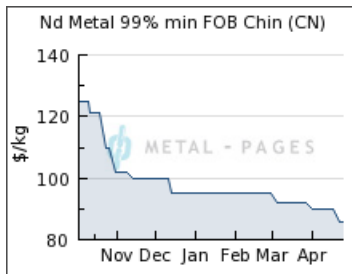


Back To Normal

Before I start this article, I need to acknowledge the passing of Keith Delaney in March. To me Keith was both a friend and a trusted colleague, which is rare in business these days. Our industry will miss him, as will I. Over the last decade, Keith was with Molycorp and was the founding executive director of the Rare Earth Industry and Technology Association (REITA).

The inspiration for this article comes from attending the Magnetics 2013 conference this year in Orlando. One of the things I noticed was the collective sense of relief over the recent decline in rare earth prices. Many people showed slides like the one below to make their point.



Nd metal prices, FOB China, reported by Metal Pages for October 2012 to April 2013

There are several questions I think are very salient to the conversation about what has happened in recent months that either weren't asked, or asked and incompletely answered. So I would like to address them here.

First, we all know that rare earth prices reported in the literature showed a pronounced peak in the summer of 2011, followed by a decline that continues today, but it is important to understand the origin of these prices. They come from Metal

Pages and Asian Metal, who conduct interviews on a regular basis which reflect the spot market. They don't include contract prices which is actually the preferred way to buy or sell rare earths. However, since contract prices are negotiated privately between buyer and seller, the information is usually not transparent. Spot prices became the surrogate for all prices. What happened to the actual prices that people paid for real products? I suspect that the peak in contract prices was not nearly as pronounced as spot prices, but it will be difficult to find the data necessary to prove or disprove this claim. If nothing else, the rare earth price spike was a good lesson in the importance of buying with a contract rather than the using the spot market.

Second, we might all ask ourselves if anything we did recently caused the decline in rare earth prices. The most likely answer is not much, which is an admission that we are just as unlikely to prevent or reduce the effect of any future price changes. This is an important consideration as we make business plans for the future.

Third, is the rare earth crisis really over? For the time being we are in a lull for neodymium and samarium in terms of price fluctuations. Trouble could return from either a supply shortage or increase in demand, since these forces are rarely in sync. But for now the waters ahead look calm. There is clearly still a crisis for dysprosium, which is reflected in its price. It has not fallen from its peak as much as neodymium on a percentage basis. Fundamentally this is happening because we are still using too much dysprosium.

From the supply side, nothing is going to change soon. The only solution is to work on the demand side, discussed in my last article.

So are we really back to normal, or what people now call “the new normal,” after the great recession? I don’t think we are back to normal under either definition. Today’s lower prices for rare earths are a single aspect of a complicated situation and may be temporary. To be completely back to normal we also need everyone, buyers and sellers alike, to be financially healthy and stable. That hasn’t happened yet and that is what we need to work on.

And the final return to normal, at least for me, is my return to consulting and teaching after a brief tour of duty in the corporate world. So far it has been an easy and pleasant transition. I enjoy having time for clients and the occasional bike ride. I hope to interact with some of you in my new capacity.

SRT

Spontaneous Materials

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