

INSIDE COMMODITIES

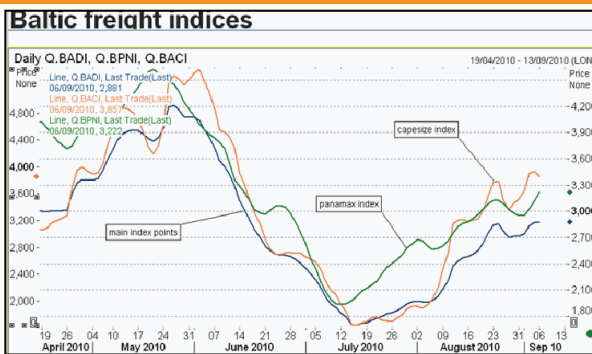
COMPILED ON TUESDAY, SEPTEMBER 07, 2010

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| Index (Total Return) | Close 06 Sept | Change | YTD |
|-------------------------------|---------------|--------|--------|
| Thomson Reuters/Jefferies CRB | N.A. | N.A. | -3.66% |
| S&P GSCI | N.A. | N.A. | -8.46% |
| Rogers International | 3198.76 | 0.64% | -2.32% |
| Dow Jones - UBS | N.A. | N.A. | -3.02% |
| Cont Commod Indx | N.A. | N.A. | 5.47% |
| Other Market Performance | | | |
| US STOCKS (DJI) | N.A. | N.A. | 0.19% |
| US DOLLAR INDEX | 82.054 | -0.07% | 5.37% |
| US BOND INDEX (DJ) | N.A. | N.A. | 8.76% |

| Contract | (AS OF 0629 GMT) | Price | Change | Net Change | YTD |
|------------------------|------------------|------------|--------|------------|---------|
| NYMEX light crude | | \$73.75 | -1.14% | -\$0.85 | -6.00% |
| NYMEX RBOB gasoline | | \$1.91 | -0.68% | -\$0.01 | -6.48% |
| ICE gas oil | | \$648.50 | 0.04% | \$0.25 | 2.01% |
| NYMEX natural gas | | \$3.87 | -1.65% | -\$0.06 | -29.31% |
| Spot Gold | | \$1,249.57 | 0.00% | \$0.02 | 14.04% |
| LME Copper | | \$7,620 | -1.15% | -\$89.00 | 4.53% |
| LME Aluminium | | \$2,183 | -0.48% | -\$10.50 | -1.66% |
| CBOT Corn | | \$4.50 | 0.11% | \$0.01 | 8.50% |
| CBOT Wheat | | \$7.13 | 0.64% | \$0.05 | 30.79% |
| Malaysia Palm Oil (3M) | | R2,620 | 0.00% | R0 | -1.61% |

CHART OF THE DAY (Click on the chart for full-size image)



REUTERS INSIDER (Click on the headlines to view the show)

- Ukraine Plays Down Threat of Renewed 'Gas War'
- Nuclear Decision Seen Bearish for Emission Allowance Market

MARKET NEWS (Click on the headlines below to jump to the story)

ENERGY

- Storm Hermine slams into far northeastern Mexico
- Yanzhou Coal says to buy \$980 mln coal miner stake
- Ecuador says oil refinery maintenance extended
- Clean tanker rates weaken, activity slower
- Ukraine says wants Russia to scrap new pipeline
- Shell in exclusive talks to sell Swedish refinery

AGRICULTURE

- Vietnam 2010 rice exports may hit 6.5 mln T-report
- U.S. Midwest rains may disrupt early corn, soy harvest
- Australia's July wheat exports jump 52 pct on yr
- Brazil forward sells 14 pct new soy crop-Celeres
- Argentine wheat suffers dryness, frosts - gov't

BASE METALS

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- ArcelorMittal, Indiabulls in mining JV talks-report

BEYOND THE HEADLINES

- Morocco to tender for 1.2 mln T soft wheat
- Sudan hopes to double gold output to offset oil risk
- Farm aid should be a third of EU outlays -budget chief
- Hochschild sees \$50 mln exploration spend
- Mideast tanker rates set for turbulence in 2011
- AngloPlat JV targets African fuel cell market
- Use of lighter, stronger steels in autos growing fast

FACTBOX

- Gulf of Mexico energy ops prepare for Hermine
- European oil refineries up for sale

TODAY'S MARKETS (Click below to read the full report if you are a 3000 Xtra or RTC user)

OIL: Oil extended losses as the dollar strengthened and Tropical Storm Hermine showed no signs of disrupting crude or refining output around the Gulf of Mexico. "The U.S. dollar seems to have stopped to decline, but with the holiday in New York, all markets are going to be very quiet," said Ken Hasegawa, a commodity derivatives manager at brokerage Newedge in Japan.

BASE METALS: Shanghai copper seen opening with a downside bias, with London trading either side of \$7,700 a tonne as momentum from last week's positive jobs surprise faded and as attention moves to near-term fundamentals. When Shanghai closed on Monday, LME copper stood at \$7,720, suggesting a slightly softer start for the Chinese market.

PRECIOUS METALS: Gold dropped as early buying subsided and the euro slipped against the U.S. dollar, but volatile stock markets could encourage some investors to shift to bullion. "The festive season is on and we expect to see buying at the lower end. I think the next target is the all time high."

GRAINS: Chicago wheat futures rose half a percent to a three-week high, building on previous session's rally as strong demand for U.S. wheat and concerns over global supplies continued to support the market. "The market is still concerned. There are issues with the Canadian crop, further concerns over the drought situation in the Black Sea region and the crop in Argentina," said Garry Booth, a trader at MF Global Australia, referring to wheat prices.

