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Mitsubishi Materials to Boost Copper Output as Smelter Restarts

By Jae Hur and Ichiro Suzuki - Sep 16, 2011

[Mitsubishi Materials Corp. \(5711\)](#), Japan's third-largest copper smelter, will increase production by as much as 17 percent after its Onahama smelter, which shut after the March 11 earthquake, resumed operations at full capacity.

The company expects to boost output to 24,000 metric tons to 25,000 tons per month from October to March, Yasunobu Suzuki, executive officer at the company's sales department, said in an interview yesterday. The company planned to produce 21,396 tons a month from April 1 to Sept. 30.

"We expect some good demand from the auto sector from October and for the construction sector we may see demand to rebuild at the earliest from January," Suzuki said. The company will give a six-month output plan in early October, he said.

An increase in production may further depress prices in [London](#). Copper, used in pipes, tubes and wires, has fallen 8.6 percent this year, touching an eight-month low on Aug. 9 on concern that slowing [U.S. economy](#) and [Europe's](#) sovereign-debt crisis may reduce demand for industrial metals. Societe Generale SA's global asset allocation team went "underweight" on commodities, saying the asset class is in the "danger zone."

Demand for the metal outstripped production by 246,000 tons last year, the International Copper Study Group said on Sept. 7. The world supply deficit is expected to total 377,000 tons in 2011 and 279,000 tons in 2012, the group said in April.

Copper may average \$8,710 a ton on the London Metal Exchange in 2012, [Societe Generale](#) said in a report on Sept. 14. The metal rose 0.8 percent to \$8,776.25 a ton at 12:57 p.m. in [Tokyo](#), 14 percent below a record \$10,190 in February.

Force Majeure

The smelter, located in Fukushima prefecture, resumed partial operations from June 30 after the disaster halted output, damaged the nearby port and drove the company to declare force majeure, a legal clause allowing companies to miss deliveries because of circumstances beyond their control.

Mitsubishi Materials reduced output in the April-to-September period by 22 percent from 27,342 tons a month in the same period a year earlier. It operates the Onahama smelter with a capacity of 258,000 tons and the Naoshima smelter, in western [Japan](#), with 225,000 tons.

The company will maintain force majeure on concentrate shipments as nearby port facilities haven't fully recovered, even though Onahama has been running at full capacity since Sept. 3, Suzuki said.

Damaged Port

Of the three piers at Onahama port that the company was using before the disaster, two are partially serviceable, while the third won't be ready until March 2013, he said. The company can also use the nearby Fujiwara pier in the port and the [Shimizu port](#) in Shizuoka prefecture, Suzuki said.

The company will be able to lift force majeure when the port facilities fully reopen, Tatsuya Inoue, general manager of the company's strategy department, said in July.

Vessels carrying concentrate began calling at the port from August, Suzuki said, amid concern that some cargo ships from as far away as [Chile](#) would refuse to enter after the disaster that also crippled the Fukushima Dai-Ichi nuclear power plant, site of the worst nuclear disaster since Chernobyl.

The company has a 50 percent stake in the smelter, followed by Dowa Holdings Co. with 31.6 percent and Furukawa Metals & Resources Co. with 12.7 percent. The remainder is owned by other Japanese companies including Mitsubishi Cable Industries Ltd. and [Mitsubishi Corp. \(8058\)](#).

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