

Uranium Price Slump Unlikely to Extend Further

By Terry Wang
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SHANGHAI (Interfax-China) -- International prices for uranium have halved since their record highs last year, due mainly to an international market surplus, but the slump is unlikely to extend further, an industry expert told *Interfax* today.

The expert, who wishes to remain anonymous, said that the average international spot price for U3O8 uranium concentrate, or yellowcake, currently stands at \$60 per pound. By comparison, U3O8 was selling for a record \$138 per pound on the spot market in June 2007.

International uranium prices started to rise in 2004, the expert said, on the back of a revitalized nuclear power movement and predictions by uranium producers that China and India would become huge uranium consumers. To meet this anticipated demand, uranium producers expanded production capacity.

However, China and India are mostly self-sufficient in uranium at the present time. "According to World Nuclear Association (WNA) statistics, China consumed 1,300 tonnes of U3O8 last year. The country's domestic output is about the same," he said.

The expert attributed the uranium price slump to suppliers overestimating market demand. "Supplies are at least 50% higher than demand at the moment."

He said he does not believe that the price slump will extend much further though. Some large uranium suppliers have warned of shortages of materials used in uranium exploitation, such as sulphuric acid, water and electricity, and that such shortages may have an impact on their output.

Canada-based Cameco Corp. [TSX: [CCO](#); NYSE: [CCJ](#)], the world's largest uranium producer, said in its Q1 report this year that its large Kazakhstani Inkai project may miss its 1.2 million pound uranium production target for this year by up to 50% due to short acid supplies.

Cameco said that commercial production could also be delayed at the Inkai project, as well as new parts of its largest project, located on Canada's McArthur River. Additionally, the company's large Cigar Lake project, also in Canada, will only resume production in 2011 at the earliest after a flood in October 2006 severely affected operations.

The expert said the announcement of such delays may be a gambit played by Cameco in response to the uranium price slump.

"If uranium prices keep falling, some medium- and small-sized mines will see no profit and suspend production," the expert said. This will allow larger producers to control the market and stabilize uranium prices.

Cameco's CEO, Gerald Grandey, told analysts last week that the company would continue to generate strong returns under any future spot price scenario. Jean Nortier, CEO of Uranium One, another Canada-based uranium producer, also predicted last week that the uranium market will lift again over the next three to five years.

To confront volatile uranium prices, the expert suggested that China prepare a strategic uranium reserve.

"At the moment, China's uranium consumption has little connection with the international market," he said. "However, it is still necessary to gain experience regarding international uranium trade and exploitation."

The expert said that China's present nuclear power sector accounts for around only 1.8% of the country's total energy consumption, though plans are underway to bring this figure up to 4% or more by 2020.

"By that time, China may need 7,000 tonnes to 8,000 tonnes of uranium per annum. The country only has around 100,000 tonnes of uranium reserves though, according to information China has submitted to the International Atomic Energy Agency (IAEA)," he said.

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