GLOBAL MARKET NEWS: Asian stocks hovered near one-month highs as investors awaited Chinese data, while the euro took a hit after a newspaper report rekindled fears about the weakness of European banks. "Concerns about euro zone banks have been growing again, hitting investor sentiment that had improved a little after better-than-expected U.S. jobs data last week," said Tsutomu Soma, senior manager of the foreign securities department at Okasan Securities.

EVENTS TO WATCH TODAY (GMT)

- AUSTRALIA RBA CASH RATE SEPT. (0430)
- U.S. EMPLOYMENT INDEX AUG. (1400)
- USDA CROP PROGRESS REPORT WEEKLY (2000)
- JAPAN BOJ RATE DECISION SEPT. (N/A)

[CLICK HERE TO SEE UPCOMING EVENTS AND CONFERENCES](#)



THOMSON REUTERS

Vietnam 2010 rice exports may hit 6.5 mln T-report

HANOI, Sept 7 (Reuters) - Vietnam's rice exports this year could exceed the government's target and hit a record 6.4-6.5 million tonnes thanks to strong demand from China, Iraq, Bangladesh and Africa, a state-run newspaper reported on Tuesday.

The Industry and Trade Ministry said the new forecast was based on "rice volume contracted so far, a secure supply and positive signs emerging on the global rice market", the Nong Thon Ngay Nay (Rural Today) newspaper said.

Vietnam, the world's second-largest rice exporter after Thailand, has signed contracts so far to ship 6.2 million tonnes, the newspaper run by the Vietnam Farmers Association quoted a ministry report as saying.

More China steelmakers told to cut or shut output

SHANGHAI, Sept 7 (Reuters) - A growing number of Chinese steel mills have been ordered to cut or close production as the government urgently pushes the sector to meet year-end energy saving targets, boosting steelmakers



and product prices.

China rebar prices rose to four-month highs and firms such as South Korea's POSCO, the world's No. 3 steelmaker, gained because the move in China is expected to restrain steel market supplies.

"You're going to see traders sitting on material because they think the market is going to get tighter and that in itself will make the market tighter," said Graeme Train, analyst at Macquarie in Shanghai.

U.S. Midwest rains may disrupt early corn, soy harvest

SINGAPORE, Sept 7 (Reuters) - Rains in some parts of the U.S. Midwest this week are likely to disrupt early harvest of corn and soybeans, while overall conditions are friendly for the late maturing crops, a forecaster said on Tuesday.

The six-to-10 day weather outlook calls for above normal temperatures and near-to-above normal rains in the northwest, said Mike Palmerino, agricultural meteorologist with Telvent-DTN Weather.

"There are generally favourable conditions for late developing and maturing corn and soybeans," he said in a report, adding that some disruptions to the early harvest in the western Midwest was expected.

A total of around 0.30-1.50 inches of rainfall is expected across the western Midwest until Friday but the weekend is expected to turn dry.

ArcelorMittal, Indiabulls in mining JV talks-report

MUMBAI, Sept 7 (Reuters) - ArcelorMittal, the world's largest steelmaker, is in talks with Indiabulls Real Estate to form a joint venture to acquire iron ore and coal mines in India, the Economic Times reported on Tuesday.

"The joint venture will look at all mining opportunities in India, while for captive purposes, coal and iron ore are the two minerals we will be interested in," the newspaper quoted Indiabulls Executive Director Gagan Banga as saying.

The companies have not specified the likely investments.

Officials at the two companies could not be immediately reached for comment.

ArcelorMittal plans to spend \$6.5 billion to build a 6-million-tonnes-a-year steel plant in the southern Karnataka state. Its plans for steel projects in eastern India are yet to take off.

Australia's July wheat exports jump 52 pct on yr

SYDNEY, Sept 7 (Reuters) - Australia's wheat exports jumped 52 percent in July from a year earlier as buyers sought to replace dwindling supplies from the drought-stricken Black Sea region, according to government data released on Tuesday.

Wheat exports from Australia, the world's fourth largest shipper of the grain, rose to 1.591 million tonnes in July from 1.049 million tonnes exported in July last year, the Australian Bureau of Statistics said.

In June, wheat exports totalled 1.138 million tonnes, revised down from 1.165 million tonnes.

In the first seven months of the October-to-September marketing year, exports fell to 11.888 million tonnes from 12.327 million tonnes a year ago as a strong Australian dollar and competition from cheap Black Sea supplies earlier in the year held back sales.

Traders have reported a pickup in interest in acquiring grain from Australia's 2009/10 harvest that yielded 21.7 million tonnes. The new harvest starts next month and is forecast to yield around 22.2 million tonnes.

Storm Hermine slams into far northeastern Mexico

MEXICO CITY, Sept 6 (Reuters) - Tropical Storm Hermine slammed into northeastern Mexico near the Texas border on Monday, dumping heavy rain on a region still recovering from Hurricane Alex's visit in June.

Hermine, the eighth named storm of the Atlantic hurricane season, was expected to weaken as it moved ashore but could trigger deadly flooding and tornadoes, the U.S. National Hurricane Center said.

Authorities in Tamaulipas state where the storm made landfall evacuated 3,000 people from high-risk areas but had no immediate reports of damage or injuries.

The storm's forecast path kept it away from major oil and natural gas installations in the Gulf of Mexico, and energy companies said there had been no affect on their operations.

