

# Tungsten Prices Soar

By *TATYANA SHUMSKY*

*China, having dominated the world market, slashes output and exports, and profits for mining companies stand to climb sharply.*  
**DJ-AIG Commodity Indexes**

As China's role in the tungsten market dims, tungsten-mining companies will be basking in the warm glow of profits.

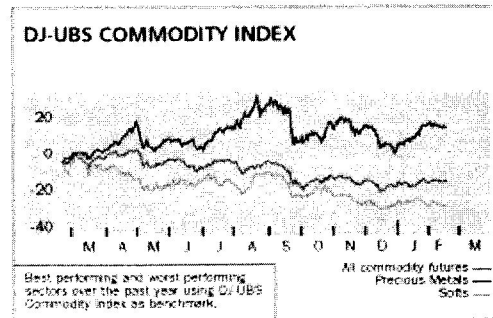
Tungsten gained fame as the filament in incandescent light bulbs. But because it's the second-hardest substance after diamonds, more than half of it now goes to make cutting, drilling and wear-resistant parts.

China, which accounted for around 86% of tungsten production last year, has slashed both output and exports, sending prices on a tear. They climbed about 35% over the course of 2011 and remain 27% above last year's lows.

Because there are no futures contracts on tungsten, investors should look to the stock of mining companies like (ticker: MLG, Toronto) and **North American Tungsten** (NTC, Vancouver) to take advantage of the shrinking supplies and growing demand for the specialty metal.

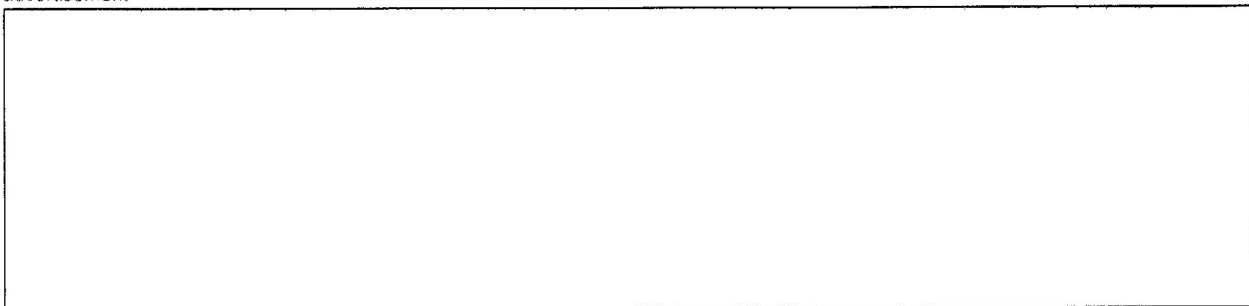
China came to dominate the tungsten market at advertisement

to data from the U.S. Geological Service.



But Beijing's growing need for the metal in its own industries—and its crucial role in military weapons—has prompted China to hoard more of it. Throughout last year, China accelerated its efforts to limit both production and exports, curtailing mines and expansion of existing projects while imposing higher duties on tungsten shipped overseas.

World tungsten production slumped 21%, to 72,000 metric tons last year, from the peak of 90,800 metric tons reached in 2006, according to the USGS. The downturn comes just as robust



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machine tools that rely on the super-hard metal. "Demand has been growing at a pace of about 6% to 7% for a few years, while supply has been almost flat because China reduced their production and shut down a few mines," says Pierre Monet, the CEO of Malaga, which produces the metal in Peru.

**TUNGSTEN IS TRADED IN POWDER FORM,** known as ammonium paratungstate, or APT, and prices peaked around \$460 a metric ton last September, well above the \$330 level reached in January, according to metals consultancy Roskill. ATP traded between \$410 and \$425 Friday, largely flat from the previous week, in the European physical market. But as scarcity increases, the metal could test \$500 this year, Roskill added.

Miners outside China are clamoring to take advantage of the market and are ramping up plans for extraction. But opening a new mine can take three to five years, and restarting an old one can be onerous, as well. However, the companies that survived the onslaught of low-priced Chinese exports—and continued to produce tungsten—now are poised to profit. Malaga and North American Tungsten have mines in place and are gearing up production. Both are penny stocks, a variety of investment usually suitable only for the adventurous. But in this case, this is about the only way that small investors can invest in the metal. And the timing looks right.

Says Roskill: "Very few of the significant new tungsten projects are expected to deliver any substantial tonnages of tungsten in 2012, so the market will be relying on existing producers to cope with any growth in demand."

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