[2010-07-16] **How to reach a fair price for Rhenium?**

Arguments over the basis on which commodities are priced is an ever-green topic.

In April 2010, BHP and Vale, promptly advised their main consumer, China, that future iron ore sales would move from 'annual fixed prices' to 'spot' pricing. In the same month, Alumina producers complained that basing prices in relation to refined aluminium on the LME did not reflect underlying supply-demand influences of their raw material - bauxite. Then, at the end of 2009, the cobalt and molybdenum trade were enticed away from journalist-gathered prices to what was being advertised as a more transparent open market - the LME.

The only consistent fact about these various systems and their advocates, is their inconsistency. At any one time fickle producers and consumers, and merchants like myself, will use whatever benchmark at our disposal to suit our purpose.

Which of course, leads us to Rhenium.

Interestingly, when we come to this subject – and this should be of interest to subscribers to any trade journals who report price - there are signs of a fundamental shift in how this vital metal is priced.

Scrolling back twenty years to 1990, it is not difficult to see that a commodity, whose supply/demand at that time was no more than 13-14 mtpy, and in which one producer, Molymet of Chile, dominated with almost 70% of supply, had to establish its own pricing mechanism. In those days there was only a select circle of users – GE, Pratt & Whitney and Cannon Muskegon (for RR) who were pioneers in the use of aerospace alloys – so the system developed was designed to nurture their demand.

The method chosen was long term fixed prices, with contracts sometimes as far out as 7-10 years and, most likely, with ‘take or pay’ clauses. All went to plan so that by 2008 sales from Molymet reached 28.5 mt out of a 45 mt supply.

But while the size and value of Rhenium in its end use had developed, the pricing system had become outdated. This led to an anomaly that whilst merchants were selling spot lots of Rhenium at $12,000 per kg in August 2008, Molymet (according to official export figures published by Banco Centrale do Chile) was delivering the majority of contracts to customers below $2000 per kg.

Something had to give and the results are where we are now. No one, whether Molymet, other producers, the miners who generate Rhenium at ore level, or the chief exponents of Rhenium’s many un-substitutable uses, would expect the fixed price system to be appropriate for purpose as we move into the second decade of the new century and towards 2025, the centenary of the discovery of this profoundly rare element.

Chief amongst the reasons for a move to objectively reported prices, are the interests of the miners. Previously content, when Rhenium was no more than $300 per kg Re in 1994 to ignore a potential Rhenium credit within the terms of sale or conversion of Molybdenite, this is no longer the case. Miners are more aware of the value of all by-products, including Rhenium, but a host of tramp elements, Se, Te, Ge, In, Cd - even Tl – and many more, which were once problems and which are now just as likely to lie behind a modern high tech device. What was once discarded is now sought after and husbanded. What was once a nuisance is now a potential profit.

Today Codelco, Antofagasta, Kennecott, KGHM and other producers, all seek a specified Rhenium credit, as it would be negligent not to obtain one. The price on which to base this return, however discounted, will be a price based on quotes within one of the accredited metal journals.

Not only miners will be better served by published price contracts. Think also of the many trades now taking place for the purchase and sale of spent Nickel base alloy blades, runners and risers, casting scrap, grindings. Think also of the spent catalyst merchants and processors, and those who collect spent W-Re wire, or suppliers of Re containing Mo filter cake and flue dusts. They cannot use fixed price long term contracts. For all these an objective moving benchmark was needed.

As we move towards 2011 and long term fixed price contracts expire, consumers now expect a system which relates to prices gathered by trade journalists.

Rhenium is quoted in many places now - Metal Prices Metal-Pages, London Metal Bulletin, Metals Week, The Bullion Desk, Dow Jones and Reuters and the competition between them keeps them as accurate as it is possible to be. As we say in the UK, even a broken clock is right twice day - the problem with fixed price long term contracts is that they haven't been right for ten years.

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