Yanzhou Coal says to buy \$980 mln coal miner stake

HONG KONG, Sept 7 (Reuters) - Yanzhou Coal Mining Co Ltd said it planned to buy 51 percent of Inner Mongolia Haosheng Coal Mining Ltd for about 6.649 billion yuan (\$980 million), in a bid to increase its reserve of coal resources and



strengthen competitiveness.

The Chinese coal mining group said late on Monday that it would buy a total 35.49 percent stake in Haosheng Coal Mining from two third parties for 4.627 billion yuan, and would bid for another 15.51 percent stake owned by another third party in an open bidding process for about 2.022 billion yuan.

Yanzhou Coal said the acquisition of the 51 percent stake in Haosheng Coal Mining would give it control of 838.4 million tonnes of coal resources.

Ecuador says oil refinery maintenance extended

QUITO, Sept 6 (Reuters) - Ecuador's biggest oil refinery will be shut down for 40 days of maintenance rather than the originally scheduled 23 days, state petroleum company Petroecuador said on Monday.

The 110,000-barrels-per-day refinery in the province of Esmeraldas was closed last month while one of its crude processors was refurbished. "The original period will be prolonged to 40 days," Petroecuador said in a statement.

To meet domestic consumption demands, Ecuador will import an increased amount of oil derivatives while the maintenance continues. The Andean country has a total refining capacity of 175,000 bpd. 01:08 07Sep10 -Norway, Russia to sign final Arctic border deal

Clean tanker rates weaken, activity slower

LONDON, Sept 6 (Reuters) - Clean petroleum tanker rates on top global export routes were mostly weaker on Monday, but enquiry for larger vessels in the Middle East provided some support to that market.

Typical Long Range 2 (LR2), 75,000-tonne shipments from the Middle East Gulf (MEG) to Japan were at W144.40 from W147.25 last week. LR1s, carrying 55,000-tonne loads, were at W153.45 from W160.68 last week.

Broker E.A. Gibson said while both markets were being driven by increased appetite for naphtha in the Asian petrochemical industry, the LR2 sector was being supported

Ukraine says wants Russia to scrap new pipeline

LONDON, Sept 6 (Reuters) - Ukraine is trying to persuade Russia to scrap plans to build the new South Stream gas pipeline as part of negotiations with Russian gas export monopoly Gazprom, Ukraine's foreign minister said on Monday.

Kostyantyn Gryshchenko also said he did not expect Ukraine's demand for a revision of a gas supply deal with Russia would lead to any disruption of supplies to Western Europe.

South Stream, an estimated 10 billion euro (\$12.9 billion) project involving Gazprom and Italian oil firm Eni, aims to ship up to 63 billion cubic metres of Russian gas per year to central and southern Europe.

Shell in exclusive talks to sell Swedish refinery

LONDON/HELSINKI, Sept 6 (Reuters) - Royal Dutch Shell is in exclusive talks with Finnish fuel distributor St1 to sell the oil major's Swedish refinery, both companies said on Monday.

If the companies reach an agreement, it would be the second European refinery deal for Shell in a short period, following the sale of its German refinery in late August. Both of them are relatively small plants that supply local markets.

"Shell and St1 have entered into exclusive negotiations for the potential sale of Shell's downstream businesses in Finland and Sweden to St1," Shell said in a statement. A Shell spokesman said the talks included the Gothenburg refinery.

Brazil forward sells 14 pct new soy crop-Celeres

BRASILIA, Sept 6 (Reuters) - Brazilian soybean producers have sold 14 percent of the 2010/11 soybean crop that farmers are preparing to plant this month, up from 13 percent a week ago, analysts Celeres said on Monday.

Sales of the new crop as of Sept. 3 were 1 percentage point ahead of this time last year, Celeres said, but 1 percentage point behind the 15 percent already sold on average by this stage over the last five years.

Mato Grosso, the largest soy state and often the earliest to begin planting, had forward sold 21 percent of its crop up from 20 percent last week and compared with 20 percent sold this time a year ago.

Argentine wheat suffers dryness, frosts - gov't

BUENOS AIRES, Sept 6 (Reuters) - Rains in Argentina over the last week were not heavy enough to brighten the outlook for wheat, although crops in some areas remain in a good condition, the Agriculture Ministry said in its latest weekly report.

Argentina is one of the world's biggest suppliers of wheat and an export ban by Russia has heightened interest in the outlook for 2010/11 production in the South American country. Argentine exports slumped last season due to a severe drought.

Concern is growing over dry conditions in western farming areas and in parts of Cordoba province, which is expected to have the second-largest area destined to wheat this season.

"Sowing has finished in the district of Rio Cuarto (in Cordoba) because of insufficient soil moisture. These climatic conditions and harsh frosts are slowing crop development," the government report said.

