



Spain's mineral suppliers face tough decisions

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As a downturn in ceramics and construction continues to dog Spain's mineral suppliers, the industry moves increasingly towards consolidation

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Reaction to Spain's 1st National Industrial Minerals Congress in Zaragoza last month, which shone a spotlight on the plight of the country's minerals industry, could result in some major changes.

Mineral suppliers in the country are suffering from their close ties to construction and ceramics industries both of which are experiencing torrid times. For example ceramic tile production has fallen from 650m. m² in 2006 to 324m. m² in 2009 and is expected to fall further still this year.

The impact on the mineral sector is expected to get worse this year.

"We are facing another 15-20% drop in demand in 2010 with recovery beginning next year, hopefully," Manuel Reguerio of the Spanish Institute of Geology and Minerals (IGME) said in an interview with **IM**.

Minerals used in ceramics and construction materials like cement and glass such as silica sand, kaolin, feldspar and clays have suffered while Spain's speciality minerals like sepiolite (cat litter clay) and iron oxide have fared much better.

Reguerio said: "Some minerals especially speciality clays, celestite, and slate are OK. Surprisingly, we are still exporting 1m. tonnes of gypsum with boats from Carboneras port shipping to North America."

Spain is a significant producer of gypsum through companies like British Plaster Board and Lafarge and in 2008 had an output of 11m. tpa, a figure which is likely to be closer to 10m. tpa today.

The country has suffered from a destocking trend which has defined the much of the industry. The mine to market chain is content to run down mineral stocks rather than purchase new tonnages an effect which is accentuated upstream.

"This is a problem the bentonite industry has seen, for example" said Reguerio, "They don't need to run their mines. Why spend money and time on production when you have the stock waiting and you are not sure you will sell it."

Consolidation

Much of Spain's industry is dominated by small to medium sized companies and there is feeling that to secure a future some form of consolidation or diversification must happen.

"We have a problem of size here in Spain. Even the biggest companies are small. Many of the mineral companies that are strong at the moment are diversified in one way or another," said Reguerio.

"There is an opportunity here for someone to come in and buy up all the small mining companies much like Talc de Luzenac did in the talc industry," he added.

Spain's biggest industrial mineral companies, Tolsa SA and Grupo SAMCA, have started to invest outside of the country. For example, Tolsa has made a move on North Africa in the clay deposits of Morocco and Algeria.

Meanwhile, Reguerio also believes that there is scope for a private equity companies to enter the industry.

The flip side to consolidation, Reguerio warned, is that many mines could be closed in one swoop should they be

deemed unprofitable.

“Talc de Luzenac closed all the mines in Spain and transferred demand to France,” he commented.

Future

While the bulk of Spain’s mineral suppliers wait and hope for an upturn in the construction sector, opportunities could be presenting themselves in the green technology field such as wind and solar power.

“There is added support for anything related to the environment but we do not produce solar panels, we import,” said Regueiro.

It was explained that the Spanish government is looking for ways to become more independent in green technology. The country certainly has the necessary filler minerals to make wind turbines and high purity quartz to make solar panels. Interestingly, the location for the Congress is one of the first regions designated for new energy. Solar power and wind power farms litter the countrywide surrounding Zaragoza.

But there is a static feeling to the Spanish minerals industry at present, like it is waiting to see what will come of the country’s austerity measures that recently resulted in a public sector pay cut of 5%.

Many have high hopes for 2011, the same high hopes they had for 2010.

Spain’s industry supplies and relies on traditional markets that are being eaten away by East Europe and Asia.

The country is at risk of becoming redundant in an industry shifting eastwards at an unprecedented pace. As Regueiro mentioned, the most successful industries at present are those that are diversified and those that supply many markets external of Europe.

This is the model many believe holds the key for the future success of Spain which at present is clouded by considerable doubt.



Spain’s 1st National Industrial Minerals Congress brought up a number of serious questions the industry is awaiting answers to
Jesus Garcia