	Fugu Taida has conducted maintenance on July 20 and will start magnesium production on July 21. The production will resume to 90 t per day on July 24. The production will reach 900 t in July.
Brazil	21-Jul	Brazil launched the third anti-dumping investigation on magnesium granules ($Mg \geq 90\%$, $CaO \leq 10\%$) originating from China. This investigation is to response to the application submitted by a Brazilian enterprise on March 21st, 2021. The MERCOSUR tax number of the products involved were 8104.30.00 and 8104.90.00. The anti-dumping investigation period is from Jan 2020-Dec 2020 and injury investigation period is from Jan 2016 to Dec 2020.
Ningxia	23-Jul	New policy was published in Ningxia Zhongwei on July 23rd, requiring companies to control energy consumption strictly. It is reported that 2 FeSi companies will totally stop 3 furnaces in August. Steel bidding launched this week, fixing the price to RMB9000/t, bringing more confidence to the market.
Shaanxi	23-Jul	Fugu Jinwantong Magnesium finished maintenance for its 1st and 2nd plant on July 23rd and started production on July 28th. Its production will then increase from 80t/day to 120t/day.
US	27-Jul	Western Magnesium Corporation (TSXV: WMG; Frankfurt-3WM; OTCQB:MLYF) ("WMC" or the "Company") is excited to announce that testing will commence within the next 30 days, on its proprietary new reactor. Management is pleased with the progress to date and is excited to commence this next phase. Sam Ataya, Executive President and CEO stated, "When the commercialized pilot plant is fully assembled and operating with our new proprietary reactor, we will be able to scale up production of magnesium metal."
Shaanxi	28-Jul	Fugu Yide Magnesium Alloy started maintenance on July 28th, and the maintenance will last for nearly one month to Aug 25th. Its production will then resume to 80t/day and the production in August is expected to be around 300 tonnes.



Company	Province	Interview Week	Outlook Sentiment		
			Bearish	Moderate	Bullish
Jinwantong	Shaanxi	W1 July		●	
Xintian	Shaanxi	W1 July		●	
Taida	Shaanxi	W1 July	●		
Zhongxin	Shaanxi	W2 July			●
Wanyuan	Shaanxi	W2 July			●
Wulong	Shanxi	W2 July			●
Zhenxin	Shanxi	W3 July			●
Chaohu Yunhai	Anhui	W3 July			●
Yunsheng	Inner Mongolia	W3 July			●
Jintaiyang	Ningxia	W3 July			●
Wutai Yunhai	Shanxi	W4 July			●
Shanxi New Energy	Shanxi	W4 July			●
CM View					●

- CM's regular monthly market survey revealed industry participants continue to hold a positive outlook for China's primary Mg market heading into September, anticipating prices to rise further.
- CM shares this generally bullish market sentiment: on one hand we forecast production cuts of FeSi in Ningxia and Inner Mongolia to further tighten in September due to local energy control policy, which is likely to drive up price of FeSi further and accordingly lifted the production costs of primary magnesium. On the other hand, producers are likely to remain a reluctant selling mood given current "crazy" prices of coal. Last but not least, we were told by local insiders that the government in Fugu is discussing with local producers about production shift during electricity peak hours to reduce electricity usage which is likely to affect local production next month.
- All in all, price of primary magnesium is going to be driven up further in September due to potential supply disruptions.



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