MONTH AHEAD EVENTS CALENDAR

| Date | Events/Indicator (Times in GMT) |
|---------------|--|
| Energy | |
| Thursday | 3rd International Conference on Passive and Low Energy Cooling for the Built Environment (PALENC 2010)(to Oct. 1), Rhodes Island, Greece |
| Sep-12 | World Energy Congress (to Sept. 16), Montreal, Canada |
| Sep-13 | World Nuclear Association 35th Annual Symposium (to Sept. 17), London |
| Sep-13 | Electric Market Forecasting Conference (to Sept. 17), Stevenson, WA |
| Metals | |
| Sep-20 | Metal Bulletin's 25th International Aluminium Conference (to Sept 22)., MANAMA |
| Sep-22 | CRU's Asian Steel Packaging Conference (to Sept 24). KUALA LUMPUR |
| Sep-22 | CRU's and ITRI's Asian Steel Packaging Conference (to Sept. 24). KUALA LUMPUR |
| Sep-27 | Metal Bulletin's Chromite 2010 (to Sept 28), JOHANNESBURG, SOUTH AFRICA |
| Sep-28 | Metal Bulletin's 15th Galvanizing and Coil Coating Conference (to Sept 29). ISTANBUL, TURKEY |
| Sep-29 | Metal Bulletin's South African Ferro-alloys Conference (to Sept 30). JOHANNESBURG, SOUTH AFRICA |
| Sep-30 | Steel Business Bulletin: SBB World Steel Raw Materials Conference 2010 (to Oct. 01). LONDON |

Morocco to tender for 1.2 mln T soft wheat

By Lamine Ghanmi

RABAT, Sept 6 (Reuters) - Morocco will launch tenders to import 1.2 million tonnes of soft wheat before the end of December this year as part of plans to import 2 million tonnes of soft wheat by the next harvest, a government minister said.

"We will start issuing tenders for 12 million quintals (1.2 million tonnes) of soft wheat before the end of December this year," Economic and General Affairs Minister Nizar Baraka told Reuters on Monday.

"We plan to import a total of 20 million quintals of soft (wheat)," he said. He also said the government would maintain subsidies to keep the retail price of bread unchanged in the face of soaring international grain prices.

Morocco, the world's tenth-biggest wheat importer, saw its harvest this year slashed by bad weather to 7.46 million tonnes versus a record grain's crop of 10.2 million tonnes last year.

"We will import these amounts of soft wheat and see how the market circumstances and our domestic needs evolve," Baraka said when asked whether the 2.0 million tonnes of soft wheat would be enough to plug the gap between local consumption and crop level.

Traders and government officials have said Morocco will need to import at least 2.3 million tonnes of soft wheat and 600,000 tonnes of durum wheat this year to make up for the shortfall in the domestic crop.

A leading grain trader said such a statement from a senior government minister on tenders was unusual and appeared aimed at easing the mood among wheat importers who criticised government for being slow to scrap import tariffs for soft wheat.

"If the authorities would be slow on the tenders again after they were late to change the duty on soft wheat, the situation for grain importers would turn more difficult," the trader.

SUBSIDIES

"The fact they stated that they will issue the tenders before December ends gives us more visibility," he added.

Last month, the government said it will cancel customs duty on imports of soft wheat from Sept. 16 to Dec. 31.

Grain traders then assailed the government for having dragged its feet on scrapping the tariffs, arguing the move should come earlier when global wheat prices were lower.

The government defended its decision, saying it could not change the tariffs before as it had sought to shield local farmers from foreign competition.

Falling wheat output in drought-hit Russia, last year's world No.3 exporter of grain, drove benchmark U.S. wheat futures to two-year highs of \$8.41 a bushel in early August and sparked fears of food price spikes.

Morocco had set aside 14 billion Moroccan Dirhams (\$1.62 billion) to fund subsidies for bread, sugar and other essential goods like gas canisters for cooking and oil this year.

"We maintain the subsidies as planned including for soft wheat to keep the prices of bread unchanged. We are ready to add subsidies for that whatever the levels of prices of the imported soft wheat would be," Baraka said.

Sudan hopes to double gold output to offset oil risk

By Andrew Heavens

KHARTOUM, Sept 6 (Reuters) - Sudan plans to more than double its gold output in two years partly to help make up for a possible fall in oil revenues if its crude-producing south chooses to secede in a looming referendum, the minerals minister said on Monday.

Abdel Baqi al-Jailani told Reuters in an interview Sudan could raise annual production to more than 40 tonnes by 2012 by regulating tens of thousands of small-scale prospectors, many of whom currently smuggle out finds, and by licensing out new blocks to global mining firms.

His estimate of current annual production at around 20 tonnes -- far above some industry estimates of between 4 and 6 tonnes a year -- included new data he said showed small "artisanal" mining operations already registered with the government produced 10 tonnes of gold between January and June this year.

Sudan has been known as a source of gold since the time of the Pharaohs and its ancient Nubian kingdom. Jailani said large reserves had lain unexploited in modern times because the country had been too focused on marketing its agricultural and oil prospects.

"Historically speaking we know that Sudan is rich. But the reason we are so late to invest in this sector is that we had other easier options."

He added Khartoum now needed to diversify its economy in the build up to a referendum, due on Jan. 9, 2011, on whether south Sudan, the source of most of the state's oil reserves, should split off as an independent country.

NEW LICENCE DEALS

"Frankly ... we don't know if Sudan is going to be split or united. If the south does secede -- you know 60 percent of our budget comes from petrol -- we have to sit and think of another alternative," said Jailani.

"I would say current annual production is around 20 tonnes ... In two years time it will be double or triple."

Sudan's largest single gold mining operation is run by Ariab, a partnership between Sudan's government and Canada's La Mancha, in east Sudan's Red Sea state.

Jailani said the ministry had already identified promising blocks for gold exploration elsewhere in the east, as well as in the central states of North and South Kordofan and one sensitive border area between the strife-torn Darfur region in northern Sudan and the southern state of Western Bahr El Ghazal.

La Mancha was due to start working on a new block in the Nuba Mountains area of South Kordofan in the autumn, said Jailani.

He said he had signed around 10 new licence arrangements with foreign mining firms since he became minerals minister in June and had another five deals "on the table" waiting for final approval from state authorities.

