



Q&A: Afarak targets increased ferro-chrome integration

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London, 13 June (Argus) – Finland-based ferro-chrome producer Afarak, which has a portfolio of chrome mines and processing facilities across South Africa, Germany and Turkey, recently [increased](https://direct.argusmedia.com/newsandanalysis/article/1445460) output at its Mogale alloys plant. Chief executive Guy Konsbruck spoke with Argus about the firm's assets and the wider ferro-chrome market. Edited highlights follow:

How is the ramp-up of the converted ferro-chrome furnaces at Mogale progressing?

We are very happy with progress. We are now producing normally at the P2 and P3 charge chrome furnaces – the two that were producing silico-manganese before. Of course you can always optimise, and we have a big optimisation campaign under way in the whole plant. But we are quite happy with progress.

Have you made a decision regarding ferro-chrome production from the [final furnace](https://direct.argusmedia.com/newsandanalysis/article/1434126) at Mogale?

Yes, our P4 furnace. We will be up and running in the fourth quarter. So we are preparing that, and expect it to be operational by then.

What is your forecast for production guidance at Mogale?

Our aim is to produce 120,000 t/yr. This year will be difficult because we switched some of the furnaces to charge chrome from silico-manganese, so we had some intermediate output. But we will definitely be at 10,000 t/month from this quarter. We will have a maintenance stop in July, as well.

Would you consider further capacity expansion at Mogale?

The conditions are right, and like anyone else we have a growth approach. So of course we have plans to increase production at Mogale.

But today's attitude would be more to increase our own ore possibilities and use our ore. So we are really trying to remain focussed on our vertical integration.

How is production progressing at the EWW speciality alloys low-carbon ferro-chrome plant?

In Germany today, we are producing at close to full capacity. We closed the plant in April because we had slightly too much inventory. But right now we are progressing very well. We are actually reducing our maintenance stop in July so we can begin producing a little bit earlier.

The plant in principle could produce around 28,000 t/yr – this would be its full capacity. But of course we closed it in April and we always have a maintenance stop in July. So I would say 24,000-25,000 t/yr should be full capacity.

We have a slag reduction and avoidance investment that we are investigating, and I think that we will be implementing it this year. So that is very positive news.

How are the [operations](https://direct.argusmedia.com/newsandanalysis/article/1384108) at Mecklenburg progressing in terms of facilitating underground mining?

We are really advancing well. We produced 12,000t last month, and the target is to be at 20,000 t/month. So we are getting there now. And as we speak, we are also preparing the underground, so we expect to be mining in October-December, maybe even this quarter.

Are there plans to restart the Vlakpoort mine?

Of course. Vlakpoort is a nice deposit with good-quality ore. We are finalising at the moment with South Africa's Mineral Resources Department some technical things about our mining rights, and this is almost complete. So we can look at that next year.

But all the parameters need to be right to begin mining at Vlakpoort. We definitely will not start if prices are as low as they are today.

Are you planning underground mining at any of your other operations, either in South Africa or Turkey?

Well we are exclusively underground in Turkey, so that is another type of mining. But we are permanently looking at new deposits there, so Turkey is always on our minds. We have around 3mn t of proven reserves, and we also have 4mn t of tailings. So our asset life in Turkey is pretty long.

And we are looking very carefully at going underground at Stellite in South Africa. This should be the case in not too long.

Do you sell much chrome ore from your mines to external customers, or is the main focus for your alloys operations?

Both. We want to fully allocate ore from Mecklenburg to our own production, because the chrome-iron ratio suits us well and would give a stable feed for Mogale. But this of course means that Stellite concentrate, which we have been using, will become available for sale in the free market.

Are there any plans for acquisitions of chrome mines or licences?

We are always looking – we have a whole team roaming around. But these assets have to make sense and have to fit our portfolio. We want to produce speciality alloys, so we cannot go for big volumes or lump ore.

What is your view of the stainless steel and chrome markets going forward?

If you take a helicopter view of the stainless steel market, I think that China is still looking at growth rates in stainless steel of 6pc/yr. And that will not stop – it may even rise. So we are very confident about the outlook.

You have one of a market dip in ferro-chrome at the moment. It is always the same thing – prices move up too quickly and China starts to produce, then prices go down as quickly as they went up. In principle, we are very relaxed and very confident that the outlook for our business is quite good in the medium term.

Is there much difference between the high-carbon and low-carbon ferro-chrome markets?

The high-carbon market is more and more influenced by the charge chrome price, so the effect of Asia-Pacific pricing is much more significant than in low-carbon. In principle, both fluctuate with ore prices. But I think that the low-carbon market is much more stable than the high-carbon market.

Luckily, we are trying to make as much speciality alloys as we can, to avoid being too badly affected by sudden price dips.

Do you have an estimate for the third-quarter European ferro-chrome benchmark price?

We said two months ago that benchmark prices would go down. That is obvious, and I am sure that they will continue to decline this quarter. But by how much is difficult to say.

The London Metal Exchange [LME] is considering (<https://direct.argusmedia.com/newsandanalysis/article/1455365>) launching a ferro-chrome contract. What is your view of the use of the current benchmark in the European market?

That is a question that you would really have to ask the bigger players in chrome ore and charge chrome – the volume producers. Our business model is not to be a volume producer, but to be a speciality alloys producer to the greatest extent possible.

I would say having an LME quotation is a very interesting approach, compared with a benchmark with discounts that are sometimes double-digit.

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