

## **Indonesia to limit tin output to lift market**

*Lisa Murray*

Indonesia, the world's biggest exporter of tin, has confirmed plans to limit production of the commodity in a bid to support prices and extend the life of the local industry.

Speculation about a new production cap helped fuel a jump of more than 6 per cent in London tin trading on Thursday. Indonesia is the second biggest producer of the commodity behind China and accounts for about a third of world output.

The new rule, which is expected to limit production to 90,000 tonnes this year and up to 100,000 tonnes in 2009, will be introduced within the next month, Bam-bang Gatot Ariyono, from the Department of Energy and Mineral Resources, told the Financial Times yesterday.

"We will consult with the local government first and then we will probably issue a ministerial decree setting the level of total production in the next month," Mr Ariyono said.

The move is unlikely to restrict companies this year as total output for Indonesia is estimated to reach 80,000 tonnes, according to a forecast from ITRI, a London-based tin research group. But the production controls have added to concerns about world supply.

Indonesian tin production reached a record 140,000 tonnes in 2005 as there was a surge in the number of small-scale producers. But annual production has declined steadily, falling to 103,000 tonnes last year.

"Operational costs for tin producers have jumped by about six times in the last few years as the oil price has surged and Indonesia removed fuel subsidies," said Peter Kettle, of ITRI.

"The government has also clamped down on illegal mining, with exporters now needing a special permit to ship the commodity, so that means the number of small producers has declined significantly."

The bigger players are also struggling. The state-owned PT Timah has flagged lower output this year because of bad weather. It expects total output to drop more than 16 per cent to less than 50,000 tonnes. Meanwhile, China's biggest player, Yunnan Tin, also cut its output expectations this week, citing plant maintenance issues.

ITRI has revised up its forecast for the global tin supply deficit to 20,000 tonnes in 2008, from an earlier 12,000 tonnes. The US Geological Survey, a government agency, estimates Indonesia's reserves at 800,000 tonnes in January.

As a result of supply constraints, tin prices have performed better than some other commodities this year but have been falling since May, when the three-month tin futures contract on the London Metal Exchange reached a record \$25,500 a tonne. It traded at \$21,150 a tonne yesterday.

**Fonte: Financial Times, London, August 23/August 24 2008. Primeiro Caderno. p. 5.**