Jailani said he was currently in discussion with mining companies from Austria, Australia and the United States, despite heavy trade sanctions imposed by Washington, but declined to name the companies.

(Continued on page 6)

William Tankard, senior mining analyst at London's GFMS, said Jailani's estimates for current and future output were above his own figures. "We have 4 tonnes now and 5-6 tonnes on average over the last ten years ... Gauging volumes of output for artisanal output is quite difficult."

But he said there was room for growth in Sudan's largely unexplored gold sector. "There has been increasing interest, not only in Sudan but also in Ethiopia and Eritrea ... It is perfectly possible that exciting discoveries could be made particularly when (gold) prices are above of \$1,000 an ounce."

Farm aid should be a third of EU outlays - budget chief

By Marcin Grajewski

BRUSSELS, Sept 6 (Reuters) - Farm aid should be reduced to about one third of the European Union's budget and spending could be shifted towards research and innovation, the EU's budget chief said on Monday.

Budget Commissioner Janusz Lewandowski said talks that are about to start on the EU budget, now worth about 130 billion euros (\$167.5 bln) annually, could be the most difficult in the bloc's history following the global economic crisis.

Agriculture subsidies account for more than 40 percent of the EU's budget. A fierce battle is expected over their future as the Union tries to overhaul its budget, and an annual rebate cherished by Britain could be under threat.

The EU executive, the European Commission, will publish proposals on the future of the farm subsidies next month.

"A hot budget season will start from October. These may be the most difficult negotiations in (the EU's) history," Lewandowski, a liberal economist and Poland's former privatisation minister, told Reuters in an interview.

"We are living in special times, when national budgets are subject to painful cuts which creates a lot of frustration."

The talks will coincide with efforts to cut budget deficits across the EU to below a cap of 3 percent of economic output after governments boosted spending to fight the crisis.

The overhaul could cut the EU's Common Agricultural Policy (CAP), which critics say unfairly protects European farmers against foreign competition and wastes funds that could be used more productively elsewhere.

"Farm spending should constitute about a third of EU spending and not its main part," Lewandowski said.

"To defend the credibility of the budget, we must support the trend of falling farm spending. But it is defended by a strong lobby and will remain an important part of the European budget."

The negotiations, which start in earnest early next year after the Commission makes proposals on the overall reform of EU expenditure, will determine the shape of the EU's long-term budget for seven years from 2014.

France, a major farm aid beneficiary, is expected to lead efforts to defend agricultural subsidies. Net payers to the budget, such as Austria and Germany, are likely to call for austerity while poorer, eastern European countries seek aid.

MORE SPENDING ON RESEARCH AND DEVELOPMENT

Lewandowski said funds for research, development and innovation should increase -- a view likely to please some of the richer EU countries such as Sweden and the Netherlands.

Lewandowski said spending should be put aside to help the EU enhance its global role, but did not say how much.

He promised to defend EU aid funds to its poor regions against expected demands for cuts by richer countries.

Lewandowski dismissed reports that the Commission had backed a new pan-EU levy to help fund its budget, such as a financial transaction tax or a levy on airfares, although the issue could be considered in the overhaul of the budget revenue system.

Efforts to simplify the way the budget is collected could involve ending all rebates, such as the British one now worth some 5 billion euros annually.

Britain secured the rebate in 1984 as compensation for receiving little benefit from farm aid, but the size of the EU's farm aid has since fallen substantially.

Lewandowski said he would fight for restraint on administrative spending. A planned increase in such spending next year, despite cuts in most of the 27 member states, has prompted severe criticism in some countries.

He called for a moratorium on the creation of new EU institutions and bodies.

"The Union must not try to solve its problems by creating new institutions all the time. The credibility of the European project is at stake. We have come to the wall here. And we need a solid audit of existing institutions," he said.

Hochschild sees \$50 mln exploration spend

By Julie Crust

LONDON, Sept 6 (Reuters) - Latin American precious metals miner Hochschild Mining is looking to spend around \$50 million on exploration again next year as it continues to focus on developing new projects and move away from acquisitions.

The London-listed miner set aside \$50 million to spend on its exploration pipeline this year and has also lifted the resource life of its main operations by 11 percent to 7.9 years.

"We are in the process of preparing our budget, but I would not rule out having a similar budget in 2011," Chief Executive Ignacio Bustamante told Reuters in an interview.

"Since our results are so positive we believe that it serves a lot of merit to continue along that path."

A \$50 million exploration budget would be financed entirely by current operations.

The miner raised its number of 'company makers' - projects that have the potential of producing 20-30 million silver equivalent ounces a year - to six from two at the end of 2009.

Drilling has started on three of these projects and the company is deciding on a drilling plan for the others next year.

"Drilling is progressing well we are obtaining good results but it is still an early stage," said Bustamante.

(Continued on page 7)

Scoping studies at the Azuca and Crespo mines, considered 'company maintainers' as they have the potential of delivering 5-10 million silver equivalent ounces a year, are expected to be completed before the end of 2010 and a decision made on whether to progress to the pre-feasibility stage.

Elsewhere, shareholdings in Lake Shore Gold and Gold Resource Corp could help plug the gap between the closure of two of Hochschild's mines next year and the possible start of Azuca and Crespo in 2013.

The company will hold on to these minority stakes while there are not better returns to be made using the funds for exploration.

Hochschild expanded its life of mine estimate in June from 5.9 years at the end of December 2008 and Bustamante said this will likely increase again by the end of the year.

The company has two mines near the end of their operational life. The Ares mine in Peru had been scheduled to be shut around now, but could carry on into next year, Bustamante said.

