



Up to the minute coverage



World Silver Survey: 2010 Silver Supply Lifted By Mine Output, Scrap And Gov't Sales, Hedging

07 April 2011, 8:30 a.m.

By Allen Sykora
Of Kitco News

<http://www.kitco.com/>

(Kitco News) - The global supply of silver jumped 14.6% during 2010, boosted not only by increased mine output but also by government sales, silver-scrap recycling and producer hedging, according to the World Silver Survey 2011 released by the Silver Institute Thursday.

Data in the report was compiled by the consultancy GFMS. Philip Klapwijk, executive chairman of GFMS, told Kitco News that he anticipates a further supply increase this year.

The World Silver Survey showed that total supply in 2010 climbed to 1.0568 billion ounces from 922.2 million in 2009. The largest share of supply comes from mine production, which rose by 2.5% to a record 735.9 million ounces. However, the biggest year-on-year increases in total supply came from the categories of government and scrap sales, as well as hedging.

"It's partly price-related because clearly that's having an impact on scrap supply," Klapwijk. "We are seeing more scrap come back into the market, given prices as high as they are."

For 2010, the World Silver Survey listed old silver-scrap supply of 215 million ounces, up from 188.4 million in 2009. Gains from industrial and jewelry recycling exceeded an ongoing decline in recovery from photographic sources.

Prices also played some role in government sales and producer hedging, Klapwijk said. Net government sales of silver rose to 44.8 million ounces in 2010 from 15.5 million in 2009, primarily the result of increased sales from Russia, said the Silver Survey.

The World Silver Survey showed a swing to net producer hedging of 61.1 million ounces, ending a four-year run of de-hedging. "Renewed enthusiasm to hedge silver was essentially limited to a group of by-product, rather than primary, silver miners," the report said. These by-product producers were looking to "take advantage of higher prices to hedge non-core revenues over multi-year periods."

Meanwhile, the 2.5% increase in global mine supply to 735.9 million ounces was aided in large part by new projects in Mexico and Argentina, said the World Silver Survey. This was the eighth straight year of annual increases, said the report.

"Growth was driven by increases from the primary silver and lead/zinc sectors, in both cases a result of significant new production capacity," said the report. "Most importantly, the start of Penasquito's sulfide (zinc) operation and the ramp-up of Palmarejo (primary silver) in Mexico together accounted for almost all of the country's 13% increase last year, promoting Mexico to the position of world's largest producer once again."

 Kitco News
KitcoNewsNow

World Silver Survey: 2010 Silver Supply Lifted By Mine Output, Scrap And Gov't Sales, Hedging <http://bit.ly/ebPFcT>

2 hours ago · reply · retweet · favorite

World Silver Survey: Investment, Industrial Demand Surge In 2010, Boosting Prices <http://bit.ly/hvZakY>

2 hours ago · reply · retweet · favorite

Market Nuggets: MF Global: Optimism Ahead of Chinese March Import Data Helping Base Metals <http://bit.ly/hlrIEB>

2 hours ago · reply · retweet · favorite

Market Nuggets: Barclays Capital Lists Range Of Factors Underpinning Gold Prices <http://bit.ly/hlrIEB>

2 hours ago · reply · retweet · favorite

Market Nuggets: Barclays: Peruvian Developments Are Example Of Political Risk To Mining Companies <http://bit.ly/hlrIEB>

2 hours ago · reply · retweet · favorite

Market Nuggets: Nomura: U.S. Government Shutdown Would Impact GDP Growth <http://bit.ly/hlrIEB>

2 hours ago · reply · retweet · favorite



Join the conversation

Mexico's output was listed at 128.6 million ounces. Other top producing nations included Peru, 116.1 million; China, 99.2 million; and Australia, 59.9 million.

Argentina's silver-mine supply grew 20% to 20.6 million, helped by a full year of commercial production at Pirquitas, a primary-silver operation.

The report listed the following as the top five silver-producing companies: BHP Billiton, 46.6 million ounces; Fresnillo, 38.6 million; KGHM Polska Miedz, 37.3 million; Pan American Silver, 24.3 million; and Goldcorp, 23 million. Fresnillo and Pan American are primary silver producers.

While mine supply is also supported by high prices, Klapwijk pointed out that decisions on new projects were made some time ago and not during the current run-up to the highest silver prices in 31 years.

Global silver cash costs remained largely flat in 2010, said the report. They fell to \$5.27 an ounce from a revised \$5.29 in 2009, the report said.

The World Silver Survey looks for silver-mine supply to hit another record in 2011.

"Additions to production will come from both the primary and by-product sectors (gold and lead/zinc)," the report said. "The pipeline of projects is robust, with a significant portion of the growth we anticipate coming from the continued expansion of existing mines from 2010 levels, in addition to 'ramp-up' gains from properties recently commissioned."

In particular, GFMS looks for another double-digit increase in Mexican output. The consultancy cited continued ramp-up of processing plants at Goldcorp's Penasquito and Minera Frisco's San Francisco del Oro toward design capacity, as well as expanded activities at Fresnillo's Saucito and the start-up of Minera Frisco's Concheno.

Klapwijk said he anticipates total supplies—including those other than mine production—likely will rise as well in 2011, although he also considers this a "tough call" since government sales are difficult to forecast.

"They (government sales) could moderate a bit this year," he said. "I think scrap supply will be up a little bit and mine production will certainly grow quite significantly. We're looking for perhaps as much as 14 million ounces more in mine production this year. And there has already been a fair amount of producer hedging in the pipeline.

"I think it's unlikely supply will fall, and it's more likely we're going to see growth in supply, although not on the scale that we saw last year."

By Allen Sykora of Kitco News; asykora@kitco.com

[Don't Miss a Word! Read Kitco News on the Go with Kcast Gold Live for iPad! Get it now!](#)

[<<Back to more Kitco exclusive news](#)

more industry video news and articles at Kitco.com 