"There are indications that it may go into 2011, but Ares's contribution to our production profile is very low," he said. Ares accounts for less than 10 percent of the group's output.

He sees the Moris mine in Mexico, another mine near the end of its life, continuing to operate in the first half of 2011.

While the company's focus is exploration, the group is still evaluating a few bolt-on acquisitions capable of producing at least 5-10 million silver equivalent ounces a year.

Hochschild expects to meet its 2010 output target of 26.3 million attributable silver equivalent ounces and is comfortable with its guidance for around a 10 percent rise in costs.

Labour has been a major cost pressure -- the company has now completed union negotiations at all of its operations -- as have rising fuel and steel prices.

Bustamante also said he was very bullish regarding gold and silver prices.

Mideast tanker rates set for turbulence in 2011

By Jonathan Saul

LONDON, Sept 6 (Reuters) - Sluggish demand for crude oil, worries over economic recovery and rising fleet supply will pressure Middle East tanker earnings in 2011 despite hopes for firmer rates in the fourth quarter of this year.

Average earnings on the benchmark Middle East Gulf to Japan route have fallen in recent days to around the operating cost level of \$10,000 a day as very large crude carriers (VLCCs) return from floating storage due to the end of a trading play, which at one point saw over 100 million barrels stored at sea.

The rise in tanker availability has been compounded by new vessel deliveries ordered before turmoil in 2008 entering a growing VLCC fleet already competing for business.

"The supply side will only get worse -- we expect 2011 to be the peak in VLCC deliveries with approximately 75 new ships hitting the water next year," said Tim Smith, senior analyst with consultants MSI.

"It is likely that the VLCC market will remain under pressure unless we see stronger than expected global oil demand combined with sharply improving OPEC output and a return of floating storage."

The weaker rate environment, also due to slower seasonal demand in the third quarter, has prompted Frontline, the world's biggest independent tanker operator, to anchor some of its vessels. Its main owner John Fredriksen said last week the crude tanker market will struggle to make profits in the coming years due to economic uncertainty.

"The spot market right now is hovering at levels that are barely covering owners operating cost, and owners are starting to resist doing business at these levels," Maersk Tankers chief executive Soren Skou told Reuters. "It will take more demand to achieve a major improvement as there are still around 25 (VLCC) newbuildings to deliver this year."

Over 40 VLCCs -- among the biggest vessels in the world

tanker fleet -- were storing crude oil at sea at the peak in the past year as part of a price play where oil traders stored cargoes at sea with a view to selling them later at higher prices. The total VLCC fleet was estimated around 550 to 580.

FOURTH QUARTER BOUNCE

But the structure of the oil market has narrowed in recent weeks, making it less attractive to hold stocks in floating storage. Broker ICAP Shipping

estimated on Friday only one VLCC was storing crude oil.

"The concern is that rates may not rebound to meaningful levels with the order book being so healthy," said Mike Reardon, vice president of research and marketing with Imarex.

Some analysts say the phase out of single hull tankers is unlikely to help much in the next year due to fleet expansion.

"Net fleet growth might still be about 5 percent for the next 12 months," Reardon said. "We need Q4 to bring strong demand."

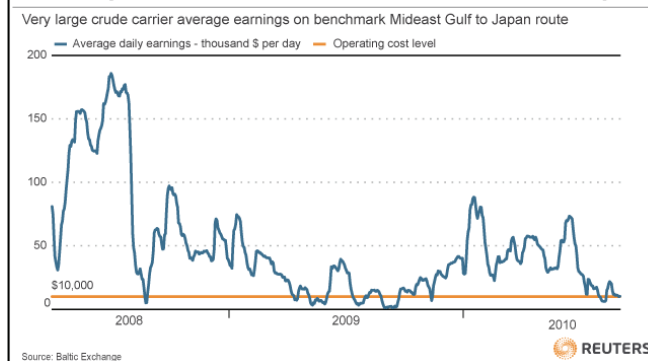
Shippers say activity traditionally picks up in the fourth quarter helped by possible disruptions from fog, hurricanes, rougher shipping conditions in the North Atlantic and Northern Hemisphere fuel demand due to colder weather.

But some analysts argue it is likely to be a temporary boost given the supply pressures and subdued demand growth.

"The risks have increased, however, that such an upturn will be disappointing by historical standards," said Ole-Rikard Hammer, senior oil and tanker analyst with Pareto Securities.

"We see an over-supplied oil market and certainly land inventories are very high in most consuming countries that is normally acting against a big upturn in rates."

Average Middle East crude tanker earnings



(Continued on page 8)

Pareto estimated average VLCC earnings at \$50,000 a day for end 2010, falling to \$35,000 a day next year.

Arctic Securities analyst Erik Nikolai Stavseth estimated average VLCC earnings at \$40,000 a day next year versus \$43,000 a day this year and \$36,000 a day in 2012. Average earnings were \$10,259 on Friday compared with over \$180,000 a day before economic turmoil in 2008.

"We see them pressured as fleet growth is going to kill demand growth, at least given the current outlook," he said.

AngloPlat JV targets African fuel cell market

By Jan Harvey

LONDON, Sept 6 (Reuters) - AngloPlatinum said it is targeting the development of a potentially significant sector of platinum demand with the creation of a new fuel cell joint venture, Clean Energy Investments.

The affiliate, created in July by AngloPlat, U.S. fuel cell specialist Alteryg Systems and the South African Department for Science and Technology, is aimed at developing new applications of the cells, from mobile phone batteries to back-up generators.

It will focus specifically on the sub-Saharan African market, which has run into significant power issues in recent years as demand grows faster than generating capacity.

"It is potentially a very large platinum demand segment," said Anthea Bath, AngloPlat's head of market development and research. "We don't see it as a short-term demand growth driver, but over the long term it will have a role to play."

"Long term, it is an important part of our business," she said, without providing financial details.

AngloPlatinum, which is majority owned by diversified miner Anglo American, is the world's largest platinum miner, with output of 2.452 million ounces in its last full year, representing some 40 percent of global platinum supply.

The white metal is a key catalyst in fuel cells, which chiefly create electricity through a reaction of hydrogen and oxygen, with water as a byproduct.

According to platinum group metals refiner Johnson Matthey, demand for platinum for use in fuel cells grew last year at a time when overall consumption of the metal was falling, although the overall market segment remained small.

Bath says she hopes Clean Energy will start construction of a factory to produce fuel cells within the next two to three years, as part of its strategy to develop fuel cell technology for the southern African market.

MAINSTREAM USAGE

Bath said while fuel cells are already in use in many niche areas, they lacked widespread commercialisation. "Once they start getting full volume, they are going to become much more affordable and then start gaining traction," she said.

She said she hoped to see more mainstream usage of fuel cells over the next decade, in areas from telecommunications and transportation.

"The African market is the fastest growing telecommunications market in the world," she said. "So clearly there is an opportunity."

She added: "A fuel cell is a very environmentally friendly technology. Cars are very important -- an ideal eco car will be a fuel cell car."

Fuel cell-powered generators are likely to be particularly attractive to the sub-Saharan African market, she added, where a number of industrial and other facilities are far from conventional power sources.

South Africa in particular has suffered a number of power outages in recent years, as its fragile electricity infrastructure struggles to keep up with rising demand. This has led more users to buy in back-up generation capacity.

Use of lighter, stronger steels in autos growing fast

By Pratima Desai

LONDON, Sept 6 (Reuters) - The use of lighter, stronger steel in cars to reduce weight, boost fuel efficiency and cut carbon emissions is growing faster than the use of aluminium, ArcelorMittal said on Monday.

A major challenge facing the auto sector is European Union regulations, which stipulate CO2 emissions from an average car must fall to 130 grams/km by 2015 from 144 grams/km in 2009.

"Advanced high-strength steel is currently the fastest growing material in automotive applications," Brian Aranha, chief marketing officer for the automotive sector at the world's largest steelmaker told Reuters.

"It is significantly different from the conventional steel it replaces. Its lightweight capability results from its unique combination of strength and ductility."

For 2020, the target is 95 grams/km. Targets for CO2 emissions are why the auto industry has in recent years been experimenting with aluminium and plastics as potential alternatives to steel.

"The 'easy way' for the carmaker is to increase the use of low density materials like aluminium, magnesium or plastics," said Aranha.

"This trend is explained by the fact that today for a carmaker the CO2 performance of the vehicle is the main criteria, and not the CO2 footprint that the car leaves, taking into account the whole manufacturing process."

The production of aluminium and magnesium is more CO2 intensive than that for steel. Metal analysts estimate power accounts for about 40 percent of aluminium smelting costs.

SUCCESS OF USIBOR

WorldAutoSteel in a recent publication said the production of one kg of conventional steel or advanced high-strength steel generates between 2.0 and 2.5 kgs of CO2 on average.

In contrast, one kg of aluminium creates between 11.2 and 12.6 kg of CO2. For magnesium the numbers are much higher.

"An erroneous perception has emerged that lighter autos and reduced emissions are primarily associated with the application of low-density materials, like aluminium, magnesium and plastics," Aranha said.

(Continued on page 9)

ArcelorMittal said its sales of steel to auto makers are stable this year, in line with the historical trends and that 15 percent of its revenues come from the sector.

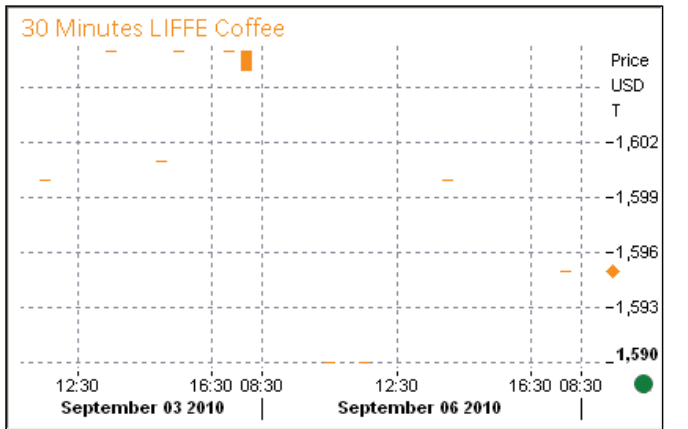
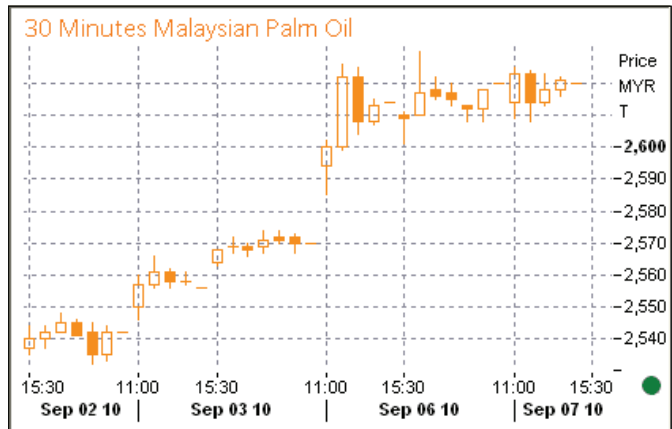
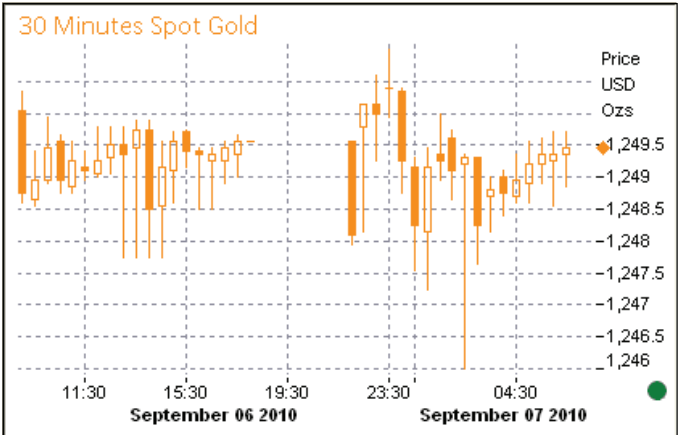
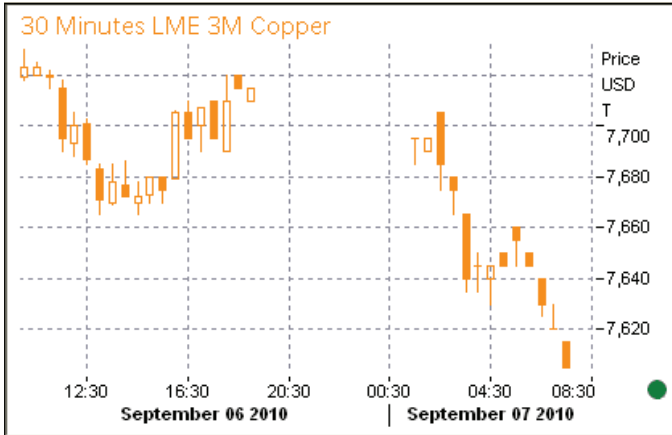
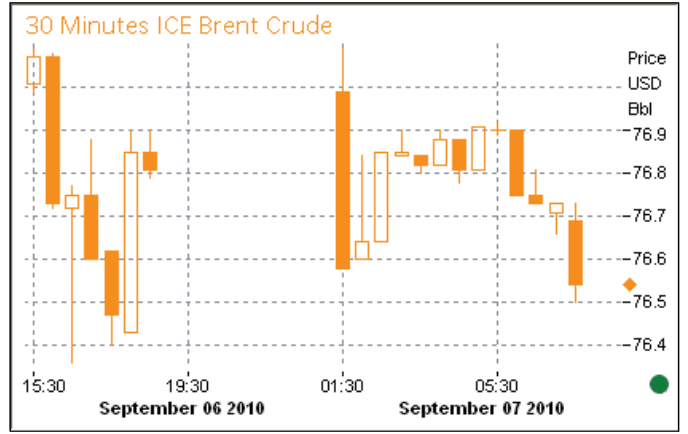
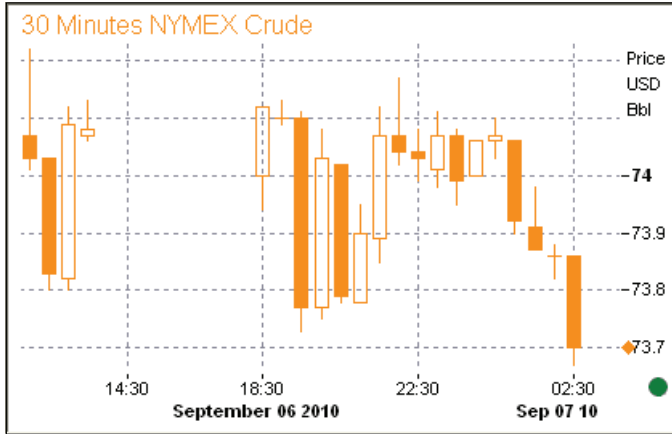
Its response to the challenges facing the auto industry has been the development of high-strength steels.

"Replacing former conventional steel designs with optimized advanced high strength steels (AHSS) will reduce body-in-white weight (frame) by between 21 to 25 percent," ArcelorMittal said.

"AHSS will also reduce curb (or the entire) weight of the car by 9 percent. The result is a 5.1 percent reduction in fuel usage and drastically reduced greenhouse gas emissions."

For ArcelorMittal growing use of lighter, higher-strength steels is symbolised by the success of Usibor, a steel product patented by the company. "It offers the highest level of strength on the market," Aranha said.

"For some auto applications, weight savings up to 30 percent have been made. Usibor is now produced on two lines in Europe and one line in North America in response to rising demand."



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Editorial:

Richard Mably (Global Editor, Commodities & Energy)
+44-207-542-6280, richard.mably@thomsonreuters.com

Camila Reed (Editor, Commodities and Energy, EMEA)
+44-20-7542-8065, Camila.Reed@thomsonreuters.com

Jonathan Leff (Editor, Commodities & Energy, Americas)
+1-646-223-6068, jonathan.leff@thomsonreuters.com

Sambit Mohanty (Editor in Charge, Commodities & Energy, Asia), sambit.mahanty@thomsonreuters.com
+65-6870-3084

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